

DAVID HOWARD (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2020

DAVID HOWARD (UK) LIMITED

COMPANY INFORMATION

Directors	A P Shaw C Sweeney I Eberlein T J Prior S P Corcoran
Company secretary	S P Corcoran
Registered number	01368929
Registered office	17-19 Baldock Street Ware Hertfordshire SG12 9DH
Independent auditors	MHA MacIntyre Hudson Chartered Accountants 2 London Wall Place London EC2Y 5AU
Bankers	Lloyds Bank Plc Endeavour House Chivers Way Histon Cambridge CB24 9ZR

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2020**

Introduction

The directors have pleasure in presenting their Strategic Report for the year ended 31 August 2020.

Business review and future developments

The COVID-19 pandemic has severely affected our business. Our UK Retail customers stores have been forced to close resulting in two of our major customers going into administration. Debenhams in March 2020 and Arcadia Group in November 2020. Our turnover has reduced by 44% as we trade with those customers who have online retail or through international markets. We have made significant decisions to restructure our business. We have changed our business model to move away from long term contracts which require UK stock holding to free on board basis (FOB orders) only, significantly reducing our working capital requirements. We have also reduced our costs with the closure of our Hong Kong office and redundancies in the UK.

Post balance sheet to support our working capital during the COVID-19 pandemic we have received government backed support through CBILS loans of £350,000 and the CJRS grants of £461,125 for the furlough of staff. This combined with the support of Lloyds bank has provided the working capital facilities to support and grow our business.

Although we anticipate 2021 to be a challenging trading year given the continued uncertainty in the UK economy from the pandemic, we are confident that we have re-positioned our business to cope with these challenges.

In February 2021 the brands of the Arcadia Group that we trade with have been sold. Asos have acquired Topman and Boohoo have acquired Burtons. Alongside our existing customers we are confident in our forecasts that we can return to profit in 2022.

Principal risks and uncertainties

The directors regularly review the financial requirements of the company and the risks associated therewith. Company operations are primarily financed from a debt factoring arrangement. The company does not use complicated financial instruments nor does it use derivative financial instruments for trading purposes.

The main financial risks arising from the company's activities are external finance, credit risk, interest rate risk, foreign exchange risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The CBILS loans of £350,000 received post balance sheet and the support of our bankers have mitigated the external finance risk.

The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. For foreign exchange risk, payments in HK\$ and US\$ are managed by holding bank accounts in these relevant currencies and by buying currency using forward contracts.

Financial key performance indicators

The key performance indicators presented below detail the performance of the company in the year to 31st August 2020.

EBIT is a key indicator of financial performance to our stakeholders. EBIT is calculated from Profit before interest and taxation are deducted. EBIT in 2020 is (£990,445) and in 2019 was £801,403. EBIT in 2020 has been severely affected by the pandemic and includes a bad debt write off of £1,398,907.

Debtor days are a key indicator of our liquidity. Debtor days are calculated by dividing Trade Debtors by Turnover then multiply by the number of days passed in our financial year. Our debtor days at days at 31st August 2020 are 54 days, decreasing from 31st August 2019 62 days due to the changing mix of our customers.

DAVID HOWARD (UK) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

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

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S P Corcoran

Director

Date: 18 May 2021

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2020**

The directors present their report and the financial statements for the year ended 31 August 2020.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' 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 applicable law and 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'. 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 of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments 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 company 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The company's principal activity is the design, manufacture and sale of clothing to UK retailers.

Results and dividends

The loss for the year, after taxation, amounted to £837,710 (2019 - profit £629,013).

The directors paid an interim dividend of £291,477 (2019 - £94,453).

The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

A P Shaw
C Sweeney
I Eberlein
T J Frior
S P Corcoran

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2020

Charitable and political contributions

During the year the company made charitable contributions of £1,063 (2019 - £1,458). There were no political contributions.

Disclosure of information to auditors

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's auditors are 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's auditors are aware of that information.

Post balance sheet events

Post year end the company received CBILS loans totalling £350,000 which are due for repayment from March 2022.

The directors have considered the impact of COVID-19 on the Company's future performance and details can be found in note 2.3.

Auditors

The auditors, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

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S P Corcoran

Director

Date: 18 May 2021

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAVID HOWARD (UK) LIMITED

Opinion

We have audited the financial statements of David Howard (UK) Limited (the 'company') for the year ended 31 August 2020, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2020 and of its loss 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAVID HOWARD (UK) LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DAVID HOWARD (UK) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Use of our report

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 Auditors' 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.

