

LULU GUINNESS HOLDINGS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
31 MARCH 2019

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LULU GUINNESS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	L J Guinness
	P M R Norris
	P J Spinks
	V L Chu
	S R C Geater
	R F T Coles
	E Sidem
	C L Bagnald
	J McArthur
Secretary	S R C Geater
Company number	02282816
Registered office	Courtyard 1 Highgate Studios 53-79 Highgate Road London England NW5 1TL
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom

LULU GUINNESS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 31 MARCH 2019

The directors present their strategic report for the period ended 31 March 2019.

In preparing this strategic report, the directors have complied with s414C of the Companies Act 2006.

Fair review of the business

In the period to 31 March 2019 the Group achieved sales of £10.3 million (2018: £10.1 million) up 2% and gross profit of £4.4 million (2018: £4.7 million). During the year the Group recorded a loss after tax for the year of £0.5m against break even position in the preceding year. The loss in the year is due to continued investment in the website and one-off restructuring items, including the closure of an outlet store in Ireland.

During 2018/19 the Group continued to invest in creative & design, product innovation & development, marketing and operations to support its core strategic initiatives:

- The creative engine of the business was reconfigured, with the addition of a new Creative Director to work in partnership with the founder of the business, Lulu Guinness, who became Artistic Director.
- Significant growth was delivered across our eCommerce channel, with revenues up +24% compared to FY18; these now represent over a third of total Group revenues.
- The website has seen an increase in the number of visits, up +14%, and growth of new customer visits, up +31%, when compared to FY18. With all major KPIs delivering growth when compared to the preceding year.
- The website mobile capability delivered the highest sales uplift, with over 40% of total transactions now completed via a mobile device.
- During the year, three stores were opened and nine were closed, so that by the end of the period 13 (2018:19) stores were trading (including 9 franchise stores). The Group continued to focus on improving retail store performance, whilst continuing to deliver great customer service and in-store experiences.

Key strategies & future developments

The Group continues to refine its strategic priorities and invest in key markets to maintain and develop the brand in all aspects, including product range, service offering, international sales, store and digital footprint. Key objectives are to maintain existing customers and attract new ones to the brand:

- **Strategy**
 - During the year, the company undertook an extensive review of its strategy and operations, with a view to improving the long-term performance of the business and the value of the Company.
 - We have started to implement this multi-year strategy focused on increasing the businesses' ability to sell an increasing proportion of its products at full price, while broadly maintaining the product range's overall price positioning in the accessories market. The core focus remains on handbags and accessories, supported by complementary products.
- **Creative**
 - As a first step, in mid-2018, we hired a talented Creative Director, with responsibilities across all aspects of product design & development and communications. He will work in close partnership with Lulu Guinness, the founder of the business, to ensure the rich DNA of the brand is easily legible by target customers across our global markets.
- **Distribution Channels**
 - As part of these efforts to re-energise the brand and business, we continue to develop and integrate global multi-channel marketing across print, key influencer activity, events and campaign collaborations.
 - eCommerce growth is driven by the development of the on-line offering and expansion of digital marketing, to increase both customer acquisition and retention. We aim to increase lifetime customer value, raise conversion rates and improve user experiences.
 - We continue to review and monitor UK retail opportunities, including concept stores and creative spaces delivering in-store experiences in keeping with brand values.
 - Wholesale remains a key strategic distribution channel as we grow our existing partnerships and review future international opportunities, including our franchise arrangements.

LULU GUINNESS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

Principal risks and uncertainties

The Group continues to face several generic challenges:

- Competition in the retail sector remains acute, with a multitude of retailers competing for consumers' discretionary spend, which translates into aggressive discounting policies and ever shorter "full-price" seasons;
- Generalist fashion retailers have tended to add handbag ranges to their merchandise offerings, thereby encroaching on the group's core market;
- Occupancy costs in prime locations, in central London and elsewhere, continue to escalate, severely impacting the economics of running profitable stores.
- Changes in consumer purchasing habits present an on-going challenge which can be hard to predict and manage, especially across wholesale channels; and
- Credit, exchange rate and interest rate volatility (heightened by on-going "Brexit" uncertainties) are all areas that potentially affect performance.

