

Company Registration No. 02127866 (England and Wales)

DUNE GROUP LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JANUARY 2021**

MONDAY



AAFW3ZWI

A05

25/10/2021

#169

COMPANIES HOUSE

COMPANY INFORMATION

Daniel Rubin
Anne Rubin
Nilesh Karia
Zoe Brookes
Debra Bloom
Alice Arnold
Cecile Delforge
Annette Middlebrook

Clara Eisenberg

02127866

9 Hatton Street
London
NW8 8PL

Simmons Gainsford LLP
14th Floor
33 Cavendish Square
London
W1G 0PW

DUNE GROUP LIMITED

CONTENTS

	Page
Strategic report	1-5
Directors' report	6-8
Independent auditors' report	9-13
Profit and loss account	14
Other comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17-37

DUNE GROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JANUARY 2021

The directors present their annual report and financial statements for the 52 week period ended 30 January 2021 (2020: 53 week period ended 1 February 2020).

Business review

The Company's earnings before interest, tax, depreciation, amortisation ("EBITDA") and exceptional costs during the period was a loss of £9.8m (2020: £4.9m profit). These results reflect the severe economic impact of the Covid pandemic, particularly on consumer facing businesses. Demand for fashion footwear and accessories has been affected disproportionately because of the requirement to stay at home for long periods.

Along with all other non-essential retail, the Company closed all its UK based stores and concessions in line with government lockdowns that were imposed throughout the period. Similar restrictions have been placed on the rest of our stores throughout Europe.

The lockdown closure periods and the uncertainty on the high street post reopening, has resulted in a significant loss of sales. The Company has relied on its online business over the period, with approximately 60% of sales being generated through online channels. The Company's own website grew 12.5% in the period.

Our outlet stores have fared much better than city centres and shopping malls during the interludes between lockdowns. These tend to be in retail parks which are outdoors, with social distancing simpler to maintain both within and outside the store. At the times when stores were open, like-for-like sales in outlets, although negative, were around 20% better than our other stores.

The Company has accessed government Covid support schemes including the Job Retention Scheme, retail grants and a rates holiday on retail stores. With the reduction in non-essential retail staff hours, suspension of store specific services and head office restructuring, the Company has managed to significantly rationalise its cost base. Additionally, the Company was able to leverage its strong existing relationships to proactively preserve cash by negotiating payment discounts and payment deferrals, cancelling stock orders, delaying capital expenditure projects and implementing deeper sales offers to ensure that stock is effectively cleared.

Future developments

The losses sustained during the year have had a significant impact on the finances of the business, with an accumulation of payment arrears and an increase in bank debt. To manage cash within banking facility limits it was decided to enter into a Company Voluntary Arrangement (CVA) which was launched on 9 February 2021. This was approved by creditors on 25 February 2021 and passed without challenge.

The CVA compromised landlord and other non-critical supplier arrears and adjusted rental costs in certain stores to a turnover rent which enables those affected stores, which had incurred substantial losses, to trade profitably and become financially viable going forwards.

On 25 March 2021, the group also formally renegotiated its bank facilities and secured a three-year term £25m Revolving Credit Facility (RCF).

The economic fallout from the Covid pandemic will make the next year a tough environment for fashion retail. Although we believe that a combination of pent-up demand along with a healthy overall increase in personal savings should serve to keep the consumer economy moving forward. With the backing of our stakeholders through the CVA process, the business is in a stable position to adapt and meet these challenges and opportunities.

DUNE GROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

The impact of the pandemic has also been felt by our concession partners, particularly Debenhams which entered into administration in April 2020. The Company ceased to operate in all Debenhams concessions from mid-May 2021, resulting in the closure of 51 concessions overall.

Following the sale of all stock held in our House of Fraser concessions to Frasers Group in May 2021, we have agreed a transition from a concession operating model to a wholesale operating model. This will be reported within another group company and has enabled a significant reduction in the amount of working capital invested in stock.

We will continue to open new stores, both full price and outlets, in high footfall locations when we are able to secure attractive rent terms, with a particular focus on regions where the Company no longer has a presence due to concession store closures. The Company also continues to invest in its online capabilities and partnerships, including an investment in a redesign and re-platforming of its website and additional investments in its marketing and data capabilities.

Overall, we see considerable opportunity to grow the Dune London brand and to secure this growth will continue to look to rationalise and improve the profitability of our UK store estate; to manage our costs and cash to improve our position; and to remain flexible and responsive to changing conditions.

Key performance indicators

In addition to turnover and EBITDA before exceptional costs, the principal key performance indicators the directors use to assess performance are: (1) the size of our retail estate, (2) growth in Dune website sales and (3) Like for Like (LFL) retail sales.

There were 46 stores and 124 concessions at period end (2020: 40 stores and 156 concessions). Sales through the Dune website increased in the period by 12.5% (2020: increased by 7.5%). LFL retail sales for the period were -30.8% (2020: -5.9%).

Principal risks and uncertainties

The directors acknowledge their responsibility for the Company's systems of internal control, and for identifying, evaluating and managing the risks faced by the business. The principal risks and uncertainties are detailed below:

Company Voluntary Arrangement

Following approval at a meeting of creditors, the Company entered into a CVA on 25 February 2021, and as such the Company is operating under the terms of the CVA for the next three years. This has moved the majority of stores to a turnover rent based model, increasing the flexibility within our cost base by aligning the rent payable with the sales performance.

The Company continues to manage and actively minimise its exposure to the high fixed costs associated with retail store operations and has put in place plans to ensure that it can remain profitable and react to changes in the external environment.