Brendan Sharkey, FCA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants

2 London Wall Place
London
EC2Y 5AU

26 May 2021

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2020**

	Note	2020 £	2019 £
Turnover	4	11,633,572	20,394,013
Cost of sales		(9,533,832)	(17,104,160)
Gross profit		2,099,740	3,289,853
Administrative expenses		(2,152,403)	(2,488,450)
Exceptional administrative expenses	14	(1,398,907)	-
Other operating income	5	461,125	-
Operating (loss)/profit	6	(990,445)	801,403
Interest receivable and similar income	10	1,606	-
Interest payable and expenses	11	(32,234)	(22,597)
(Loss)/profit before tax		(1,021,073)	778,806
Tax on (loss)/profit	12	183,363	(149,793)
(Loss)/profit for the financial year		(837,710)	629,013
Total comprehensive income for the year		(837,710)	629,013

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

The notes on pages 11 to 26 form part of these financial statements.

BALANCE SHEET
AS AT 31 AUGUST 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	15	118,160	99,783
		<u>118,160</u>	<u>99,783</u>
Current assets			
Stocks	16	2,048,997	-
Debtors: amounts falling due within one year	17	1,951,583	5,048,240
Cash at bank and in hand	18	255,857	418,687
		<u>4,256,437</u>	<u>5,466,927</u>
Creditors: amounts falling due within one year	19	(1,882,072)	(1,948,759)
Net current assets		<u>2,374,365</u>	<u>3,518,168</u>
Total assets less current liabilities		<u>2,492,525</u>	<u>3,617,951</u>
Provisions for liabilities			
Deferred tax	20	(4,603)	(842)
		<u>(4,603)</u>	<u>(842)</u>
Net assets		<u><u>2,487,922</u></u>	<u><u>3,617,109</u></u>
Capital and reserves			
Called up share capital	22	11,250	11,250
Share premium account	23	23,750	23,750
Profit and loss account	23	2,452,922	3,582,109
		<u><u>2,487,922</u></u>	<u><u>3,617,109</u></u>

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

.....
A P Shaw
Director

Date: 18 May 2021

The notes on pages 11 to 26 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2020**

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2018	11,250	23,750	3,047,549	3,082,549
Comprehensive income for the year				
Profit for the year	-	-	629,013	629,013
Dividends: Equity capital	-	-	(94,453)	(94,453)
At 1 September 2019	11,250	23,750	3,582,109	3,617,109
Comprehensive income for the year				
Loss for the year	-	-	(837,710)	(837,710)
Dividends: Equity capital	-	-	(291,477)	(291,477)
At 31 August 2020	11,250	23,750	2,452,922	2,487,922

The notes on pages 11 to 26 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

1. General information

The entity is a private limited liability company, limited by shares and incorporated in England. The registered office is 17-19 Baldock Street, Ware, Hertfordshire, SG12 9DH.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in £ sterling, the functional currency, rounded to the nearest £1.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The 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 11.42, 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;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of the parent company, David Howard (UK) Holdco Limited as at 31 August 2020 and these financial statements may be obtained from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.3 Going concern

Following the COVID-19 pandemic, the directors have considered the annual budget, future cash flow forecasts and forward order book in forming their assessment of the going concern assumption. We have significantly reduced our overheads such that the required turnover to cover our costs is much lower. On an annualised basis we believe that the company should be able to exceed the required turnover. We have a secured overdraft facility with Lloyds Bank which combined with the receipt of £350,000 CBILS loans provides headroom in our external finance requirements.

In response to the COVID-19 pandemic, the directors have performed a robust analysis of forecast future cash flows taking into account the potential impact on the business of possible future scenarios arising from the impact of COVID-19. This analysis also considers the effectiveness of available measures to assist in mitigating the impact. Going forward we will operate with new orders handed over at source destination on a free on board basis (FOB orders), so that we will not add to stock held in the UK. This will be from a mix of UK customers with stores and on-line retail and will significantly reduce our working capital requirements.

Based on these assessments and having regard to the resources available to the entity, the directors are satisfied that the going concern basis is appropriate for the preparation of these financial statements.

2.4 Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company 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; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Motor vehicles	-	25%	per annum
Fixtures and fittings	-	20%	per annum

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 in the Statement of Comprehensive Income.

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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 or loss.

2.7 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.

2.8 Debt factoring

The company is party to a finance agreement whereby the company receives advance financing in

respect of the company's trade debtor and amounts recoverable on contract. Gross debtors less provisions are included within current assets. Finance received in respect of these debts is recognised in creditors. Interest and charges in respect of providing finance are recognised in the Statement of Comprehensive Income.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

2. Accounting policies (continued)

2.10 Financial instruments

The company only enters into basic financial instrument 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 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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

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.