The Group is responding to the challenges in a number of ways:

- Reinforcing the creative engine of the business and bringing key customer touchpoints such as product collections, advertising, PR and other communications under a single creative direction, in order to improve the legibility and commercial appeal of the brand's DNA across those touchpoints.
- Focusing on the development of its on-line offering, which continues to deliver increased sales, while targeting the addition of a full-price bricks & mortar store in Central London in 2019/20 to serve as a springboard for planned domestic and international growth.
- Continued investment across the business to increase efficiencies, particularly systems, improving supply chain, strategic partnerships, customer services and people.
- The Group has some exposure to foreign currency risks. A proportion of finished goods are purchased in US Dollars or Euros and this exposure is mitigated by entering into forward exchange contracts.
- The Group has credit facilities which are used to manage seasonal working capital requirements. The Group monitors cash flow as part of its day-to-day control procedures. The operating board reviews cash flow projections and ensures that appropriate facilities are in place.

Key performance indicators

The Group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial key performance indicators. These are reported on a weekly basis versus internal targets and prior year performance and include turnover:

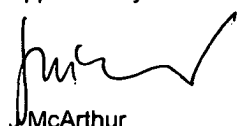
- Monthly performance of sales and margins against budget in each of the group's distribution channels
- Unique visitor numbers, page visits and conversion rates on the group's e-commerce sites
- Overheads as a proportion of sales

Selected KPIs have been presented below:

	2019	2018
Turnover	£10.3m	£10.1m
% Turnover by geographical market		
United Kingdom	88%	84%
Rest of the world	12%	16%
Gross Profit %	43%	47%
EBITDA (i)	(£422k)	£9k

(i) Earnings before interest, tax, depreciation, amortisation of intangible assets (EBITDA).

Approved by the board on 19 December 2019 and signed on its behalf by:



J. McArthur

Director

LULU GUINNESS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the 53 weeks ended 31 March 2019.

Principal activity

The principal activity of group is the design, manufacture and sale of handbags, footwear, apparel, accessories and gifting, providing uniquely designed luxury products distributed through retail, web, wholesale and license channels. The key markets for Lulu Guinness are UK, USA and the Far East.

Directors

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

C L Bagnald

V L Chu

R F T Coles

K Denning (Deceased 24 January 2019)

E Sidem

S R C Geater

L J Guinness

J McArthur

P M R Norris

P J Spinks

Results and dividends

The Group results for the period are set out on page 8 of these financial statements.

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

Subsequent to the year end, the Group issued convertible loan notes to existing shareholders amounting to £1.5m.

Financial instruments

Treasury operations and financial instruments

The Group operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the Group's activities.

The Group's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks arising from the Group's activities and bank borrowings, the main purpose of which is to provide finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. Derivative transactions which the Group enters into principally comprise forward exchange contracts. In accordance with the Group's treasury policy, derivative instruments are not entered into for speculative purposes.

Liquidity risk

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

Interest rate risk

The Group is exposed to fair value interest rate risk on its short-term bank borrowings.

LULU GUINNESS HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

Foreign currency risk

The Group's principal foreign currency exposure arise from sourcing a proportion of its finished goods from overseas factories with purchases made in US Dollars or Euros and trading with overseas companies. Group treasury policies demand that these exposures are hedged appropriately to fix the cost in sterling. This hedging activity involves the use of foreign exchange forward contracts.

Credit risk

Investments of cash surplus, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria as governed by the Group's treasury policy and in turn approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade debtors are monitored on an ongoing basis and provision is made for specific doubtful debts where necessary.

Matters of strategic importance

Information in relation to future developments is not shown in the Directors' Report as it is instead included in the Strategic Report on Pages 1 to 2 as permitted under section 414 c (11) of the Companies Act 2006.

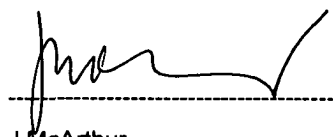
Auditor

RSM UK Audit LLP has indicated its willingness to be reappointed for another term and appropriate arrangements have been put in place for RSM UK Audit LLP to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Group's auditor is 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 Group's auditor is aware of that information.

On behalf of the board



J McArthur

Director

19 December 2019

LULU GUINNESS HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2019

The directors are responsible for preparing the Strategic Report and 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LULU GUINNESS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Lulu Guinness Holdings Limited (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, 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 FRS 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 group's and the parent company's affairs as at 31 March 2019 and of the group's loss 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 group's or the parent 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.