DUNE GROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

Impact of Covid-19

At the time of preparing this report, the Covid pandemic has clearly severely impacted economies across the globe, particularly consumer facing businesses. The potential for further nationally imposed lockdowns poses a risk to the Company. Other risks may also include disruption to supply chains, reduced tourism and unavailability of personnel.

During the period, detailed reviews have been undertaken by the Board on the impact of the pandemic and, where appropriate, controls have been strengthened to help mitigate increased risk. These risks are also mitigated to some extent by the scale of our online business and the breadth of its customer base, both in the UK and overseas, meaning we are able to pick up some of the business lost in our stores by servicing customers online.

Consumer environment and Brexit

The Brexit transition period has now ended, and a new tariff and quota free trade deal has been agreed between the UK Government and the EU. The Directors see this as a positive move to reduce Brexit uncertainty across the economy. The Company's ongoing Brexit risks include inefficient clearance of goods, both into the UK and Europe, as more controls at the border are put in place. The Directors have assessed these operational risks to the business and put in place a mitigation plan which ensures that all relevant customs clearance paperwork can be completed by the Company's carriers.

Product

A primary challenge as a fashion retailer is to produce an attractive product range which is distinctive, relevant and affordable. The business has invested consistently in design and development to ensure that it delivers a range that is fashionable, comfortable and of excellent quality. The buying team has developed long term relationships with a broad network of suppliers to ensure the product meets these goals and that the supply chain is robust and reliable.

People

The Company's employees are a key differentiator in delivering outstanding product ranges and providing excellent customer service. The business is dedicated to attracting, developing and retaining high quality people to achieve these goals.

IT risk

The Company is reliant on a suite of IT systems to manage and control the business. There are policies and procedures in place in order to safeguard the hardware, software and the data we hold.

Data privacy and cyber security

The Company is GDPR compliant and processes have been established to review the data protection implications of any new projects. The Board provides an ongoing review of cyber security essentials and ensures that our IT security infrastructure is appropriately implemented, tested, reviewed and improved.

Liquidity

The Company manages working capital very closely in order to maximise free cash flow available to invest in the future of the business. The Company's debt position, available liquidity and cashflow projections are monitored and reported to the Board on at least a monthly basis.

Treasury

The business is exposed to foreign exchange transactional risk as it sources the majority of its stock from overseas suppliers in US Dollars and Euros. The Company's policy is to hedge against the risk of adverse movements in exchange rates through the use of forward contracts.

DUNE GROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

Section 172 (1) Statement

This section describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) Companies Act 2006 in exercising their duty to promote the success of the Company for the benefit of its members as a whole. We consider the Company's major stakeholders to be our customers, employees, suppliers and shareholders.

Having regard to the likely consequences of any decision in the long term

Within the fast-moving fashion retail sector, the operational cycle is short and has become even shorter within recent years. Despite this, the Board remains mindful that its strategic decisions can have long term implications for the business and its stakeholders, and these implications are carefully assessed. An example of this is that throughout the period the Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers and landlords of the Company's premises alongside the need to obtain value for money for our shareholders and the desired quality and service levels for our customers.

Having regard to the interests of the Company's employees

The Company's policy is to consult and discuss with employees matters likely to affect their interests. Information on matters of concern to employees is given through information bulletins and face-to-face meetings with management. Information on the Company's performance is maintained through a regular newsletter and bi-annual conferences. Members of the Board also attend weekly trading meetings, product training days and regularly visit stores and the warehouse. The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of the workforce.

Having regard to the need to foster the Company's business relationships with suppliers, customers and others

The Executive directors provide updates to the Board on their perceptions of consumer sentiment and the market view. The interests of customers are considered in all key decisions, for example, relating to store openings and closures, selection of product lines, selection and monitoring of suppliers to ensure quality and safety standards are met, freight and logistics arrangements to maximise efficiencies from order to delivery and the development of the website.

The business has longstanding relationships with many of its suppliers and we work collaboratively to address any issues that arise. When onboarding new suppliers, factors, in addition to financial, are considered to ensure we are working with the right suppliers. We are committed to ensuring that our supply chain complies with acceptable standards with regards to quality, social conditions and the environment. We are in regular contact with our suppliers and regularly review their approach to compliance.

Having regard to the impact of the Company's operations on the community and the environment

The directors are committed to continually making improvements in the business to take account of the need to preserve and protect the environment. Sea transportation is used wherever possible to reduce emissions and steps are being taken in store refits and throughout our Head Office and DC to reduce energy consumption and waste. We are actively working to find more sustainable materials in our packaging and products.

We are a corporate partner of the charity Youngs Minds. As well as fundraising, we champion the work they do. We have created Dune Giving to support charities which are important to our employees.

DUNE GROUP LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

Having regard to the desirability of the Company maintaining a reputation for high standards of business conduct

The directors recognise the importance of operating a strong corporate governance framework and are committed to conducting business in an ethical and transparent manner. We operate a number of employee and supplier policies which strengthen company and supplier awareness of our expectations. Our teams know that there are effective systems and measures in place to address any issues. The Audit Committee exercises strong oversight over the Group's activities in these areas.

Having regard to the need to act fairly as between members of the Company

The Board recognises its legal and regulatory duties and responsibilities and does not take any decisions or actions that would provide any shareholder or group of shareholders with any unfair advantage or position compared to the shareholders as a whole.

On behalf of the board



.....
Daniel Rubin
Director

30 June 2021

.....
Date

DUNE GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JANUARY 2021

The directors present their report and financial statements for the period ended 30 January 2021 (2020: period ended 1 February 2020).

Principal activities

The principal activity of the Company is the sale of footwear and accessories in the UK and internationally.