2.11 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.12 Hedge accounting

The company uses foreign currency forward contracts to manage its exposure to foreign exchange rates on its purchases. These derivatives are measured at fair value at each balance sheet date.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

2.13 Government grants

Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

2.14 Foreign currency translation

Functional and presentation currency

The company'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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.15 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

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.

2.17 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.18 Finance leases: the company as lessee

Assets held by the company under leases that transfer to the company substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognised as assets of the company at their fair value at inception of the lease, with the corresponding liability included in creditors as a finance lease obligation.

2.19 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income 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 company in independently administered funds.

2.20 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.21 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

2. Accounting policies (continued)

2.22 Provisions for liabilities

Provisions are made where an event has taken place that gives the company 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 Statement of Comprehensive Income in the year that the company 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.

2.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 operates and generates 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.

2.24 Exceptional items

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

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

The directors consider that the critical accounting policies where judgements and estimations have been applied related to the valuation of stock, the recoverability of debtors, financial instruments for foreign exchange contracts and tangible asset lives; in particular the useful economic life and residual values. The directors have concluded that the valuation of stock, debtors recoverability, tangible asset valuations and useful economic life estimations of these assets are appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

4. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	11,633,572	20,394,013
	<u>11,633,572</u>	<u>20,394,013</u>

5. Other operating income

	2020 £	2019 £
Job retention scheme grant	461,125	-
	<u>461,125</u>	<u>-</u>

6. Operating (loss)/profit

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

	2020 £	2019 £
Exchange differences	(146,300)	(218,889)
Operating lease rentals	80,500	79,150
Depreciation of tangible fixed assets	60,818	72,179
(Profit)/Loss on sale of fixed assets	(17,875)	-
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	19,000	20,850
Debt factoring charges	12,000	12,939
Defined contribution pension cost	51,784	48,994
Exceptional bad debt	<u>1,398,907</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

7. Auditors' remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	19,000	20,850
	<u>19,000</u>	<u>20,850</u>
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	3,000	3,650
	<u>3,000</u>	<u>3,650</u>

8. Employees

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

	2020 £	2019 £
Wages and salaries	1,533,636	1,697,407
Social security costs	153,790	166,609
Cost of defined contribution pension scheme	51,784	48,994
	<u>1,739,210</u>	<u>1,913,010</u>

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

	2020 No.	2019 No.
Office and management	16	16
Sales and design	41	42
	<u>57</u>	<u>58</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	47,875	33,806
Company contributions to defined contribution pension schemes	-	564
	<u>47,875</u>	<u>34,370</u>

During the year retirement benefits were accruing to no directors (2019 - 1) in respect of defined contribution pension schemes.

10. Interest receivable

	2020 £	2019 £
Bank interest receivable	1,606	-
	<u>1,606</u>	<u>-</u>

11. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	27,553	11,375
Other loan interest payable	4,681	11,142
Finance leases and hire purchase contracts	-	80
	<u>32,234</u>	<u>22,597</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

12. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	(188,890)	155,204
Adjustments in respect of previous periods	1,766	-
Total current tax	<u>(187,124)</u>	<u>155,204</u>
Deferred tax		
Origination and reversal of timing differences	3,761	(5,411)
Total deferred tax	<u>3,761</u>	<u>(5,411)</u>
Taxation on (loss)/profit on ordinary activities	<u>(183,363)</u>	<u>149,793</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	<u>(1,021,073)</u>	<u>778,806</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(194,004)	147,973
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,311	3,737
Adjustments to tax charge in respect of prior periods	1,766	-
Short term timing difference leading to an increase (decrease) in taxation	6,564	(1,917)
Total tax charge for the year	<u>(183,363)</u>	<u>149,793</u>

13. Dividends

	2020 £	2019 £
Ordinary A shares dividends payable	291,477	94,453
	<u>291,477</u>	<u>94,453</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

14. Exceptional items

	2020 £	2019 £
Bad debts written off	1,398,907	-
	<u>1,398,907</u>	<u>-</u>

15. Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 September 2019	148,219	403,271	551,490
Additions	30,000	52,320	82,320
Disposals	(64,807)	-	(64,807)
At 31 August 2020	<u>113,412</u>	<u>455,591</u>	<u>569,003</u>
Depreciation			
At 1 September 2019	111,783	339,924	451,707
Charge for the year on owned assets	28,861	31,957	60,818
Disposals	(61,682)	-	(61,682)
At 31 August 2020	<u>78,962</u>	<u>371,881</u>	<u>450,843</u>
Net book value			
At 31 August 2020	<u>34,450</u>	<u>83,710</u>	<u>118,160</u>
At 31 August 2019	<u>36,436</u>	<u>63,347</u>	<u>99,783</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

16. Stocks

	2020 £	2019 £
Finished goods and goods for resale	2,048,997	-
	<u>2,048,997</u>	<u>-</u>

Stock at 31 August 2020 is comprised of finished garments held for sale to a variety of retailers. Garments held at 31 August 2019 were classified within debtors as Amounts recoverable on contracts, being garments held under agreements for sale to specific retailers. Stock held at 31 August 2020 is held at the lower of cost and net realisable value.