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. 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LULU GUINNESS HOLDINGS LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Christopher Tate (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

United Kingdom

20 December 2019

LULU GUINNESS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MARCH 2019

		53 weeks ended 31 March 2019	52 weeks ended 25 March 2018
	Notes	£	£
Turnover	3	10,299,300	10,054,152
Cost of sales		(5,927,104)	(5,351,552)
Gross profit		4,372,196	4,702,600
Administrative expenses		(5,398,113)	(4,876,707)
Other operating income		2,577	-
Operating loss	7	(1,023,340)	(174,107)
Interest receivable and similar income	8	334	452
Interest payable and similar expenses	9	(18,392)	(15,055)
Gains on derivative financial instrument		375,001	-
Loss before taxation		(666,397)	(188,710)
Tax on Loss	10	135,698	214,509
(Loss)/Profit for the financial period		(530,699)	25,799
Other comprehensive income net of taxation			
Currency translation differences		(21,140)	(4,842)
Loss recognised on cashflow hedge		-	(187,258)
Total comprehensive income for the period		(551,839)	(166,301)

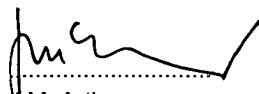
Profit/(loss) for the financial period is all attributable to the owners of the parent company.

Total comprehensive income for the period is all attributable to the owners of the parent company.

LULU GUINNESS HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 31 MARCH 2019**

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Goodwill	11		552,988		583,776
Intangible assets	11		678,620		167,844
Total intangible assets			1,231,608		751,620
Tangible assets	12		244,863		316,661
			1,476,471		1,068,281
Current assets					
Stocks	15	2,891,334		4,115,048	
Debtors falling due after more than one year	16	34,029		61,178	
Debtors falling due within one year	16	1,737,051		2,156,911	
Cash at bank and in hand		752,340		713,580	
		5,414,754		7,046,717	
Creditors: amounts falling due within one year	17	(2,046,525)		(2,918,872)	
Net current assets			3,368,229		4,127,845
Total assets less current liabilities			4,844,700		5,196,126
Capital and reserves					
Called up share capital	22		4,624		4,615
Share premium account	23		7,428,663		7,415,517
Cashflow hedge reserve	23		-		(187,258)
Profit and loss reserves	23		(2,588,587)		(2,036,748)
Total equity			4,844,700		5,196,126

The financial statements were approved by the board of directors and authorised for issue on 19 December 2019 and are signed on its behalf by:

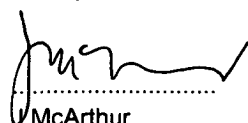

 J. McArthur
 Director

LULU GUINNESS HOLDINGS LIMITED
COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Investments	13		1,656,752		1,656,752
Current assets					
Debtors	16	3,110,013		2,708,133	
Cash at bank and in hand		945		391,265	
		<u>3,110,958</u>		<u>3,099,398</u>	
Creditors: amounts falling due within one year	17	-		(15,990)	
Net current assets			3,110,958		3,083,408
Total assets less current liabilities			<u>4,767,710</u>		<u>4,740,160</u>
Provisions for liabilities	20		(770,035)		(770,624)
Net assets			<u>3,997,675</u>		<u>3,969,536</u>
Capital and reserves					
Called up share capital	22		4,624		4,615
Share premium account	23		7,428,663		7,415,517
Profit and loss reserves	23		(3,435,612)		(3,450,596)
Total equity			<u>3,997,675</u>		<u>3,969,536</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's profit for the year was £14,984 (2018 - £269,656 loss).

The financial statements were approved by the board of directors and authorised for issue on 19 Dec 2019 and are signed on its behalf by:



McArthur
Director

LULU GUINNESS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2019

	Share capital	Share premium account	Hedging reserve	Profit and loss reserves	Total
	£	£	£	£	£
Balance at 26 March 2017	3,229	5,421,734	-	(2,057,705)	3,367,258
Period ended 25 March 2018:					
Profit for the period	-	-	-	25,799	25,799
Other comprehensive income net of taxation:					
Currency translation differences	-	-	-	(4,842)	(4,842)
Losses on cash flow hedges	-	-	(187,258)	-	(187,258)
Total comprehensive income for the period	-	-	(187,258)	20,957	(166,301)
Issue of share capital	1,386	1,993,783	-	-	1,995,169
Balance at 25 March 2018	4,615	7,415,517	(187,258)	(2,036,748)	5,196,126
Period ended 31 March 2019:					
Loss for the period	-	-	-	(530,699)	(530,699)
Other comprehensive income net of taxation:					-
Currency translation differences	-	-	-	(21,140)	(21,140)
Cash flow hedges reclassified to profit and loss	-	-	187,258	-	187,258
Total comprehensive income for the period	-	-	187,258	(551,839)	(364,581)
Issue of share capital	9	13,146	-	-	13,155
Balance at 31 March 2019	4,624	7,428,663	-	(2,588,587)	4,844,700

LULU GUINNESS HOLDINGS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH 2019