Results and dividends

The profit and loss account for the period is set out on page 14.

There was a loss after taxation amounting to £13,339,196 (2020: £6,778,129).

No dividends were paid in the period (2020: £nil) to the parent company, Dune Holdings Limited.

Directors

The following directors have held office since 2 February 2020:

Daniel Rubin
Anne Rubin
Nilesh Karia
James Cox (Resigned 10 March 2020)
Zoe Brookes
Debra Bloom
Alice Arnold
Robert Silsbury (Resigned 15 May 2020)
Cecile Delforge
Annette Middlebrook
Gayatri Singh (Resigned 10 March 2020)

Employee and disabled persons

Applications for employment are considered based on the aptitudes and abilities of prospective applicants, regardless of any personal disability. Continued training and support are given to all employees throughout their career with the Company, including specific provision for any employees with existing disabilities or who become disabled whilst employed at the Company.

For further details on how the board has regard to the interests of the Company's employees, please refer to the s172(1) Statement in the Strategic Report.

Corporate responsibility

For details on how the board has had regard to the impact of the Company's operations on the community and the environment, to the company's business relationships with suppliers, customers and others and to maintaining a reputation for high standards of business conduct, please refer to the s172(1) Statement in the Strategic Report.

Post reporting date events

As is well documented, the market conditions for fashion retailers have been extremely challenging, with declining footfall on the high street and in shopping centres, high fixed rental costs, rising rates, increasing payroll costs from national living wage and a highly promotional trading environment.

As a result of these conditions and coupled with the lockdown periods from the Covid pandemic, it was decided to enter Dune Group Limited into a Company Voluntary Arrangement (CVA). The Company's creditors approved the CVA on 25 February 2021 and the CVA challenge period ended on 25 March 2021.

DUNE GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

Post reporting date events (continued)

Following the CVA, the majority of stores will be on flexible turnover rent deals with low base rents for a period of three years. This will result in the rental expense on operating leases held by the Company being reduced by up to 50% over the CVA period. Any associated onerous lease provisions will be reduced accordingly. The CVA also provides that for six poorly performing stores only six weeks rent was payable from the CVA approval date. The landlords of those stores have an ongoing right to give us 30 days' notice to exit a store. Finally, the Company has implemented a plan to reduce costs from the rationalisation of its supplier base, including the compromise of landlord and non-critical supplier arrears under the terms of the CVA. The working capital of the group will be further improved by moving all rents to a monthly payment cycle.

A new three-year RCF was also approved by our bank on 25 March 2021.

The Directors believe that the approval of the CVA has provided the financial strength, funding and flexibility to allow us to execute our strategy and deliver the three-year business plan. No adjustments have been made in these financial statements to reflect these changes as the impact of the CVA is a non-adjusting post balance sheet event.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Simmons Gainsford LLP will therefore continue in office.

Directors' responsibilities

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and 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 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 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 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.

DUNE GROUP LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Additionally, the directors 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 Company's auditors are aware of that information.

On behalf of the board



.....
Daniel Rubin
Director

30 June 2021

.....
Date

DUNE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNE GROUP LIMITED

Opinion

We have audited the financial statements of Dune Group Limited (the 'Company') for the period ended 30 January 2021, which comprise the Profit and loss account and other 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 30 January 2021 and of its results for the period 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

DUNE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNE GROUP LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 period 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.

DUNE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNE GROUP LIMITED (CONTINUED)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement on page 7, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In order to identify and assess the risks of material misstatements, including fraud and non-compliance with laws and regulations that could be expected to have a material impact on the financial statements, we have considered:

- the results of our enquiries of management and those charged with governance of their assessment of the risks of fraud and irregularities;
- the nature of the Company, including its management structure and control systems (including the opportunity for management to override such controls);
- management's incentives and opportunities for fraudulent manipulation of the financial statements including the Company's remuneration and bonus policies and performance targets; and
- the industry and environment in which it operates.

We also considered UK tax and pension legislation and laws and regulations relating to employment and the preparation and presentation of the financial statements such as the Companies Act 2006.

Based on this understanding we identified the following matters as being of significance to the entity:

- laws and regulations considered to have a direct effect on the financial statements including UK financial reporting standards, Company Law, tax and pension legislation and distributable profits legislation;
- the timing of the recognition of commercial income;
- management bias in selecting accounting policies and determining estimates;
- recoverability of debtors; and
- the requirement to impair its stocks and investments and the amount of any such impairment.

DUNE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNE GROUP LIMITED (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicated the outcomes of these discussions and enquiries, as well as consideration as to where and how fraud may occur in the entity, to all engagement team members.

Audit procedures undertaken in response to the potential risks relating to irregularities (which include fraud and non-compliance with laws and regulations) comprised:

- enquiries of management and those charged with governance as to whether the entity complies with such laws and regulations;
- enquiries with the same concerning any actual or potential litigation or claims;
- discussion with the same regarding any known or suspected instances of non-compliance with laws and regulation and fraud;
- assessment of matters reported to management and the result of the subsequent investigation;
- obtaining an understanding of the relevant controls during the period;
- obtaining an understanding of the policies and controls over the recognition of income and testing their implementation during the period;
- review documentation relating to compliance with the regulations relating to health and safety including health and Safety certificates; fire assessment reports and the Company's internal audit reports;
- challenging assumptions made by management in their specific accounting policies and estimates, in particular in relation to depreciation of tangible fixed assets; impairment of investments; carrying value of stock, onerous lease provision; and deferred tax asset;
- identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or crediting revenue or cash;
- assessing the recovery of debtors in the period since the balance sheet date and challenging assumptions made by management regarding the recovery of balances which remain outstanding;
- challenging key assumptions made by management in their assessment of any impairment to the carrying values of stock and investments;
- reviewing the financial statements for compliance with the relevant disclosure requirements;
- performing analytical procedures to identify any unusual or unexpected relationships or unexpected movements in account balances which may be indicative of fraud;
- reviewing the minutes of board meetings and correspondence with HMRC; and
- evaluating the underlying business reasons for any unusual transactions.

