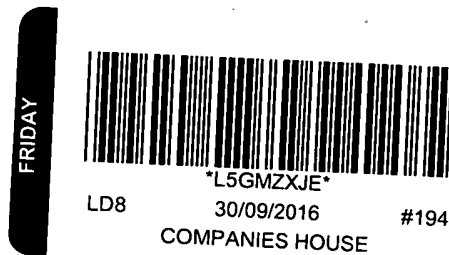


Company Registration No. 05448420 (England and Wales)

SME INVESTMENTS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016



KLSA
Chartered Accountants

PKF
Member firm of PKF International Ltd

SME INVESTMENTS LIMITED

COMPANY INFORMATION

Directors	Mrs S Esmail Mr S M Esmail Mr A M Esmail
Secretary	Mrs S Esmail Mr S M Esmail Mr A M Esmail
Company number	05448420
Registered office	Runway House The Runway South Ruislip Middlesex HA4 6SE
Auditor	KLSA LLP 28-30 St. John's Square London EC1M 4DN
Bankers	Royal Bank of Scotland Plc 354 Station Road Harrow Middlesex HA1 2XZ

SME INVESTMENTS LIMITED

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SME INVESTMENTS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present the strategic report for the year ended 31 March 2016.

Fair review of the business

The results for the period under review and the financial position at the period end were considered satisfactory by the directors. The group's objective is to achieve sustainable rates of growth and returns through a combination of organic growth and acquisition of new outlets.

As shown in the group's profit and loss account set out on page 7, the group made a profit after tax of £4.2m (2015 - £1.7m).

The group's balance sheet on page 9 shows that its financial position remains strong with net assets of £24.67m (2015 - £20.4m).

The development strategy is to continue the implementation of several operational initiatives to drive like for like sales and enhance margins. The key areas of continued operational focus include the achievement of high standards of customer service and investment in the training and development of our outlet managers and staff.

Key Performance Indicators

The board monitors progress on the overall group strategy and the individual strategic elements by reference to a number of key performance indicators. The key financial performance indicators of the group are gross profit margins and turnover.

The gross profit for the group under review was £17.65m (2015 - £16.08m), producing a satisfactory gross margin of 69% (2015 - 68%) on a turnover of £25.4m (2015 - £23.75m).

The key non financial performance indicators are adherence to a high quality of operational standards set by the franchisors.

Financial Instruments

The group's policy is to finance its operations on a medium term basis from retained profits, inter-company borrowings and bank facilities. Additional uncommitted borrowing and overdraft facilities are utilised for short term financing requirements.

The financial instruments utilised by the group are borrowings, short-term cash deposits and items such as trade creditors which arise directly from operations. Borrowing and deposit facilities are on a floating rate basis. The group's policy is not to trade in financial instruments.

SME INVESTMENTS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. Risks are reviewed by the directors and appropriate processes put in place to monitor and mitigate them. The key business risks affecting the group are set out below:-

Competition

The group operates in a highly competitive market particularly around service offering, price and product quality. There is a risk that we will not meet our customers expectations. In order to mitigate this risk, the marketing teams from the franchisor monitor market offerings and pricing on an ongoing basis and the group, through the franchisor, undertakes regular 'mystery guest' visits to all our restaurants to ensure menu offering and customer service are maintained to a high standard.

Employees

The group's performance depends largely on its managers and staff, both at the restaurant and head office level. The resignation of key individuals and the inability to recruit people with the right experience and skills could adversely impact the group's results. To mitigate these issues the group have invested in a training programme for all staff to maintain high service levels and have a number of schemes linked to the group's results that are designed to reward and retain key individuals.

Business

The group has an established base of suppliers and prides itself on the quality of its products. The group could be adversely affected by an epidemic affecting the food chain. In order to mitigate this, the group purchases its food supplies from accredited suppliers.

Financial risk management

The main financial risks inherent from the group's operations are credit risk, interest rate risk and liquidity risk. The directors monitor the net debt, banking facilities and cashflows on a regular basis and adequate working capital facilities are in place.

Future developments

The directors aim to continue with the management policies which has resulted in the group's steady growth in recent years.

