

Registered number: SC419949

Mark Birkbeck & Sons Limited

**Annual Report
and Financial Statements**

For the year ended 31 January 2017

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Mark Birkbeck & Sons Limited

Company Information

Directors	Mr M N T Birkbeck Mr P M Birkbeck
Company secretary	Mr P M Birkbeck
Registered number	SC419949
Registered office	The House of Bruar Blair Atholl Perth Perthshire PH18 5TW
Independent auditor	CLB Coopers Audit Services Fleet House New Road Lancaster LA1 1EZ

Mark Birkbeck & Sons Limited

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Mark Birkbeck & Sons Limited

Group strategic report For the year ended 31 January 2017

Business review

Our core operation continues to be that of the retail of clothing through our only retail location at The Falls of Bruar in Perthshire, Scotland. Our mail order brochure revenue continues to increase significantly and operates in tandem with our internet site. The House of Bruar boasts some of Britain's finest produce, clothing and rural artwork. Within our walls you will find items ranging from traditional Scottish tweed to cashmere jumpers and locally sourced food stuffs.

Financial key performance indicators

The business has continued to see the benefits of the policy to continually invest in the infrastructure of the site and in the generation of the mail order database. Additional buildings have been constructed on the Ballinluig Site to cater for increased direct shopping activity. Group turnover has increased from £24,435,060 to £26,704,283 and we are very pleased with the performance of the business.

The general state of the economy is a concern for luxury retailing and costs have increased significantly with the weakening of sterling. However we believe we are well placed to withstand any market downturn, as can be seen by our increase in turnover and maintained gross margins over the last three financial years.

In order to manage any cash flow risk and maintain healthy working capital and a continued debt free position in The House of Bruar Limited, the company monitors cash flow as part of its day to day control procedures and considers cash flow projections in both the short term and long term.

Other key performance indicators

Our income is mainly generated from two distinct sources, over the counter sales and mail order. A key indicator of over the counter sales which is monitored daily is the number of visitors to the store. This is achieved by the use of a counter on the car parks multiplied by an average of 2.57 people per car. During the year to 31 January 2017, the number of vehicles visiting the site increased by 7.34%.

Counter sales are also monitored daily against the same day of the previous calendar year, gross profit is monitored on a weekly basis and operating profit on a month by month basis.

Mail order sales are monitored by reviewing the quantity and the average value of orders placed on a daily basis. These values include orders generated by the internet.

Future opportunities

The company has worked with Transport Scotland for the past four years regarding the future commitment to dual the A9 between Perth and Inverness before 2025. In our opinion the numbers of visitors to the area will increase enormously once the road is finished, but the process and construction phase will cause problems. The indications are that a major junction will be built at the entrance to The House of Bruar encouraging travellers to use the retail premises.

During the disruptive construction phase of the A9, the business needs to expand the direct shopping elements of the operation. The core of mail order fulfilment operations has moved from the main site to Ballinluig, which will aid the progression to a multi season mail order business. During the year to January 2018, the intention is to finish the construction of the third warehouse on the site at Ballinluig.

There is an increasing demand for House of Bruar branded merchandise at retail and more significantly on the internet and via mail order. This is enhanced by the promotion of world famous brands offered via all channels to the customer.

Mark Birkbeck & Sons Limited

**Group strategic report
For the year ended 31 January 2017**

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Patrick Birkbeck', with a large, sweeping initial 'P'.

**Mr P M Birkbeck
Director**

Date: 30/01/18

Mark Birkbeck & Sons Limited

Directors' report For the year ended 31 January 2017

The directors present their report and the financial statements for the year ended 31 January 2017.

Directors' responsibilities statement

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company during the year was that of a holding company.

The principal activities of the company's subsidiaries during the year were high quality retailing and property development.

Results and dividends

The profit for the year, after taxation, amounted to £1,446,258 (2016 - £2,521,685).

The directors have not recommended payment of a dividend.

Directors

The directors who served during the year were:

Mr M N T Birkbeck
Mr P M Birkbeck

Future developments

The directors have outlined future plans for the group in the strategic report on pages 1-2.