	Share capital	Share premium account	Profit and loss reserves	Total
	£	£	£	£
Balance at 26 March 2017	3,229	5,421,734	(3,180,940)	2,244,023
Period ended 25 March 2018:				
Loss and total comprehensive income for the period	-	-	(269,656)	(269,656)
Issue of share capital	1,386	1,993,783	-	1,995,169
Balance at 25 March 2018	4,615	7,415,517	(3,450,596)	3,969,536
Period ended 31 March 2019:				
Total comprehensive income for the period	-	-	14,984	14,984
Issue of share capital	9	13,146	-	13,155
Balance at 31 March 2019	4,624	7,428,663	(3,435,612)	3,997,675

LULU GUINNESS HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

		2019		2018	
	Notes	£	£	£	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	24	79,432		(1,205,825)	
Interest paid		(18,392)		(15,055)	
Income taxes refunded/(paid)		196,774		1,706	
Net cash inflow/(outflow) from operating activities		257,814		(1,219,174)	
Investing activities					
Purchase of intangible assets		(589,315)		(167,844)	
Purchase of tangible fixed assets		(45,572)		(160,957)	
Interest received		334		452	
Net cash used in investing activities		(634,553)		(328,349)	
Financing activities					
Proceeds from issue of shares		13,155		2,078,490	
Share issue costs		-		(83,321)	
Increase in/(repayment of) bank loans		374,890		(317,203)	
Net cash generated from/(used in) financing activities		388,045		1,677,966	
Net increase/(decrease) in cash and cash equivalents		11,306		130,443	
Cash and cash equivalents at beginning of period		713,580		606,159	
Effect of foreign exchange rates		27,454		(23,022)	
Cash and cash equivalents at end of period		752,340		713,580	

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

1 Accounting policies

Company information

Lulu Guinness Holdings Limited is a private company limited by shares incorporated in the United Kingdom and registered in England and Wales (registration number 02282816). The registered office is Courtyard 1, Highgate Studios, 53-79 Highgate Road, London, England, NW5 1TL.

The group consists of Lulu Guinness Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Reduced disclosures

In accordance with FRS 102, the company has taken advantage of the exemptions from the following disclosure requirements:

- section 7 "Statement of Cash Flows" - Presentation of a statement of cash flows and related notes and disclosures,
- section 33 "Related Party Disclosures" - Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Lulu Guinness Holdings Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries are consolidated using the purchase method. All financial statements are made up to 31 March 2019, except for Lulu Guinness Asia Holdings Limited and Lulu Guinness Trading (Shenzhen) Company Limited, which have statutory year ends of 31 December. The consolidated financial statements therefore include the statutory accounts of these companies to 31 December 2018 and subsequent management accounts to 31 March 2019.

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

Going concern

At the time of approving the financial statements, taking into account the resources available to the group, the directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Reporting period

The annual financial statements are presented for a period of 53 weeks, in line with common practice in the sector where the group operates. Comparative amounts presented in the financial statements (including the related notes) relate to the preceding 52 weeks.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 20 years.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

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

Website development

Amortised from September 2019

During part of the year the intangible assets were in the course of construction and amortisation commenced when the assets become available for use (website go-live) in September 2019.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

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

Short leasehold improvements

Over the lease term

Fixtures, fittings and equipment

20% to 33.33% per annum on cost

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

1 Accounting policies (Continued)

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

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Entities in which the group has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

Impairment of fixed assets

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

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

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

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

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell.

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 complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Financial instruments

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

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

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

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

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

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other creditors and bank trade facilities, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

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

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Other financial liabilities

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

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

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

To qualify for hedge accounting, the company documents the hedged item, the hedging instrument and the hedging relationship between them, and the causes of hedge ineffectiveness (such as different maturities, nominal amounts or variable rates, and counterparty credit risk).

Cash flow hedges

Changes in the fair value of forward foreign exchange contracts that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity in the cash flow hedge reserves.

Hedge accounting was discontinued during the year with accumulated losses previously recognised in the cashflow hedge reserve being reclassified to the profit and loss account.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from that will be assessed to or allowed for tax in a future period except where the group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

Employee benefits

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

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

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

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

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

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

1 Accounting policies (Continued)

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on *non-monetary items recognised in other comprehensive income*, when the related translation gain or loss is also recognised in other comprehensive income.

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to reserves.

Share options

The company issues equity-settled share options to certain employees and directors within the group. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The expense in relation to options over the parent company's shares granted to employees of a subsidiary is recognised by the company as a capital contribution, and presented as an increase in the company's investment in that subsidiary.

The charge for the period was not recognised in the financial statements as it was not material.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

2 Judgements and key sources of estimation uncertainty

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

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

The main judgements exercised by the directors in the preparation of these financial statements were the value of the shares issued by the company for the acquisition of the remaining shares in Lulu Guinness Asia Holdings Limited, the fair values of the net assets acquired and the period over which the resulting goodwill is to be amortised.