The outlook for 2017 is reasonably encouraging with the directors being optimistic that the current performance can be maintained and prospective growth from new stores.

On behalf of the board



Mrs S Esmail

Director

28 September 2016

SME INVESTMENTS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2016

The directors present their annual report and financial statements for the year ended 31 March 2016.

Principal activities

The principal activity of the company was that of a holding company and the principal activity of the group companies were that of restaurateurs.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs S Esmail
Mr S M Esmail
Mr A M Esmail

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the group continues and that the appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The group's policy is to consult and discuss with employees through meetings on matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

The auditor, KLSA LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

SME INVESTMENTS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the 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 group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

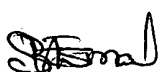
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company and group is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company and group is aware of that information.

On behalf of the board



Mrs S Esmail

Director

28 September 2016

SME INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SME INVESTMENTS LIMITED

We have audited the financial statements of SME Investments Limited for the year ended 31 March 2016 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity set out on pages 7 to 36. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 set out on 4, 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 Auditing Practices Board'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 annual 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 March 2016 and of its 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 the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SME INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SME INVESTMENTS LIMITED

Matters on which we are required to report by exception

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.

Shilpa Chheda (Senior Statutory Auditor)
for and on behalf of KLSA LLP
Chartered Accountants
Statutory Auditor
28-30 St. John's Square
London
EC1M 4DN

28 September 2016

SME INVESTMENTS LIMITED

GROUP PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	2015 £
Turnover	3	25,416,203	23,751,978
Cost of sales		(7,766,587)	(7,673,738)
Gross profit		17,649,616	16,078,240
Administrative expenses		(15,101,269)	(14,183,583)
Other operating income		673,292	652,986
Operating profit	4	3,221,639	2,547,643
Share of results of associates undertakings		265,737	159,903
Interest receivable and similar income	7	59	28
Interest payable and similar charges	8	(630,554)	(615,490)
Amounts written off investments		(162)	69
Fair value gains and losses on investment properties		2,399,923	-
Profit before taxation		5,256,642	2,092,153
Taxation	9	(1,002,506)	(387,952)
Profit for the financial year		4,254,136	1,704,201
Profit for the financial year is attributable to:			
- Owners of the parent company		3,926,301	1,677,894
- Non-controlling interests		327,835	26,307
		4,254,136	1,704,201

SME INVESTMENTS LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	2016 £	2015 £
Profit for the year	4,254,136	1,704,201
Other comprehensive income	-	-
Total comprehensive income for the year	<u>4,254,136</u>	<u>1,704,201</u>
Total comprehensive income for the year is attributable to:		
- Owners of the parent company	3,926,301	1,677,894
- Non-controlling interests	<u>327,835</u>	<u>26,307</u>
	<u>4,254,136</u>	<u>1,704,201</u>

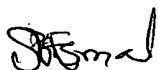
SME INVESTMENTS LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	2015 £
Fixed assets			
Goodwill	10	15,000	20,000
Tangible assets	11	23,610,393	23,862,041
Investment properties	12	28,964,499	25,339,150
Investments	13	3,770,102	3,504,527
		<u>56,359,994</u>	<u>52,725,718</u>
Current assets			
Stocks	17	183,306	142,307
Debtors	18	8,572,064	9,355,351
Cash at bank and in hand		1,953,088	1,528,646
		<u>10,708,458</u>	<u>11,026,304</u>
Creditors: amounts falling due within one year	19	<u>(21,883,889)</u>	<u>(22,321,145)</u>
Net current liabilities		<u>(11,175,431)</u>	<u>(11,294,841)</u>
Total assets less current liabilities		<u>45,184,563</u>	<u>41,430,877</u>
Creditors: amounts falling due after more than one year	20	<u>(18,670,746)</u>	<u>(19,627,017)</u>
Provisions for liabilities	22	<u>(1,845,048)</u>	<u>(1,389,228)</u>
Net assets		<u><u>24,668,769</u></u>	<u><u>20,414,632</u></u>
Capital and reserves			
Called up share capital	24	100	100
Revaluation reserve		596,101	596,101
Other reserves		7,050,743	7,050,743
Profit and loss reserves		16,277,454	12,351,152
		<u>23,924,398</u>	<u>19,998,096</u>
Equity attributable to owners of the parent company		<u>23,924,398</u>	<u>19,998,096</u>
Non-controlling interests		<u>744,371</u>	<u>416,536</u>
		<u><u>24,668,769</u></u>	<u><u>20,414,632</u></u>