No instances of material non-compliance were identified. However, the likelihood of detecting irregularities, including fraud, is limited by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error. As explained above, there is an unavoidable risk that material misstatements may not be detected, even though the audit has been planned and performed in accordance with ISAs (UK).

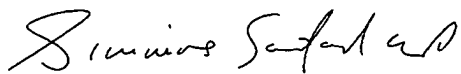
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

DUNE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DUNE GROUP LIMITED (CONTINUED)

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.



.....
Shilen Manek ACA, FCCA (Senior Statutory Auditor)
for and on behalf of
Simmons Gainsford LLP

Chartered Accountants
Statutory Auditor

14th Floor
33 Cavendish Square
London
W1G 0PW
30 June 2021

DUNE GROUP LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JANUARY 2021

	Notes	Period Ended 30 January 2021 £	Period Ended 1 February 2020 £
Turnover	2	67,577,319	131,787,698
Cost of sales		(34,523,036)	(54,825,064)
Gross profit		33,054,283	76,962,634
Administrative expenses		(53,504,857)	(77,405,005)
Other operating income	4	6,222,940	-
Operating loss before exceptional expenses		(14,227,634)	(442,371)
Exceptional expenses	5	(1,165,325)	(7,194,666)
Operating loss	3	(15,392,959)	(7,637,037)
Interest payable and similar charges	6	(543,268)	(661,510)
Loss on ordinary activities before taxation		(15,936,227)	(8,298,547)
Tax on loss on ordinary activities	7	2,597,031	1,520,418
Loss on ordinary activities after taxation		(13,339,196)	(6,778,129)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JANUARY 2021

	Notes	2021 £	2020 £
Loss for the period		(13,339,196)	(6,778,129)
Other comprehensive income			
Net change in fair value of cash flow hedges:			
- Recycled to profit or loss	28	267,110	(1,001,261)
- At period end	28	(293,500)	(267,110)
Movement of deferred tax on other comprehensive income	7	5,014	240,990
Other comprehensive loss for the period, net of tax		(21,376)	(1,027,381)
Total comprehensive loss for the period		(13,360,572)	(7,805,510)

DUNE GROUP LIMITED

BALANCE SHEET AS AT 30 JANUARY 2021

	Notes	2021 £	2020 £
Fixed Assets			
Tangible assets	8	9,236,217	10,259,735
Investments	9	887,829	887,829
		<u>10,124,046</u>	<u>11,147,564</u>
Current assets			
Stock	10	24,724,315	30,966,040
Debtors	11	20,817,218	25,506,883
Cash at bank and in hand		634,022	250,992
		<u>46,175,555</u>	<u>56,723,915</u>
Creditors: amounts falling due within one year	12	(39,918,563)	(35,955,055)
Net current assets		<u>6,256,992</u>	<u>20,768,860</u>
Total assets less current liabilities		<u>16,381,038</u>	<u>31,916,424</u>
Creditors: amounts falling after more than one year	13	(143,916)	(364,793)
Provisions	14	(2,994,475)	(4,948,412)
Total Net assets		<u>13,242,647</u>	<u>26,603,219</u>
Capital and reserves			
Called up share capital	18	5,000,000	5,000,000
Retained earnings	19	8,480,382	21,819,578
Cashflow hedge reserve	28	(237,735)	(216,359)
Shareholders' funds		<u>13,242,647</u>	<u>26,603,219</u>

Approved by the Board and authorised for issue on 30 June 2021



Daniel Rubin
Director
Company Registration No. 02127866

DUNE GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY AS AT 30 JANUARY 2021

	Called up Share Capital	Cash flow hedge reserve	Retained Earnings	Total equity
	£	£	£	£
At 27 January 2019	5,000,000	811,022	28,597,707	34,408,729
Period ended 1 February 2020				
Loss for the period	-	-	(6,778,129)	(6,778,129)
Other comprehensive loss for the period	-	(1,027,381)	-	(1,027,381)
Total comprehensive loss for the period	-	(1,027,381)	(6,778,129)	(7,805,510)
At 1 February 2020	5,000,000	(216,359)	21,819,578	26,603,219
Period ended 30 January 2021				
Loss for the period	-	-	(13,339,196)	(13,339,196)
Other comprehensive loss for the period	-	(21,376)	-	(21,376)
Total comprehensive loss for the period	-	(21,376)	(13,339,196)	(13,360,572)
At 30 January 2021	5,000,000	(237,735)	8,480,382	13,242,647

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021

1 Accounting policies

1.1 General information

Dune Group Limited is a company limited by shares and incorporated in England and Wales. The registered office and principal trading address is 9 Hatton Street, London, NW8 8PL.

1.2 Basis of preparation

These financial statements have been prepared under the historic cost convention, unless otherwise specified in these accounting policies, and in accordance with Financial Reporting Standard 102, *the Financial Reporting Standard* applicable in the UK and Republic of Ireland and the Companies Act 2006. The Company's functional currency and the presentational currency of these financial statements are sterling.

The Company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Dune Holdings Limited, a company incorporated in England and Wales, and is included in the consolidated accounts of that company which are available to the public and may be obtained from 9 Hatton Street, London, NW8 8PL, United Kingdom.