Financial instruments

Details of the company's financial risk management objectives and policies are included in note 30 to the financial statements.

Mark Birkbeck & Sons Limited

**Directors' report (continued)
For the year ended 31 January 2017**

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company and the group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company and the group's auditor is aware of that information.

Post balance sheet events

Details of post balance sheet events are given in note 32 to the financial statements.

Auditor

The auditor, CLB Coopers, tendered its resignation. CLB Coopers Audit Services will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



Mr P M Birkbeck
Director

Date: 30/01/18

Independent auditor's report to the shareholders of Mark Birkbeck & Sons Limited

We have audited the financial statements of Mark Birkbeck & Sons Limited for the year ended 31 January 2017, set out on pages 7 to 35. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the group strategic report and the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

Mark Birkbeck & Sons Limited

Independent auditor's report to the shareholders of Mark Birkbeck & Sons Limited (continued)

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the group strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

CLB Coopers Audit Services

Philip Whiteway (senior statutory auditor)

for and on behalf of

CLB Coopers Audit Services

Statutory Auditor

Fleet House
New Road
Lancaster
LA1 1EZ

Date: 30/01/18

Mark Birkbeck & Sons Limited

**Consolidated statement of comprehensive income (including profit and loss account)
For the year ended 31 January 2017**

	Note	2017 £	2016 £
Turnover	4	26,704,283	24,435,060
Cost of sales		(14,110,837)	(13,185,056)
Gross profit		12,593,446	11,250,004
Administrative expenses		(10,070,824)	(8,812,687)
Exceptional administrative expenses	6	-	(40,835)
Other operating income	5	151,781	113,548
Fair value movements	15	(175,451)	1,050,000
Operating profit	6	2,498,952	3,560,030
Interest receivable and similar income	10	3,920	3,677
Interest payable and similar charges	11	(304,702)	(353,326)
Profit before taxation		2,198,170	3,210,381
Tax on profit	12	(751,912)	(688,696)
Profit for the year		1,446,258	2,521,685

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income (including profit and loss account).

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 13 to 35 form part of these financial statements.

Mark Birkbeck & Sons Limited
Registered number:SC419949

Consolidated balance sheet
As at 31 January 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	13	16,040,565	17,085,647
Tangible assets	14	15,173,577	14,496,103
Investments	15	3,835,285	4,010,736
		<u>35,049,427</u>	<u>35,592,486</u>
Current assets			
Stocks	16	6,268,778	5,836,374
Debtors: amounts falling due within one year	17	183,166	249,537
Cash at bank and in hand	18	5,725,288	4,824,392
		<u>12,177,232</u>	<u>10,910,303</u>
Creditors: amounts falling due within one year	19	(9,221,364)	(7,509,464)
Net current assets		<u>2,955,868</u>	<u>3,400,839</u>
Total assets less current liabilities		<u>38,005,295</u>	<u>38,993,325</u>
Creditors: amounts falling due after more than one year	20	(3,326,560)	(5,107,993)
Provisions for liabilities			
Deferred taxation	22	(278,479)	(298,423)
Net assets		<u><u>34,400,256</u></u>	<u><u>33,586,909</u></u>
Capital and reserves			
Called up share capital	23	1,428	1,428
Share premium account	24	2,000,000	2,000,000
Revaluation reserve	24	1,829,596	1,879,212
Profit and loss account: non-distributable	24	56,937	-
Profit and loss account	24	30,512,295	29,706,269
		<u><u>34,400,256</u></u>	<u><u>33,586,909</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr P M Birkbeck
Director

Date: 30/01/18



The notes on pages 13 to 35 form part of these financial statements.