The financial statements were approved by the board of directors and authorised for issue on 28 September 2016 and are signed on its behalf by:



Mrs S Esmail
Director


SME INVESTMENTS LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Fixed assets					
Investments	13		387,200		387,200
Current assets					
Debtors	18	2,775,000		2,775,000	
Cash at bank and in hand		100		100	
		<u>2,775,100</u>		<u>2,775,100</u>	
Creditors: amounts falling due within one year	19	<u>(3,162,513)</u>		<u>(3,162,513)</u>	
Net current liabilities			<u>(387,413)</u>		<u>(387,413)</u>
Total assets less current liabilities			<u>(213)</u>		<u>(213)</u>
Capital and reserves					
Called up share capital	24		100		100
Profit and loss reserves			<u>(313)</u>		<u>(313)</u>
Total equity			<u>(213)</u>		<u>(213)</u>

The financial statements were approved by the board of directors and authorised for issue on 28 September 2016 and are signed on its behalf by:



Mrs S Esmail
Director

Company Registration No. 05448420

SME INVESTMENTS LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £	Revaluation reserve £	Other reserves £	Profit and loss reserves £	Total controlling interest £	Non-controlling interest £	Total £
Balance at 1 April 2014		100	596,101	7,050,743	10,673,256	18,320,200	390,229	18,710,429
Year ended 31 March 2015:								
Profit and total comprehensive income for the year		-	-	-	1,677,894	1,677,894	26,307	1,704,201
Balance at 31 March 2015		100	596,101	7,050,743	12,351,152	19,998,096	416,536	20,414,632
Year ended 31 March 2016:								
Profit and total comprehensive income for the year		-	-	-	3,926,301	3,926,301	327,835	4,254,136
Balance at 31 March 2016		100	596,101	7,050,743	16,277,454	23,924,398	744,371	24,668,769

SME INVESTMENTS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2016

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 April 2014		100	(313)	(213)
Year ended 31 March 2015:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 March 2015		100	(313)	(213)
Year ended 31 March 2016:				
Profit and total comprehensive income for the year		-	-	-
Balance at 31 March 2016		100	(313)	(213)

SME INVESTMENTS LIMITED

GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	Notes	2016 £	£	2015 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	28	4,647,843		(2,581,112)	
Interest paid		(630,554)		(615,490)	
Income taxes paid		(402,769)		(439,792)	
Net cash inflow/(outflow) from operating activities		3,614,520		(3,636,394)	
Investing activities					
Purchase of tangible fixed assets		(558,076)		(3,278,602)	
Purchase of investment property		(1,225,426)		(391,061)	
Interest received		59		28	
Net cash used in investing activities		(1,783,443)		(3,669,635)	
Financing activities					
New long term bank loans		-		12,055,652	
Repayment of bank loans		(958,275)		(3,078,820)	
Net cash (used in)/generated from financing activities		(958,275)		8,976,832	
Net increase in cash and cash equivalents		872,802		1,670,803	
Cash and cash equivalents at beginning of year		(7,428,039)		(9,098,841)	
Cash and cash equivalents at end of year		(6,555,236)		(7,428,039)	
Relating to:					
Cash at bank and in hand		1,953,088		1,528,646	
Bank overdrafts included in creditors payable within one year		(8,508,324)		(8,956,685)	

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

Company information

SME Investments Limited ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is Runway House, The Runway, South Ruislip, Middlesex, HA4 6SE.

The Group consists of SME Investments Limited and all of its subsidiaries.

1.1 Accounting convention

The Group and individual financial statements of SME Investments Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

These consolidated and separate financial statements have been prepared on a going concern basis, under the historical cost convention, as modified to include revaluation of fixed assets and the recognition of certain financial assets and liabilities measured at fair value.