In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, have been applied consistently to all periods presented in these financial statements.

1.3 Going Concern

The financial statements have been prepared on a going concern basis which assumes that the Company is able to meet its obligations as they fall due for the foreseeable future. In adopting the going concern basis for preparing the financial statements, the Directors have considered the business activities as well as the Company's principal risks and uncertainties.

The Covid pandemic has undoubtedly put significant pressure on the wider economy and the Company. As noted in the Strategic Report, Directors' Report; and the Post Reporting Date Events note (note 26), the Company is trading fewer, more profitable stores on turnover rent deals, with significantly increased online business, accessing Covid government support measures, coupled with a rationalisation of the cost and supplier base. Following the approval of the CVA, the group has access to a renewed line of funding in the form of a £25m RCF with a term of three years.

Management has prepared forecasts to model the business including profit and cash projections for the next three years, considering the likely impact of both Covid and the CVA. They have also performed a formal review of the headroom against banking covenants. As a result of this process, the Directors believe that the group can generate sufficient profitability and has sufficient cashflow liquidity available to meet the covenant and all liabilities as they fall due for the next twelve months.

The Company therefore continues to adopt the going concern basis in the financial statements.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

1.4 Foreign currency translation

Transactions in foreign currencies are translated to sterling at the system rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to sterling at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank overdrafts that are repayable on demand. Bank overdrafts form an integral part of the Company's cash management.

1.6 Other financial instruments

Cash flow hedges

Where the hedged risk is the foreign exchange risk in a firm commitment or a highly probable forecast transaction, the Company recognises the effective part of any gain or loss on the derivative financial instrument in other comprehensive income (OCI). Any ineffective portion of the hedge is recognised immediately in the profit and loss account.

The hedging gain or loss recognised in OCI is reclassified to profit or loss when the hedged item is recognised in the profit and loss account or when the hedging relationship ends.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

1.7 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and impairment provisions. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Long leasehold properties	Over 25 years
Land and buildings leasehold	Over the life of the lease (between 3 and 25 years)
Computer equipment	Over 3 - 7 years
Fixtures, fittings & equipment	Over 3 - 5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

1.8 Leased assets: the Company as lessee

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company.

Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.9 Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks and other costs in bringing them to their existing location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to sell is recognised as an impairment loss in the profit and loss account. Reversals of impairment losses are also recognised in profit or loss.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

1.10 Impairment excluding stocks and deferred tax asset

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss account.

Non-financial assets

The carrying amounts of the Company's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit and loss account. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

1.11 Employee benefits

Short term 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.

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

1.12 Turnover

Turnover comprises sales of goods to customers less an appropriate deduction for actual and expected returns and is stated net of VAT and trade discounts. Turnover is recognised when the significant risks and rewards of ownership have been transferred to the customer. This is normally on the date of delivery of the goods to retail customers and the shipment of goods to wholesale customers. E-commerce sales are recorded on despatch to the customer.

1.13 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.14 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.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

1.15 Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods. 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 periods and it further excludes items that are never taxable or deductible.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, branch, joint ventures to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.16 Exceptional administrative expenses

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

1.17 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is considered material, provisions are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Provisions for onerous leases are recognised when the Company believes that the unavoidable costs of meeting or exiting the lease obligations exceed the economic benefits expected to be received under the lease.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

1.18 Government Grants

Grants are accounted under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the statement of comprehensive income in the same period as the related expenditure.

1.19 Judgements and key sources of estimation uncertainty

In the application of the Company'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.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Onerous lease provision

Determination of whether a loss is unavoidable requires areas of judgement such as consideration of potential future investment decisions, the possibility of sub-letting, local conditions which may be impacting on current performance and the opportunity to surrender a lease back to the landlord. Additionally, some estimation is required in determining the future EBITDA performance of each site and the potential to exit leases earlier than the expiry date.

Impairment of assets

Property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates in the period. Where the recoverable amount of the cash generating unit is negative, an impairment loss is recognised in the profit and loss account.

Financial instruments

The Company uses derivative financial instruments in the form of contracts for the forward purchase of US Dollars and Euros. These grant the Company the ability to buy foreign currency at a fixed price over the life of the contracts. The fair value of these contracts as at the balance sheet date has been calculated using an estimated forward rate as at that date. This forward rate has been calculated using the interpolated zero coupon rates based upon the then money market and swap interest rates for each currency pair as reported by ICE Benchmark Administration Limited and the Financial Times respectively.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

1.19 Judgements and key sources of estimation uncertainty (continued)

Deferred tax asset

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Management uses judgement in estimating whether there will be sufficient taxable profits in the future to recognise a deferred tax asset. Management will also need to make estimates about the expected timing of reversal of the deductible and taxable temporary differences when considering whether a deferred tax asset can be recognised. The timing of the reversal of deferred tax asset on capital allowance has been estimated based on the longevity of the business's operations.

Key sources of estimation uncertainty

The directors are of the view that there are no estimates or assumptions in addition to the above which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities.

2 Turnover

The total turnover of the Company for the period has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the Company's turnover is set out as below:

Geographical Segment	2021 £	2020 £
United Kingdom	60,206,099	123,301,890
Rest of the World	7,371,220	8,485,808
	<u>67,577,319</u>	<u>131,787,698</u>

3 Operating loss

	2021 £	2020 £
Operating loss is stated after charging:		
Depreciation of tangible assets	4,420,473	5,389,626
Loss/(profit) on disposal of tangible assets	49,863	(7,528)
Operating lease rentals:		
- Plant and machinery	97,184	131,676
- Other assets	7,843,404	11,340,513
Gain on translation of foreign currency balances	(20,760)	(523,555)
	<u></u>	<u></u>

Operating loss is stated after also charging exceptional costs (see Note 5).