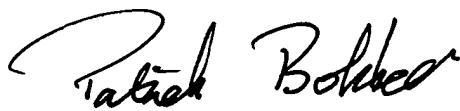
Mark Birkbeck & Sons Limited
Registered number:SC419949

Company balance sheet
As at 31 January 2017

	Note	2017 £	2016 £
Fixed assets			
Investments	15	42,700,000	42,700,000
		<u>42,700,000</u>	<u>42,700,000</u>
Current assets			
Cash at bank and in hand	18	18,195	205,772
		<u>18,195</u>	<u>205,772</u>
Creditors: amounts falling due within one year	19	(6,575,310)	(5,517,091)
		<u>(6,575,310)</u>	<u>(5,517,091)</u>
Net current liabilities		(6,557,115)	(5,311,319)
Total assets less current liabilities		36,142,885	37,388,681
Creditors: amounts falling due after more than one year	20	(3,326,560)	(5,107,993)
		<u>(3,326,560)</u>	<u>(5,107,993)</u>
Net assets		32,816,325	32,280,688
		<u><u>32,816,325</u></u>	<u><u>32,280,688</u></u>
Capital and reserves			
Called up share capital	23	1,428	1,428
Share premium account	24	2,000,000	2,000,000
Profit and loss account	24	30,814,897	30,279,260
		<u>32,816,325</u>	<u>32,280,688</u>
		<u><u>32,816,325</u></u>	<u><u>32,280,688</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Mr P M Birkbeck
 Director



Date: 30/01/18

The notes on pages 13 to 35 form part of these financial statements.

Mark Birkbeck & Sons Limited

**Consolidated statement of changes in equity
For the year ended 31 January 2017**

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account: non- distributable £	Profit and loss account £	Total equity £
At 1 February 2015	1,428	2,000,000	1,879,212	-	27,817,116	31,697,756
Profit for the year	-	-	-	-	2,521,685	2,521,685
Dividends: Equity capital	-	-	-	-	(632,532)	(632,532)
Non-distributable fair value movements	-	-	-	-	-	-
At 1 February 2016	1,428	2,000,000	1,879,212	-	29,706,269	33,586,909
Profit for the year	-	-	-	-	1,446,258	1,446,258
Dividends: Equity capital	-	-	-	-	(632,911)	(632,911)
Transfer to/from profit and loss account	-	-	(49,616)	-	49,616	-
Non-distributable fair value movements	-	-	-	56,937	(56,937)	-
At 31 January 2017	1,428	2,000,000	1,829,596	56,937	30,512,295	34,400,256

The notes on pages 13 to 35 form part of these financial statements.

Mark Birkbeck & Sons Limited

**Company statement of changes in equity
For the year ended 31 January 2017**

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 February 2015	1,428	2,000,000	29,737,948	31,739,376
Profit for the year	-	-	1,173,844	1,173,844
Dividends: Equity capital	-	-	(632,532)	(632,532)
At 1 February 2016	1,428	2,000,000	30,279,260	32,280,688
Profit for the year	-	-	1,168,548	1,168,548
Dividends: Equity capital	-	-	(632,911)	(632,911)
At 31 January 2017	1,428	2,000,000	30,814,897	32,816,325

The notes on pages 13 to 35 form part of these financial statements.

Mark Birkbeck & Sons Limited

Consolidated statement of cash flows
For the year ended 31 January 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	1,446,258	2,521,685
Adjustments for:		
Amortisation of intangible assets	1,148,649	1,142,357
Depreciation of tangible assets	793,664	690,081
Profit on disposal of tangible assets	(12,124)	-
(Increase)/Decrease in stocks	(432,404)	1,410,176
Interest payable	304,702	353,326
Interest receivable	(3,920)	(3,677)
Taxation	751,912	688,696
Decrease in debtors	66,371	53,872
Increase/(Decrease) in creditors	734,355	(409,100)
Change in fair value of investment properties	175,451	(1,050,000)
Corporation tax paid	(806,434)	(853,054)
Net cash generated from operating activities	4,166,480	4,544,362
Cash flows from investing activities		
Purchase of intangible fixed assets	(103,567)	(97,374)
Purchase of tangible fixed assets	(1,508,097)	(1,037,809)
Sale of tangible fixed assets	49,084	-
Interest received	3,920	3,677
Net cash from investing activities	(1,558,660)	(1,131,506)
Cash flows from financing activities		
Net increase in debenture loans	-	103,993
Net repayment of debenture loans	(769,311)	-
Dividends paid	(632,911)	(632,532)
Interest paid	(304,702)	(353,326)
Net cash used in financing activities	(1,706,924)	(881,865)
Net increase in cash and cash equivalents	900,896	2,530,991
Cash and cash equivalents at beginning of year	4,824,392	2,293,401
Cash and cash equivalents at the end of year	5,725,288	4,824,392
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	5,725,288	4,824,392
	5,725,288	4,824,392