The preparation of financial statements requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

These Group and Company financial statements for the year ended 31 March 2016 are the first financial statements of SME Investments Limited and the group prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements for the preceding period were prepared in accordance with previous UK GAAP. The date of transition to FRS 102 was 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 29.

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £0 (2015 - £0 profit).

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Basis of consolidation

The consolidated financial statements incorporate those of SME Investments Limited and all of its subsidiaries (ie entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2016. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over whose operating and financial policies the group exercises a significant influence, are treated as associates. In the group financial statements, associates are accounted for using the equity method.

1.2 Going concern

As at 31 March 2016, the group's current liabilities exceeded its current assets by £11.18 million (2015: £11.29 million). The company and group are financed partly by equity, shareholders loans and by way of banking facilities. The group is therefore dependent upon its bankers and shareholders for continuing financial support and at the time of approving the financial statements, the directors have a reasonable expectation that this will be provided and also that the group has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for food and beverages provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates. Turnover from restaurants is recognised when payment is tendered by the customer at the point of sale.

1.4 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of between 10 and 20 years.

1.5 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.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Freehold	2% on cost of building
Land and buildings Leasehold	Over the terms of the lease
Fixtures, fittings & equipment	7.50% on reducing balance
Motor vehicles	25% on reducing balance

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2016**

1 Accounting policies

(Continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.6 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured using the fair value model and stated at its fair value as the reporting end date. The surplus or deficit on revaluation is recognised in the profit and loss account.

Where fair value cannot be achieved without undue cost or effort, investment property is accounted for as tangible fixed assets.

1.7 Fixed asset investments

Equity instruments which are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2016**

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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 finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2016**

1 Accounting policies

(Continued)

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

1.14 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.15 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.16 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.17 Rental income

Rental income is accounted for in the profit and loss on receivable basis.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2016

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016 £	2015 £
Turnover		
Restaurants	24,591,650	22,926,059
Property Management	824,553	825,919
	<u>25,416,203</u>	<u>23,751,978</u>

Other significant revenue

Interest income	<u>59</u>	<u>28</u>
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Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	<u>25,416,203</u>	<u>23,751,978</u>

4 Operating loss

	2016 £	2015 £
Operating loss for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	809,722	820,768
Amortisation of intangible assets	5,000	5,000
Cost of stocks recognised as an expense	7,766,587	7,673,738
Operating lease charges	<u>486,730</u>	<u>405,455</u>

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

5 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the group and company	-	-
Audit of the company's subsidiaries	29,700	31,200
For other services		
Tax compliance services	5,000	5,000
Other advisory services	28,750	28,750
	<u>33,750</u>	<u>33,750</u>

6 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2016 Number	2015 Number
Management	32	26
Operational	432	433
	<u>464</u>	<u>459</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	5,880,650	5,420,340
Social security costs	344,674	316,008
Pension costs	14,756	2,650
	<u>6,240,080</u>	<u>5,738,998</u>

7 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	59	28
	<u>59</u>	<u>28</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	59	28
	<u>59</u>	<u>28</u>

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

8 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	630,554	615,490

9 Taxation

	2016 £	2015 £
Current tax		
UK corporation tax on profits for the current period	546,685	399,870
Adjustments in respect of prior periods	-	(495)
Total current tax	546,685	399,375
Deferred tax		
Origination and reversal of timing differences	455,821	(11,423)
Total tax charge	1,002,506	387,952

The charge for the year can be reconciled to the profit per the profit and loss account as follows:

	2016 £	2015 £
Profit before taxation	5,256,642	2,091,556
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.54%)	1,051,328	429,606
Tax effect of expenses that are not deductible in determining taxable profit	11,924	4,390
Gains not taxable	(479,985)	-
Depreciation on assets not qualifying for tax allowances	159,754	166,166
Capital allowances	(140,280)	(180,082)
Other tax adjustments	(56,057)	(20,706)
Deferred tax	455,822	1,939
Transition adjustments	-	(13,361)
Tax expense for the year	1,002,506	387,952

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

10 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 April 2015 and 31 March 2016	1,068,950
Amortisation and impairment	
At 1 April 2015	1,048,950
Amortisation charged for the year	5,000
At 31 March 2016	1,053,950
Carrying amount	
At 31 March 2016	15,000
At 31 March 2015	20,000

The company had no intangible fixed assets at 31 March 2016 or 31 March 2015.