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

3 Operating loss (continued)

Auditors' remuneration

	2021 £	2020 £
Audit of the Company's annual accounts	46,200	46,200
Other services	2,995	2,995
Total auditors' remuneration	49,195	49,195

4 Other operating income

	2021 £	2020 £
Government grants	6,222,940	-

Included in government grants is the Company's claim of £5,689,177 in relation to the Coronavirus Job Retention Scheme. £295,498 of the claim is included in the salary costs recharged to Dune International Limited in the period (also see note 23).

5 Exceptional costs

	2021 £	2020 £
Write off of bad debt	24,441	194,577
Provision for onerous leases	217,817	7,000,089
Redundancy fees	533,297	-
Strategic reorganisation	389,770	-
Total exceptional costs	1,165,325	7,194,666

- a) Debts due from department store customers who have gone into administration were written off by the Company.
- b) Provision for onerous leases are related to non-performing stores.
- c) Redundancy fees in the period relate to the restructuring of business operations.
- d) Strategic reorganisation costs incurred as a result of activities undertaken to refocus the Company's operations.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

6 Interest payable

	2021 £	2020 £
On bank loans and overdrafts	402,252	513,122
Other interest	141,016	148,388
Total interest payable	543,268	661,510

7 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2021 £	2020 £
<i>Current tax</i>		
Adjustments in respect of prior periods	(1,203,226)	(227,762)
Foreign tax	41,070	77,278
Total current tax	(1,162,156)	(150,484)
<i>Deferred tax (see note 16)</i>		
Origination and reversal of timing differences	(2,202,730)	(930,360)
Adjustments in respect of prior periods	767,855	(439,574)
Total deferred tax	(1,434,875)	(1,369,934)
Total tax recognised in the profit and loss account	(2,597,031)	(1,520,418)

	2021 £			2020 £		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	(1,162,156)	(1,434,875)	(2,597,031)	(150,484)	(1,369,934)	(1,520,418)
Recognised in other comprehensive income	-	(5,014)	(5,014)	-	(240,990)	(240,990)
Total tax	(1,162,156)	(1,439,889)	(2,602,045)	(150,484)	(1,610,924)	(1,761,408)

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

7 Taxation (continued)

Analysis of current tax recognised in profit and loss

	2021 £	2020 £
UK corporation tax	(1,203,226)	(227,762)
Foreign tax	41,070	77,278
Total tax recognised in the profit and loss account	<u>(1,162,156)</u>	<u>(150,484)</u>

Reconciliation of effective tax rate

The tax assessed for the period is higher than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	2021 £	2020 £
(Loss)/Profit excluding taxation	(15,936,227)	(8,298,547)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(3,027,884)	(1,576,722)
Non-deductible expenses	98,164	56,273
Depreciation on ineligible assets	183,883	336,036
Fixed asset loss on disposal	21,754	1,500
Adjustments to previous periods	(435,371)	(667,336)
Tax losses carried back	380,219	-
Foreign corporation tax adjustment	41,070	77,278
Group tax relief	145,342	248,508
Deferred tax on roll over relief	(4,208)	(4,207)
Deferred tax on change in tax rate	-	8,252
Total tax expense included in profit or loss	<u>(2,597,031)</u>	<u>(1,520,418)</u>

The company has estimated trading losses of £12,006,757 (2020: £4,638,971) available to carry forward against future trading profits. A deferred tax asset has been recognised in respect of these losses as shown in note 16.

Factors that may affect future tax charges

In the March 2021 Budget announcement in the United Kingdom, it was announced that the Corporation Tax rate will increase to 25% for larger companies from 1 April 2023. However, the deferred tax asset has been calculated based on the currently enacted Corporation Tax rate of 19%.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

8 Tangible fixed assets

	Long leasehold properties £	Short leasehold properties £	Computer equipment £	Fixtures, fittings & equipment £	Total £
Cost					
At 2 February 2020	1,112,519	2,076,377	13,211,215	20,798,885	37,198,996
Additions	-	140,015	1,890,778	1,416,025	3,446,818
Disposals	-	(3,640)	-	(1,969,241)	(1,972,881)
At 30 January 2021	1,112,519	2,212,752	15,101,993	20,245,669	38,672,933
Depreciation					
At 2 February 2020	326,793	1,625,668	9,589,840	15,396,960	26,939,261
Charge for the period	44,379	193,908	1,864,909	2,317,277	4,420,473
On disposals	-	(3,640)	-	(1,919,378)	(1,923,018)
At 30 January 2021	371,172	1,815,936	11,454,749	15,794,859	29,436,716
Net book value					
At 30 January 2021	741,347	396,816	3,647,244	4,450,810	9,236,217
At 1 February 2020	785,726	450,709	3,621,375	5,401,925	10,259,735

The net book value of assets held under finance lease or hire purchase contracts, included above, are as follows:

	2021 £	2020 £
Computer equipment	577,188	789,584

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

9 Fixed asset investments

	Shares in subsidiary undertakings £
Shares in subsidiary undertakings	
Cost	
At 2 February 2020	887,829
At 30 January 2021	887,829
Net book value	
At 30 January 2021	887,829
At 1 February 2020	887,829

The Company holds share capital in the following company:

Company	Country of registration or incorporation	Shares held	
Subsidiary undertakings		Class	%
Dune Shoes Ireland Limited	Republic of Ireland	Ordinary	100