1. General information

Mark Birkbeck & Sons Limited is a holding company with two trading subsidiaries. The House of Bruar Limited is a high quality retailer trading from the main retail outlet in Perthshire, Scotland and through its online and mail order business. M & L Birkbeck Property Limited is an investment property company which receives rental income from its property in the Bahamas. The company is a private company limited by shares and is incorporated and domiciled in Scotland. The address of its registered office is The House of Bruar, Blair Atholl, Perth, Perthshire, PH18 5TW.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include the holding of previously revalued freehold property at deemed cost, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the company's accounting policies (see note 3).

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The parent company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A.

These disclosures are included in the consolidated financial statements.

2.3 Basis of consolidation

The consolidated financial statements present the results of the company and its own subsidiaries ("the group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the profit and loss from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 February 2014.

2. Accounting policies (continued)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the group and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss over its useful economic life. The current rate of amortisation is considered appropriate by the directors given the increasing profitability and reputation of the subsidiary company to which the goodwill relates.

The negative goodwill arising on acquisition is not amortised to the profit and loss and is held at cost until the investment property to which it relates is sold.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Other intangible assets	-	5-33% straight line
Goodwill	-	5% straight line

2. Accounting policies (continued)

2.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following basis:

Freehold land and buildings	- 2% straight line
Leasehold property improvements	- over term of lease
Motor vehicles	- 25% straight line
Fixtures and fittings	- 10-15% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the profit and loss account.

2.7 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the profit and loss.

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

2. Accounting policies (continued)

2.9 Stocks

Stocks are stated at the lower of cost and the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit and loss.

2.10 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.11 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.12 Financial instruments

The group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2. Accounting policies (continued)

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Foreign currency translation

Functional and presentation currency

The group's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss except when deferred in other comprehensive income as qualifying cash flow hedges.

2.15 Finance costs

Finance costs are charged to the profit and loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.17 Pensions

Defined contribution pension plan

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations.

The contributions are recognised as an expense in the profit and loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the group in independently administered funds.

2. Accounting policies (continued)

2.18 Interest income

Interest income is recognised in the profit and loss using the effective interest method.

2.19 Borrowing costs

All borrowing costs are recognised in the profit and loss in the year in which they are incurred.

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

2.21 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company and the group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. Accounting policies (continued)

2.23 Related party transactions

The group discloses transactions with related parties which are not wholly owned within the same group. It does not disclose transactions with members of the same group that are wholly owned. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the group financial statements.

2.24 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the group but are presented separately due to their size or incidence.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Depreciation

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful lives of the assets. These are assessed annually. They are amended when necessary to reflect changes in the condition of the assets and future economic utilisation. Current depreciation rates of the classes of tangible fixed assets are detailed in accounting policy 2.6. See note 14 for the carrying amount of each class of tangible fixed assets.

Amortisation

The annual amortisation charge for intangible fixed assets is sensitive to changes in the estimated useful lives of the assets. These are assessed annually. Current amortisation rates of the intangible fixed assets are detailed in accounting policy 2.5. See note 13 for the carrying amount of the intangible fixed assets.

Stock provision

The group operates a perpetual stock system. The directors review sales each month and assess which lines of stock are not selling in line with expectations. Due to the nature of the stock and the market in which the group operates, lines of stock which are not selling frequently are discounted and sold for a lower margin before any provision is applied. A stock provision is applied by the directors if any stock lines are not selling despite being reduced for a period of time. The directors apply their knowledge of the stock and around the seasonal trends in the market and this is taken into account before any stock provision is applied.