11 Tangible fixed assets

Group	Land and buildings Freehold £	Land and buildings Leasehold £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2015	15,639,493	844,101	13,164,897	4,718	29,653,209
Additions	108,474	-	449,602	-	558,076
At 31 March 2016	15,747,967	844,101	13,614,499	4,718	30,211,285
Depreciation and impairment					
At 1 April 2015	728,153	206,828	4,853,768	2,421	5,791,170
Depreciation charged in the year	144,994	17,928	646,228	572	809,722
At 31 March 2016	873,147	224,756	5,499,996	2,993	6,600,892
Carrying amount					
At 31 March 2016	14,874,820	619,345	8,114,503	1,725	23,610,393
At 31 March 2015	14,911,342	637,273	8,311,129	2,297	23,862,041

The company had no tangible fixed assets at 31 March 2016 or 31 March 2015.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

11 Tangible fixed assets

(Continued)

The valuations of freehold land and buildings were made as at 9 September 2016 and 15 September 2014 by R Whitley & Co., Chartered Surveyors, on an open market basis.

In the opinion of the directors, the market value at the balance sheet date is not materially different to this valuation.

On an historical cost basis these would have been included at an original cost of £15,151,866 (2015 - £15,043,392).

12 Investment property

	Group 2016 £	Company 2016 £
Fair value		
At 1 April 2015 and 31 March 2016	25,339,150	-
Additions	1,225,426	-
Net gains or losses through fair value adjustments	2,399,923	-
	<u>28,964,499</u>	<u>-</u>
At 31 March 2016	<u>28,964,499</u>	<u>-</u>

The valuations of investment properties were made as at 9 September 2016 and 15 September 2014 by R Whitley & Co., Chartered Surveyors, on an open market basis.

In the opinion of the directors, the market value at the balance sheet date is not materially different to this valuation.

On an historical cost basis these would have been included at an original cost of £22,076,364 (2015 - £20,850,938).

13 Fixed asset investments

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Investments in subsidiaries	14	-	-	387,200	387,200
Investments in associates	15	3,769,103	3,503,366	-	-
Listed investments		999	1,161	-	-
		<u>3,770,102</u>	<u>3,504,527</u>	<u>387,200</u>	<u>387,200</u>
Listed investments carrying amount		<u>999</u>	<u>1,161</u>	<u>-</u>	<u>-</u>

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

13 Fixed asset investments

(Continued)

Movements in fixed asset investments Group

Listed
investments
and
investments in
associates
£

Cost or valuation

At 31 March 2016

3,504,527

Share of retained profit for the year

265,737

Valuation changes

(162)

At 31 March 2016

3,770,102

Carrying amount

At 31 March 2016

3,770,102

At 31 March 2015

3,504,527

Movements in fixed asset investments Company

Listed
investments
and
investments in
associates
£

Cost or valuation

At 1 April 2015 & 31 March 2016

387,200

Carrying amount

At 31 March 2016

387,200

At 31 March 2015

387,200

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
**Mossdyp Limited	England and Wales	Restaurants	Ordinary	100.00
**Alim Investments Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Properties Limited	England and Wales	Property Investment Company	Ordinary	100.00
**SME Corporation Limited	England and Wales	Restaurants	Ordinary	100.00
Aldwych Harrow Limited	England and Wales	Property Investment Company	Ordinary	75.00
**SME Enterprise Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Fast Foods Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Coffee (2) Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Pizza(3) Limited	England and Wales	Restaurants	Ordinary	100.00
**Alim Caterers Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Coffee (3) Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Corporation (2) Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Pizza (4) Limited	England and Wales	Restaurants	Ordinary	100.00
**SME Coffee (4) Limited	England and Wales	Restaurants	Ordinary	100.00