10 Stock

	2021 £	2020 £
Finished goods and goods for resale	24,724,315	30,966,040

11 Debtors

	2021 £	2020 £
Trade debtors	2,819,169	4,646,318
Amounts owed by group undertakings	9,849,140	13,156,998
Other Debtors	304,774	705,928
Deferred tax (Note 16)	3,508,999	2,069,108
Prepayments and accrued income	3,121,327	4,377,173
Corporation tax	1,203,226	425,495
Derivative financial instruments (Note 28)	10,583	125,863
	20,817,218	25,506,883

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

12 Creditors: amounts falling due within one year

	2021 £	2020 £
Bank loans and overdrafts	10,245,390	6,930,958
Trade creditors	20,319,550	22,505,308
Amounts owed to group undertakings	3,697	392
Other taxes and social security	3,921,199	1,131,526
Other creditors	141,607	182,410
Obligations under finance leases and hire purchase contracts	433,272	424,791
Accruals and deferred income	4,549,765	4,386,697
Derivative financial instruments (Note 28)	304,083	392,973
	<u>39,918,563</u>	<u>35,955,055</u>

a) The bank loans and overdrafts are secured by:

- a fixed and floating charge over the assets of the Company;
- an unlimited cross guarantee and set-off agreement given by the Company and its fellow group undertakings to secure all liabilities of each other.

b) A parental guarantee has been given on the obligations under finance leases and hire purchase contracts.

13 Creditors: amounts falling due after more than one year

	2021 £	2020 £
Obligations under finance leases and hire purchase contracts	<u>143,916</u>	<u>364,793</u>

14 Provisions

	2021 £	2020 £
At 2 February 2020	4,948,412	-
Arising in the period	150,380	7,135,499
Utilised in the period	(2,303,389)	(2,200,065)
Reversal of unused amounts	199,072	12,978
At 30 January 2021	<u>2,994,475</u>	<u>4,948,412</u>

The above provisions are related to onerous leases. It is expected that £1.4m (2020: £1.7m) of the provision will be utilised/unwound within one year, and the remainder between two and five years.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

15 Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	433,272	424,791
Between one and five years	143,916	364,793
	<u>577,188</u>	<u>789,584</u>

16 Deferred tax

The deferred tax asset is made up as follows:

	2021 £	2020 £
Capital allowances	1,222,918	1,208,365
Unpaid pension contributions	19,010	2,773
Roll over relief	(69,978)	(74,185)
Derivative financial instruments	55,765	50,751
Tax losses carried forward	2,281,284	881,404
	<u>3,508,999</u>	<u>2,069,108</u>

The net reversal expected in the next reporting period in relation to deferred tax assets above is £388,978 (2020: £102,328) for capital allowances, carried forward losses, unpaid pension contributions and derivative financial instruments. The net reversal expected in the next reporting period in relation to the deferred tax liabilities above is £4,208 (2020: £4,207) for roll over relief.

17 Pension and other post-retirement benefit commitments

Defined contribution

	2021 £	2020 £
Contributions payable by the Company for the period	<u>542,593</u>	<u>700,804</u>

18 Share capital

	2021 £	2020 £
Allotted, called up and fully paid 5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

19 Reserves

Called up share capital - represents the nominal value of shares that have been issued.

Cashflow hedge reserves - comprises the movement in fair value of derivatives on the balance sheet.

Retained earnings - includes all current and prior period retained profits and losses.

20 Contingent liabilities

The Company's lenders have given a duty deferment guarantee for £300,000 (2020: £300,000) in favour of HM Revenue and Customs on behalf of the Company where there is potential recourse to the Company. The Company continues to have Authorised Economic Operator (AEO) status from HMRC.

The Company together with its group entities, Dune Holdings Limited and Dune International Limited, have given a cross guarantee to its lender for group facilities and borrowings. In the Company the total bank loan and overdrafts is £10,245,390 (2020: £ 6,930,958).

21 Financial commitments

At 30 January 2021 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2021	2020	2021	2020
	£	£	£	£
Within one year	6,895,213	7,272,919	37,369	47,518
Between two and five years	13,229,124	16,099,614	26,998	52,764
In over five years	3,344,344	2,686,709	-	-
	<u>23,468,681</u>	<u>26,059,242</u>	<u>64,367</u>	<u>100,282</u>

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

22 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	1,778,432	1,885,675
Company pension contributions to defined contribution schemes	70,980	89,502
Compensation for loss of office	236,868	-
	<u>2,086,280</u>	<u>1,975,177</u>

The total number of directors in the period was 9 (2020:9).

The number of directors for whom retirement benefits accrued under defined contribution schemes amounted to 9 (2020: 7).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2021	2020
	£	£
Remuneration for qualifying services	<u>551,656</u>	<u>581,043</u>

23 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

	2021	2020
	Number	Number
Management and administration	256	287
Sales	1,036	1,386
Distribution	116	124
	<u>1,408</u>	<u>1,797</u>

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

23 Employees (continued)

An average of 45 employees within the management and administration line are employed by Dune Group Limited (2020: 54) whose salary costs are fully recharged to Dune International Limited, a fellow subsidiary of Dune Holdings Limited.

Employment costs (including directors)

	2021 £	2020 £
Wages and salaries	22,202,399	26,660,499
Social security costs	1,715,432	2,028,073
Other pension costs	542,593	700,804
	<u>24,460,424</u>	<u>29,389,376</u>

24 Control

The immediate parent undertaking is Dune Holdings Limited, a company registered in England and Wales and the ultimate controlling parties are Daniel and Anne Rubin, directors.

The largest group in which the results of the Company are consolidated is that headed by Dune Holdings Limited. The consolidated financial statements of the group are available to the public and may be obtained from 9 Hatton Street, London, NW8 8PL.