Release of mail order costs

The group makes mail order sales through its mail order catalogues which are released bi-annually. The costs of producing these catalogues are held on the balance sheet in stock and released to the profit and loss over the period in which sales are made from the catalogue. The release of the costs is calculated by the directors on a monthly basis taking into account the sales made in that month and their knowledge of the trends in mail order sales based on previous years.

Impairment of investment properties

The group holds investment property at market value. The investment property shown in the group accounts is located in the Bahamas. The market value of the property is assessed by the directors annually and external valuations are obtained on a regular basis. Any impairment of the property is shown in the profit and loss. See note 15 for full details of the investment property held by the group.

Mark Birkbeck & Sons Limited**Notes to the financial statements
For the year ended 31 January 2017****4. Turnover**

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Retail	26,704,283	24,435,060
	<u>26,704,283</u>	<u>24,435,060</u>

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	26,145,584	24,012,061
Rest of Europe	276,251	205,621
Rest of the world	282,448	217,378
	<u>26,704,283</u>	<u>24,435,060</u>

5. Other operating income

	2017 £	2016 £
Net rents receivable	23,898	22,917
Sundry income	10,186	18,186
Commissions receivable	117,697	72,445
	<u>151,781</u>	<u>113,548</u>

6. Operating profit

The operating profit is stated after charging/(crediting):

	2017 £	2016 £
Depreciation of tangible fixed assets	793,664	690,081
Amortisation of intangible assets, including goodwill	1,148,649	1,142,357
Foreign exchange differences	69,525	(58,854)
Exceptional administrative expenses - bad debt written off	-	40,835
Change in fair value of investment property	175,451	(1,050,000)
	<u>175,451</u>	<u>(1,050,000)</u>

Mark Birkbeck & Sons Limited

**Notes to the financial statements
For the year ended 31 January 2017**

7. Auditor's remuneration

	2017 £	2016 £
Fees payable to the group's auditor for the audit of the group's annual accounts	<u>23,084</u>	<u>20,726</u>

Audit fees for the company were £5,004 (2016: £4,076).

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	4,372,290	3,881,750
Social security costs	329,374	294,452
Other pension costs	23,002	18,942
	<u>4,724,666</u>	<u>4,195,144</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2017 No.	2016 No.
Administrative	47	39
Sales	151	149
Warehouse	38	35
	<u>236</u>	<u>223</u>

9. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	69,906	65,325
Company contributions to defined contribution pension schemes	242	242
	<u>70,148</u>	<u>65,567</u>

During the year retirement benefits were accruing to 1 director (2016 - 1) in respect of defined contribution pension schemes.

Directors remuneration represents all remuneration in the current and prior year for key management personnel.

Mark Birkbeck & Sons Limited

**Notes to the financial statements
For the year ended 31 January 2017**

10. Interest receivable and similar income

	2017 £	2016 £
Other interest receivable	3,920	3,677
	<u>3,920</u>	<u>3,677</u>

11. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	7	-
Other loan interest payable	304,695	353,326
	<u>304,702</u>	<u>353,326</u>

12. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	771,856	682,698
Deferred tax		
Origination and reversal of timing differences	(3,364)	5,998
Changes to tax rates	(16,580)	-
Taxation on profit on ordinary activities	<u>751,912</u>	<u>688,696</u>

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 20% (2016 - 20.17%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	2,198,170	3,210,381
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016 - 20.17%)	439,634	647,534
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	211,006	212,799
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	1,891	8,423
Capital allowances for year in excess of depreciation	70,991	17,642
Profit on disposal of fixed assets	(2,425)	-
Capital items expensed	(32)	221
Decrease in tax charge due to change in tax rates	-	(283)
Capital items appropriated to stock	(3,142)	-
Non-tax changes in fair value of investment property	35,090	(211,785)
Capital gains	1,729	-
Changes in provisions leading to an increase in the tax charge	98	493
Unrelieved tax losses carried forward	13,652	13,652
Change in tax rate on opening deferred tax balances	(16,580)	-
Total tax charge for the year	751,912	688,696

Factors that may affect future tax charges

Future reductions to the UK corporation tax rates have been announced by the current UK government. The main rates of corporation tax will reduce from 20% to 19% for the financial years beginning 1 April 2017, 1 April 2018 and 1 April 2019. There will be a further reduction to 18% for the financial year beginning 1 April 2020.