15 Associates

Details of associates at 31 March 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
S & M (Stonebridge Park) Limited	England and Wales	Property investment company	Ordinary	50.00
Aldwych Leisure Ltd	England and Wales	Property investment company	Ordinary	50.00

**These companies are wholly owned subsidiaries of the company.

***S&M (Stonebridge Park) Limited is a wholly owned subsidiary of Aldwych Leisure Limited.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

16 Financial instruments

	Group 2016 £	2015 £	Company 2016 £	2015 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	8,371,155	9,138,659	2,775,000	2,775,000
Equity instruments measured at cost less impairment	3,770,102	3,504,527	387,200	387,200
Carrying amount of financial liabilities				
Measured at amortised cost	39,205,715	40,762,328	3,162,513	3,162,513

17 Stocks

	Group 2016 £	2015 £	Company 2016 £	2015 £
Raw materials and consumables	183,306	142,307	-	-

18 Debtors

	Group 2016 £	2015 £	Company 2016 £	2015 £
Amounts falling due within one year:				
Trade debtors	90,087	17,106	-	-
Amounts due from fellow group undertakings	7,781,393	8,547,339	2,775,000	2,775,000
Other debtors	513,433	638,664	-	-
Prepayments and accrued income	187,151	152,242	-	-
	8,572,064	9,355,351	2,775,000	2,775,000

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

19 Creditors: amounts falling due within one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	21	10,727,002	11,177,367	1,775,413	2,275,413
Trade creditors		1,782,866	1,867,096	-	-
Amounts due to group undertakings		5,616,486	5,593,329	1,387,100	887,100
Corporation tax payable		525,758	381,841	-	-
Other taxation and social security		823,162	803,993	-	-
Other creditors		1,736,657	1,641,979	-	-
Accruals and deferred income		671,958	855,540	-	-
		<u>21,883,889</u>	<u>22,321,145</u>	<u>3,162,513</u>	<u>3,162,513</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

20 Creditors: amounts falling due after more than one year

	Notes	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans and overdrafts	21	<u>18,670,746</u>	<u>19,627,017</u>	<u>-</u>	<u>-</u>

21 Loans and overdrafts

	Group 2016 £	2015 £	Company 2016 £	2015 £
Bank loans	20,889,424	21,847,699	-	-
Bank overdrafts	<u>8,508,324</u>	<u>8,956,685</u>	<u>1,775,413</u>	<u>2,275,413</u>
	<u>29,397,748</u>	<u>30,804,384</u>	<u>1,775,413</u>	<u>2,275,413</u>
Payable within one year	10,727,002	11,177,367	1,775,413	2,275,413
Payable after one year	<u>18,670,746</u>	<u>19,627,017</u>	<u>-</u>	<u>-</u>

Amounts included above which fall due after five years:

Payable by instalments	<u>4,920,298</u>	<u>4,184,745</u>	<u>-</u>	<u>-</u>
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SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

21 Loans and overdrafts

(Continued)

The bank loans and overdraft are secured by a fixed charge over the freehold property and by a debenture over the assets of the subsidiary companies. The loans are subject to commercial rates of interest. The repayment terms of the bank loans range from monthly and quarterly payments of interest and/or capital and interest.

22 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016 £	Liabilities 2015 £
Group		
Accelerated capital allowances	500,678	510,702
Revaluation of investment properties	1,344,370	878,527
	<u>1,845,048</u>	<u>1,389,229</u>

The company has no deferred tax assets or liabilities.

	Group 2016 £	Company 2016 £
Movements in the year:		
Liability at 1 April 2015	1,389,228	-
Charge to profit or loss	455,820	-
Liability at 31 March 2016	<u>1,845,048</u>	<u>-</u>

23 Retirement benefit schemes

	2016 £	2015 £
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	<u>14,756</u>	<u>2,650</u>

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

24 Share capital

	Group and company	
	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	100	100

25 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Within one year	309,000	428,000	-	-
Between two and five years	857,000	1,142,750	-	-
In over five years	725,000	1,143,000	-	-
	<u>1,891,000</u>	<u>2,713,750</u>	<u>-</u>	<u>-</u>

26 Related party transactions

Transactions with related parties

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2016**

26 Related party transactions

(Continued)

The group has taken advantage of the exemption available in FRS 102 (s33 "Related Party Disclosure"), whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the group.

