

THE HOUSE OF BRUAR LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JANUARY 2021

20 Financial risk management objectives and policies

The company 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) for trading purposes.

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

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

Credit risk

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

Currency risk

The company's principal foreign currency exposures arise via:

(a) Purchasing goods from overseas companies. The company 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 company has engaged in forward positions to minimise risk

21 ~~Exposures~~ Financial commitments, guarantees and contingent liabilities

Bank loans within Mark Birkbeck & Sons Limited, the company's parent undertaking, are secured by an inter-company guarantee between Mark Birkbeck & Sons Limited and The House of Bruar Limited and by fixed and floating charges over the assets of The House of Bruar Limited. At the balance sheet date the potential liability under this guarantee amounted to £5,429,947 (2020: £3,616,675).

22 Commitments

Rent is payable to the Bruar Trust each year calculated at £1,300 plus 1.5% of turnover of certain departments of the business, subject to a minimum rental payment of £35,000 per annum. Rent paid in the year ended 31 January 2021 amounted to £167,069 (2020: £305,081).

The company had commitments to buy a total of 550,000 euros at an average rate of 1.1254 euros: £1 and a total of 1,025,000 US dollars for an average rate of 1.3388 US dollars: £1 at various dates before 3 June 2021.