Notes to the financial statements
For the year ended 31 January 2017

13. Intangible assets

Group

	Goodwill £	Negative goodwill £	Other intangible assets £	Total £
Cost				
At 1 February 2016	21,100,561	(112,313)	479,977	21,468,225
Additions	-	-	103,567	103,567
At 31 January 2017	<u>21,100,561</u>	<u>(112,313)</u>	<u>583,544</u>	<u>21,571,792</u>
Amortisation				
At 1 February 2016	4,060,382	-	322,196	4,382,578
Charge for the year	1,055,028	-	93,621	1,148,649
At 31 January 2017	<u>5,115,410</u>	<u>-</u>	<u>415,817</u>	<u>5,531,227</u>
Net book value				
At 31 January 2017	<u>15,985,151</u>	<u>(112,313)</u>	<u>167,727</u>	<u>16,040,565</u>
At 31 January 2016	<u>17,040,179</u>	<u>(112,313)</u>	<u>157,781</u>	<u>17,085,647</u>

The amortisation charge of £1,148,649 (2016: £1,142,357) is included in administrative expenses in the profit and loss.

The goodwill arose on the acquisition of 100% of the share capital of The House of Bruar on 6 April 2012. The goodwill is being amortised over 20 years to 6 April 2032.

Mark Birkbeck & Sons Limited

**Notes to the financial statements
For the year ended 31 January 2017**

14. Tangible fixed assets

Group

	Freehold property £	Leasehold property improvements £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 February 2016	12,619,617	946,163	130,438	2,311,919	450,334	16,458,471
Additions	850,269	650	89,428	446,619	121,132	1,508,098
Disposals	-	-	(70,324)	(26,667)	-	(96,991)
At 31 January 2017	<u>13,469,886</u>	<u>946,813</u>	<u>149,542</u>	<u>2,731,871</u>	<u>571,466</u>	<u>17,869,578</u>
Depreciation						
At 1 February 2016	478,586	112,029	76,991	1,016,936	277,826	1,962,368
Charge for the year	307,341	30,571	31,870	321,723	102,159	793,664
Disposals	-	-	(44,813)	(15,218)	-	(60,031)
At 31 January 2017	<u>785,927</u>	<u>142,600</u>	<u>64,048</u>	<u>1,323,441</u>	<u>379,985</u>	<u>2,696,001</u>
Net book value						
At 31 January 2017	<u>12,683,959</u>	<u>804,213</u>	<u>85,494</u>	<u>1,408,430</u>	<u>191,481</u>	<u>15,173,577</u>
At 31 January 2016	<u>12,141,031</u>	<u>834,134</u>	<u>53,447</u>	<u>1,294,983</u>	<u>172,508</u>	<u>14,496,103</u>

If the land and buildings held at deemed cost were stated on a historical cost basis rather than a deemed cost basis, the total amounts included would have been as follows:

	2017 £	2016 £
Group		
Cost	13,195,434	12,345,165
Accumulated depreciation	(2,324,604)	(2,072,368)
Net book value	<u>10,870,830</u>	<u>10,272,797</u>

Land and buildings were revalued at the date of transition to FRS 102 based on a valuation by DTZ Debenham Tie Leung Limited, independent valuers not connected with the company, on an open market value for existing use basis. The valuation conforms to International Valuation Standard and was based on recent market transactions on arm's length terms for similar properties.