At the period end, the balance receivable from non-wholly owned subsidiary undertakings of the group amounted to £5,386,246 (2015: £5,810,045).

At the period end, the balance payable to non-wholly owned subsidiary undertakings of the group amounted to £1,415,154 (2015: £1,105,676).

Company

The company has taken advantage of the exemption available in FRS 102 (s33 "Related Party Disclosure"), whereby it has not disclosed transactions with any wholly owned subsidiary undertaking of the group.

Other than the transactions disclosed below, the company's other related party transactions were with wholly owned subsidiaries and so have not been disclosed.

At the period end, the balance receivable from non-wholly owned subsidiary undertakings of the group amounted to £2,775,000 (2015: £2,775,000).

27 Controlling party

In the opinion of the directors, the ultimate parent company is SME Group Plc, a company registered in England & Wales. SME Group Plc prepares group financial statements and copies can be obtained from Charlwood House, The Runway, South Ruislip, Middlesex HA4 6SE.

The ultimate controlling party is Mrs S Esmail.

The smallest and largest group for which SME Investments Limited is a member for which group financial statements are prepared is SME Group Plc and copies of the consolidated financial statements can be obtained from Charlwood House, The Runway, South Ruislip, Middlesex HA4 6SE.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

28 Cash generated from group operations

	2016 £	2015 £
Profit for the year after tax	4,254,139	1,704,201
Adjustments for:		
Share of results of associates and joint ventures	(265,737)	(159,903)
Taxation charged	1,002,506	387,952
Finance costs	630,554	615,490
Investment income	(59)	(28)
Fair value gains and losses on foreign exchange contracts and investment properties	(2,399,923)	-
Amortisation and impairment of intangible assets	5,000	5,000
Depreciation and impairment of tangible fixed assets	809,722	820,768
Amounts written off investments	162	(69)
Movements in working capital:		
(Increase)/decrease in stocks	(40,999)	358
Decrease/(increase) in debtors	732,595	(3,088,241)
(Decrease) in creditors	(80,116)	(2,866,639)
Cash generated from/(absorbed by) operations	4,647,844	(2,581,111)

29 Reconciliations on adoption of FRS 102

Reconciliation of equity - group

	Notes	1 April 2014 £	31 March 2015 £
Equity as reported under previous UK GAAP		19,674,239	21,376,028
Adjustments arising from transition to FRS 102:			
Deferred tax on property valuations	1	(891,887)	(878,526)
Transfer of investment property to freehold property	3	(71,923)	(82,870)
Equity reported under FRS 102		18,710,429	20,414,632

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

29 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of profit or loss - group

	Notes	2015 £
Profit or loss as reported under previous UK GAAP		1,701,787
Adjustments arising from transition to FRS 102:		
Deferred tax on property valuations	1	13,361
Transfer of investment property to freehold property	3	(10,947)
Non-controlling interests adjustment	4	(597)
Profit or loss reported under FRS 102		1,703,604
<i>Does not agree to TB. Check statutory database entries.</i>		1,704,201

Reconciliation of equity - group

	Notes	At 1 April 2014			At 31 March 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
Fixed assets							
Goodwill		25,000	-	25,000	20,000	-	20,000
Tangible assets	3	20,381,428	1,022,775	21,404,203	22,850,213	1,011,828	23,862,041
Investment properties	3	26,042,787	(1,094,698)	24,948,089	26,433,848	(1,094,698)	25,339,150
Investments		3,344,555	-	3,344,555	3,504,527	-	3,504,527
		49,793,770	(71,923)	49,721,847	52,808,588	(82,870)	52,725,718
Current assets							
Stocks		142,665	-	142,665	142,307	-	142,307
Debtors		6,202,660	-	6,202,660	9,290,901	-	9,290,901
Bank and cash		916,000	-	916,000	1,528,646	-	1,528,646
		7,261,325	-	7,261,325	10,961,854	-	10,961,854
Creditors due within one year							
Loans and overdrafts		(12,635,062)	-	(12,635,062)	(11,177,367)	-	(11,177,367)
Taxation		(991,387)	-	(991,387)	(1,121,384)	-	(1,121,384)
Other creditors		(12,994,997)	-	(12,994,997)	(9,957,944)	-	(9,957,944)
		(26,621,446)	-	(26,621,446)	(22,256,695)	-	(22,256,695)
Net current liabilities		(19,360,121)	-	(19,360,121)	(11,294,841)	-	(11,294,841)
Total assets less current liabilities		30,433,649	(71,923)	30,361,726	41,513,747	(82,870)	41,430,877