25 Related party transactions

The Company has taken advantage of the exemption available in accordance with FRS 102, paragraph 33.1.A 'Related party disclosures' not to disclose transactions entered into between two or more members of a group, as the Company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.

At the balance sheet date, the Company had the following balances and transactions with an undertaking that is jointly controlled by the parent company:

	2021 £	2020 £
Trade debtor balance	730,008	523,549
Management charges received	<u>178,575</u>	<u>313,112</u>

During the period £42,773 (2020: £61,783) was paid to a director in respect of rent.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

26 Post reporting date events

As is well documented, the market conditions for fashion retailers have been extremely challenging, with declining footfall on the high street and in shopping centres, high fixed rental costs, rising rates, increasing payroll costs from national living wage and a highly promotional trading environment.

As a result of these conditions and coupled with the lockdown periods from the Covid pandemic, it was decided to enter Dune Group Limited into a Company Voluntary Arrangement (CVA). The Company's creditors approved the CVA on 25 February 2021 and the CVA challenge period ended on 25 March 2021.

A new three-year RCF was also approved by our bank on 25 March 2021.

Following the CVA, the majority of stores will be on flexible turnover rent deals with low base rents for a period of three years. This will result in the rental expense on operating leases held by the Company being reduced by up to 50% over the CVA period. Any associated onerous lease provisions will be reduced accordingly. The CVA also provides that for six poorly performing stores only six weeks rent was payable from the CVA approval date. The landlords of those stores have an ongoing right to give us 30 days' notice to exit a store. Finally, the Company has implemented a plan to reduce costs from the rationalisation of the supplier base, including the compromise of landlord and non-critical supplier arrears under the terms of the CVA. The working capital of the group will be further improved by moving all rents to a monthly payment cycle.

The Directors believe that the approval of the CVA has provided the financial strength, funding and flexibility to allow us to execute our strategy and deliver the three-year business plan. No adjustments have been made in these financial statements to reflect these changes as the impact of the CVA is a non-adjusting post balance sheet event.

27 Financial assets and liabilities

	2021	2020
	£	£
Financial assets measured at amortised cost	12,973,083	18,509,244
Financial assets measured at fair value	10,583	125,863
Financial liabilities measured at amortised cost	(35,411,754)	(34,303,619)
Financial liabilities measured at fair value	(304,083)	(392,973)

Financial assets measured at amortised cost comprise trade debtors, intercompany trading balances and other debtors.

Financial liabilities measured as amortised cost comprise bank and other loans and overdrafts, trade creditors, intercompany trading balances, other creditors, accruals, hire purchase commitments and deferred income.

Financial assets and liabilities measured at fair value comprise derivative financial instruments (note 28).

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

28 Derivatives and other instruments

The majority of the Company's supplies are sourced overseas. These purchases are priced in Sterling, US dollars and Euros. The Company's policy is to eliminate the majority of currency exposures on purchases through forward foreign currency contracts.

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities relating to derivative financial instruments include:

	2021	2020
	£	£
Assets measured at fair value through OCI	10,583	125,863
Liabilities measured at fair value through OCI	(304,083)	(392,973)
	<u>(293,500)</u>	<u>(267,110)</u>

Financial instruments measured at fair value

The Company uses derivative financial instruments in the form of contracts for the forward purchase of US Dollars and Euros. These grant the Company the ability to buy foreign currency at a fixed price over the life of the contracts. The fair value of these contracts as at the balance sheet date has been calculated using an estimated forward rate as at that date. This forward rate has been calculated using the interpolated zero coupon rates based upon the then money market and swap interest rates for each currency pair as reported by ICE Benchmark Administration Limited and the Financial Times respectively.

Hedge accounting

For cash flow hedges: the amount of the change in fair value of the hedging instrument recognised in other comprehensive income for the period, the amount (if any) that was reclassified from equity to profit or loss for the period; and the amount (if any) of any excess of the fair value of the hedging instrument over the change in the fair value of the expected cash flow that was recognised in profit or loss for the period.

DUNE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JANUARY 2021 (CONTINUED)

28 Derivatives and other instruments (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.12.29(a) for the cash flow hedge accounting models:

	2021				2020			
	Carrying amount £	Expected cash flows £	1 year or less £	1 to 2 years £	Carrying amount £	Expected cash flows £	1 year or less £	1 to 2 years £
Forward exchange swaps:								
Assets	10,583	7,267,790	7,267,790	-	70	84,038	84,038	-
Liabilities	(6,153)	2,192,662	2,192,662	-	(58,025)	12,551,554	12,551,554	-
Forward exchange contracts:								
Assets	-	-	-	-	125,793	14,265,573	14,265,573	-
Liabilities	(297,930)	13,037,043	8,630,085	4,406,958	(334,948)	5,621,051	5,621,051	-
	(293,500)	22,497,495	18,090,537	4,406,958	(267,110)	32,522,216	32,522,216	-

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect the profit and loss account:

	2021				2020			
	Carrying amount £	Expected P&L effect £	1 year or less £	1 to 2 years £	Carrying amount £	Expected P&L effect £	1 year or less £	1 to 2 years £
Forward exchange swaps:								
Assets	10,583	659,828	659,828	-	70	11,200	11,200	-
Liabilities	(6,153)	207,338	207,338	-	(58,025)	800,827	800,827	-
Forward exchange contracts:								
Assets	-	-	-	-	125,793	1,235,053	1,129,550	105,503
Liabilities	(297,930)	1,061,108	668,066	393,042	(334,948)	(21,050)	(13,698)	(7,352)
	(293,500)	1,928,274	1,535,232	393,042	(267,110)	2,026,030	1,927,879	98,151