Notes to the financial statements
For the year ended 31 January 2017

15. Fixed asset investments

Group

	Freehold investment property £	Other unlisted investments £	Total £
Cost or valuation			
At 1 February 2016	3,750,000	260,736	4,010,736
Revaluations	(175,451)	-	(175,451)
At 31 January 2017	<u>3,574,549</u>	<u>260,736</u>	<u>3,835,285</u>
Net book value			
At 31 January 2017	<u>3,574,549</u>	<u>260,736</u>	<u>3,835,285</u>
At 31 January 2016	<u>3,750,000</u>	<u>260,736</u>	<u>4,010,736</u>

The main component of investment property was valued on 30 January 2017 by external valuers with a recognised and relevant professional qualification and recent experience in the location and category of the investment property being valued. The valuation was carried out by H.G. Christie Limited on an open market value for existing use basis. In the opinion of the directors the fair value of the investment property is not materially different from the valuation report prepared. The directors have applied the principles used in valuing the main component to assess the fair value of the remaining smaller component of investment property.

The decrease in fair value of £175,451 (2015: increase of £1,050,000) is recognised in operating profit in the profit and loss account.

Other unlisted investments are held at historic cost.

Mark Birkbeck & Sons Limited

**Notes to the financial statements
For the year ended 31 January 2017**

15. Fixed asset investments (continued)

Company

	Shares in group undertakings £
Cost or valuation	
At 1 February 2016	42,700,000
At 31 January 2017	<u>42,700,000</u>
Net book value	
At 31 January 2017	<u>42,700,000</u>
At 31 January 2016	<u>42,700,000</u>

Details of the principal subsidiaries can be found in note 34 to the financial statements.

16. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Finished goods and goods for resale	6,268,778	5,836,374	-	-
	<u>6,268,778</u>	<u>5,836,374</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £14,110,837 (2016: £13,185,055).

17. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	7,071	21,816	-	-
Other debtors	29,932	106,667	-	-
Prepayments and accrued income	146,163	121,054	-	-
	<u>183,166</u>	<u>249,537</u>	<u>-</u>	<u>-</u>

Mark Birkbeck & Sons Limited

**Notes to the financial statements
For the year ended 31 January 2017**

18. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	5,725,288	4,824,392	18,195	205,772
	5,725,288	4,824,392	18,195	205,772

19. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Loan notes	6,362,495	5,350,373	6,362,495	5,350,373
Trade creditors	522,789	491,211	-	-
Corporation tax	245,871	280,449	-	-
Taxation and social security	1,086,273	769,350	78,055	52,485
Other creditors	609,756	491,935	130,502	109,975
Accruals and deferred income	394,180	126,146	4,258	4,258
	9,221,364	7,509,464	6,575,310	5,517,091

20. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Loan notes	3,326,560	5,107,993	3,326,560	5,107,993
	3,326,560	5,107,993	3,326,560	5,107,993

Notes to the financial statements
For the year ended 31 January 2017

21. Financial instruments

	Group 2017 £	Group 2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	27,071	41,816
	<u>27,071</u>	<u>41,816</u>
Financial liabilities		
Financial liabilities measured at amortised cost	(10,769,150)	(11,441,512)
	<u>(10,769,150)</u>	<u>(11,441,512)</u>

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, loan notes, directors loan accounts and other creditors. The loan notes are unsecured and repayable to shareholders and related parties in line with the repayment schedule. The group pays 4% interest on the loan notes.

Notes to the financial statements
For the year ended 31 January 2017

Group

23. Share capital

As respects dividends, the shares participate in a distribution to such extent as the directors determine or recommend.

24. Reserves

Share premium account

The share premium account represents any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve

Revaluation reserve represents the accumulated revaluation gains on freehold land and buildings held by the group.

Profit and loss account

Profit and loss account represents accumulated comprehensive income for the year and prior periods net of equity dividends paid.

Non-distributable profit and loss account

Non-distributable profit and loss account represents the accumulated fair value gains on investment property held by the group.