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

29 Reconciliations on adoption of FRS 102

(Continued)

		At 1 April 2014			At 31 March 2015		
	Notes	Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	FRS 102 £
Creditors due after one year							
Loans and overdrafts		(10,250,646)	-	(10,250,646)	(19,627,017)	-	(19,627,017)
Provisions for liabilities							
Deferred tax	1	(508,764)	(891,887)	(1,400,651)	(510,702)	(878,526)	(1,389,228)
Net assets		19,674,239	(963,810)	18,710,429	21,376,028	(961,396)	20,414,632
Capital and reserves							
Share capital		100	-	100	100	-	100
Revaluation reserve	2	6,134,421	(5,538,320)	596,101	6,134,421	(5,538,320)	596,101
Other reserves		7,050,743	-	7,050,743	7,050,743	-	7,050,743
Profit and loss	2/3	6,017,084	4,656,172	10,673,256	7,693,163	4,657,989	12,351,152
Non-controlling interests		471,891	(81,662)	390,229	497,601	(81,065)	416,536
Total equity		19,674,239	(963,810)	18,710,429	21,376,028	(961,396)	20,414,632

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2016

29 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of profit or loss for the year - group

	Notes	Year ended 31 March 2015		
		Previous UK GAAP £	Effect of transition £	FRS 102 £
Turnover		23,751,978	-	23,751,978
Cost of sales		(7,673,738)	-	(7,673,738)
Gross (loss)/profit		16,078,240	-	16,078,240
Administrative expenses	3	(14,172,636)	(10,947)	(14,183,583)
Other operating income		652,986	-	652,986
Operating loss		2,558,590	(10,947)	2,547,643
Income from shares in group undertakings		159,903	-	159,903
Interest receivable and similar income		28	-	28
Interest payable and similar charges		(615,490)	-	(615,490)
Amounts written off investments		69	-	69
Profit before taxation		2,103,100	(10,947)	2,092,153
Taxation	1	(401,313)	13,361	(387,952)
Profit for the financial period		1,701,787	2,414	1,704,201

Notes to reconciliations on adoption of FRS 102 - group

1 - Deferred taxation

Under previous UK GAAP the Group was not required to provide for taxation on revaluations, unless the Group had entered into a binding sale agreement and recognised the gain or loss expected to arise. Under FRS 102 deferred taxation is provided on the temporary difference arising from the revaluation. A deferred tax charge of £891,887 arose on transition to FRS 102. For the year ending 31 March 2015, deferred tax charge of £13,661 arose.

2 - Revaluation reserve

Under previous UK GAAP the Group had a policy of accounting for revaluation reserves arising on valuation of investment properties. On transition to FRS 102 the Group has transferred the valuation reserve in its retained earnings as an un-distributable reserve as it arose in respect to investment properties. In the year ended 31 March 2015 the revaluation reserve is no longer recognised in other comprehensive income.

3 - Investment property transfer to freehold property

Under FRS102, the group has accounted for properties let out to companies within the group as freehold properties. As such brought forward depreciation and charge for the year has been provided at group level.

SME INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2016**

29 Reconciliations on adoption of FRS 102

(Continued)

4 - Non-controlling interests adjustments

As a result of transition under FRS 102, non-controlling interests have been adjusted accordingly. The amount adjusted at the transition date is £81,662. For the year ending 31 March 2015, a further adjustment of £597 was made.