17. Debtors

	2020 £	2019 £
Trade debtors (factored debts)	1,546,236	3,460,858
Other debtors	281,274	3,593
Prepayments and accrued income	124,073	116,682
Amounts recoverable on contracts	-	1,344,059
Financial instruments - foreign exchange contracts	-	123,048
	<u>1,951,583</u>	<u>5,048,240</u>

The company is party to a debt factoring agreement with Lloyds Bank Plc ("Lloyds").

Under this factoring agreement the risks of unpaid debts remain with the company and therefore all trade debts are included in debtors, net of provisions for bad and doubtful debts.

18. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	255,857	418,687
Less: bank overdrafts (note 19)	(967,669)	(416,607)
	<u>(711,812)</u>	<u>2,080</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020

19. Creditors: Amounts falling due within one year

	2020 £	2019 £
Bank overdrafts	967,669	416,607
Trade creditors	417,409	799,687
Corporation tax	128,558	155,369
Other taxation and social security	23,774	342,628
Other creditors	6,738	8,054
Accruals and deferred income	337,924	103,366
Financial instruments - foreign exchange contracts	-	123,048
	<u>1,882,072</u>	<u>1,948,759</u>

Bank overdrafts are secured by way of a fixed charge on the assets of the company.

20. Deferred taxation

	2020 £	2019 £
At beginning of year	(842)	(6,253)
Charged to profit or loss	(3,761)	5,411
At end of year	<u>(4,603)</u>	<u>(842)</u>

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(4,603)	(842)
	<u>(4,603)</u>	<u>(842)</u>

21. Guarantees and debentures

The company is party to an omnibus guarantee and set off agreement in respect of a loan facility of its parent company, David Howard (UK) Holdco Limited, which is held with Lloyds Bank Plc. Under this agreement, the parent company's loan is secured by way of a fixed and floating charge over the assets of the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
9,233 Ordinary A shares of £1.00 each	9,233	9,233
563 Ordinary B shares of £1.00 each	563	563
940 Ordinary C shares of £1.00 each	940	940
101 Ordinary D shares of £1.00 each	101	101
413 Ordinary E shares of £1.00 each	413	413
	<hr/>	<hr/>
	11,250	11,250

The holders of the ordinary shares are entitled to receive dividends and to vote at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

23. Reserves**Share premium account**

The share premium is a non-distributable reserve representing excess funds received by the company over the par value of the issued shares.

Profit and loss account

The Profit and Loss Account is represented by retained earnings. Changes in reserves are set out in the Statement of Changes in equity.

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge in the year represents contributions payable by the company to the fund and amounted to £51,784 (2019 - £48,994). Contributions totalling £6,738 (2019 - £8,054) were payable to the fund at the balance sheet date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2020**

25. Commitments under operating leases

At 31 August 2020 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£	£
Not later than 1 year	80,500	80,500
Later than 1 year and not later than 5 years	271,333	296,000
Later than 5 years	-	49,333
	<u>351,833</u>	<u>425,833</u>

26. Related party transactions

Related parties include the directors, David Howard (UK) Holdco Limited, the immediate and ultimate parent company, and Reactor Limited, a company under the common control of the directors. The transactions were on normal commercial terms.

	2020	2019
	£	£
Amounts due to/(from) the company from/(to) related parties		
Reactor Limited	(155,141)	(228,142)
Transactions during the year		
Goods acquired from Reactor Limited	<u>357,932</u>	<u>640,258</u>

The company is a wholly owned subsidiary of David Howard (UK) Holdco Limited and is included in the consolidated group accounts of the parent company. The company has taken advantage of exemptions available under FRS102 from disclosing transactions entered into between wholly owned members of a group.

27. Post balance sheet events

Post year end the company received CBILS loans totalling £350,000 which are due for repayment from March 2022.

28. Controlling party

The immediate and ultimate parent company is David Howard (UK) Holdco Limited due to the ownership of 100% of the company's share capital.

The largest and smallest group in which the results of the company are included are the consolidated financial statements of David Howard (UK) Holdco Limited. These are available to the public and may be obtained from Companies House.

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