25. Dividends

	2017 £	2016 £
Dividends paid on equity capital	<u>632,911</u>	<u>632,532</u>
	<u><u>632,911</u></u>	<u><u>632,532</u></u>

26. Parent company profit for the year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own statement of comprehensive income in these financial statements. The profit after tax of the parent company for the year was £1,168,548 (2016 - £1,173,844).

27. Capital commitments

At 31 January 2017 the group and company had capital commitments as follows:

	Group 2017 £	Group 2016 £
Contracted for but not provided in these financial statements	<u>154,537</u>	<u>709,740</u>
	<u><u>154,537</u></u>	<u><u>709,740</u></u>

28. Pension commitments

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the group in independent trustee administered funds. The pension costs charge for the year amounted to £23,002 (2016: £18,942). At the balance sheet date £5,868 (2016: £4,892) was owed to the pension scheme.

29. Commitments

Rent is payable to The Bruar Trust each year calculated at £1,300 plus 1.5% of turnover on certain departments of the business subject to a minimum rental payment of £35,000 per annum. Rent paid in the year ended 31 January 2017 amounted to £265,730 (2016: £145,553).

The group had commitments to buy a total of 500,000 euros for an average rate of 1.1800 euros:£1 and a total of 700,000 US dollars for an average rate of 1.2868 US dollars:£1 at various dates before the 12 July 2017.

30. Financial instruments

The group holds or issues financial instruments in order to achieve three main objectives, being:

- (a) to finance its operations;
- (b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and
- (c) to facilitate trading.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the group's operations.

Transactions in financial instruments result in the group assuming or transferring to another party one or more of the financial risks described below.

Credit risk

The group has no significant concentrations of credit risk. Amounts shown in the balance sheet best represent the maximum credit risk exposure in the event other parties fail to perform their obligations under financial instruments.

Liquidity risk

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring that the group has sufficient liquid resources to meet the operating needs of the business.

Currency risk

The group's principal foreign currency exposures arise via:

- (a) Purchasing goods from overseas companies. The group seeks to invoice and be invoiced in its principal trading currency wherever possible so as to minimise its exposure to foreign currency movements.
- (b) Bank accounts held in foreign currencies. The group has engaged in forward positions to minimise risk exposure.

31. Related party transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 102 and has therefore not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is a party to the transaction is wholly owned by a member of that group.

During the year the group charged rent amounting to £9,680 (2016: £10,108) to a director.

During the year the group and company continued to borrow funds from directors. Interest of £60,909 (2016: £64,520) was charged on these loans by the group and company. During the year the group and company paid dividends amounting to £600,379 (2016: £600,000) to directors. At the balance sheet date the group owed £1,402,621 (2016: £1,626,267) to directors. At the balance sheet date the company owed £1,146,077 (2016: £1,444,980) to directors.

During the year the group and company continued to borrow funds from shareholders. Interest of £88,164 (2016: £91,931) was charged on these loans by the group and company. During the year the group and company paid dividends amounting to £32,532 (2016: £32,532) to shareholders. At the balance sheet date the group and company owed £2,305,310 (2016: £2,424,454) to shareholders.

During the year the group charged rent amounting to £1,975 (2016: £2,277) to other related parties.

During the year the group and company continued to borrow funds from other related parties. Interest of £155,836 (2016: £196,875) was charged on these loans by the group and company. At the balance sheet date the group owed £6,526,000 (2016: £6,841,511) to other related parties. At the balance sheet date the company owed £6,368,383 (2016: £6,698,906) to other related parties.

During the year the group paid remuneration of £76,408 (2016: £66,885) to related parties.

32. Post balance sheet events

Since the balance sheet date the company has taken out borrowings in order to repay existing loan notes. These borrowings are secured by floating charges over the assets of the company.

33. Controlling party

The ultimate controlling party in the current and previous year is Mr M N T Birkbeck by virtue of his majority shareholding.

Mark Birkbeck & Sons Limited

**Notes to the financial statements
For the year ended 31 January 2017**

34. Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
The House of Bruar Limited	Ordinary	100 %	High quality retailing
M & L Birkbeck Property Limited	Ordinary	100 %	Property development