Critical judgements

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

Stock provision

Stock provisions are recognised where the net realisable value from the sale of stock is estimated to be lower than its carrying value, requiring estimation of the expected future sales price. The estimation includes judgment on a number of factors, including historical sales patterns, expected sales profiles and potential obsolescence.

Impairment of fixed assets

Impairment provisions are recognised on tangible and intangible fixed assets, where the carrying value of those assets exceeds the expected future economic benefits expected to be derived from the assets. The estimation includes judgement on a number of factors including the location of the company's retail stores, the overall level of retail activity in the economy and the nature of the assets themselves.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

3 Turnover and other revenue

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

	2019	2018
	£	£
Turnover analysed by class of business		
Sale of goods	<u>10,299,300</u>	<u>10,054,152</u>
	2019	2018
	£	£
Other revenue		
Interest income	334	452
	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	9,082,413	8,506,627
Rest of the World	1,216,887	1,547,525
	<u>10,299,300</u>	<u>10,054,152</u>

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

4 Employees

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

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Creative	11	9	-	-
Sales	51	58	-	-
Administration	16	17	-	1
	<u>78</u>	<u>84</u>	<u>-</u>	<u>1</u>

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	2,307,782	2,197,209	-	13,333
Social security costs	224,709	198,895	-	1,089
Pension costs	19,542	9,568	-	94
	<u>2,552,032</u>	<u>2,405,672</u>	<u>-</u>	<u>14,516</u>

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	423,628	489,843
Company pension contributions to defined contribution schemes	<u>2,419</u>	<u>1,528</u>
	<u>426,047</u>	<u>491,371</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2018 - 4).

The number of directors who are entitled to receive shares under long term incentive schemes during the period was 3 (2018 - 3).

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

5 Directors' remuneration (Continued)

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

	2019	2018
	£	£
Remuneration for qualifying services	171,565	171,392
Company pension contributions to defined contribution schemes	<u>806</u>	<u>392</u>

The highest paid director has been entitled to receive shares under a long term incentive scheme during the period.

6 Auditor's remuneration

	2019	2018
	£	£
Fees payable to the company's auditor and its associates		
For audit services		
Audit of the financial statement of the group and company	11,530	11,000
Audit of the financial statements of the company's subsidiaries	13,470	12,850
	<u>25,000</u>	<u>23,850</u>

7 Operating loss

	2019	2018
	£	£
Operating loss for the period is stated after charging/(crediting):		
Exchange gains	20,725	(2,649)
Research and development costs	67,284	52,566
Depreciation of owned tangible fixed assets	117,371	151,184
Amortisation of intangible assets	109,327	31,984
Cost of stocks recognised as an expense	4,692,434	4,112,132
Operating lease charges	493,006	584,497

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

8 Interest receivable and similar income

	2019	2018
	£	£
Interest income		
Interest on bank deposits	334	452
	<u>334</u>	<u>452</u>
Investment income includes the following:		
Interest on financial assets not measured at fair value through profit or loss	<u>334</u>	<u>452</u>

9 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>18,392</u>	<u>15,055</u>

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

10 Taxation

	2019	2018
	£	£
Current tax		
Adjustments in respect of prior periods	(135,719)	(214,872)
Foreign current tax on profits for the current period	21	363
Total current tax	<u>(135,698)</u>	<u>(214,509)</u>
Deferred tax		
Origination and reversal of timing differences	<u>-</u>	<u>-</u>
Total tax credit for the period	<u>(135,698)</u>	<u>(214,509)</u>

The credit for the period can be reconciled to the profit/(loss) per the income statement as follows:

	2019	2018
	£	£
Loss before taxation	<u>(666,397)</u>	<u>(188,710)</u>
Expected tax credit based on the standard rate of corporation tax in the UK of 19%	(126,615)	(35,855)
Tax effect of expenses that are not deductible in determine taxable profit	12,119	7,987
Adjustment in respect of prior years	(135,698)	(214,872)
Permanent capital allowances in excess of depreciation	1,373	6,410
Deferred tax asset not recognised	101,266	19,700
Different rate of deferred tax	11,857	2,121
Taxation credit for the period	<u>(135,698)</u>	<u>(214,509)</u>

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

11 Intangible fixed assets

Group	Goodwill	Website development	Total
	£	£	£
Cost			
At 25 March 2018	639,685	167,844	807,529
Additions	-	589,315	589,315
At 31 March 2019	<u>639,685</u>	<u>757,159</u>	<u>1,396,844</u>
Amortisation and impairment			
As at 25 March 2018	55,909	-	55,909
Amortisation charged for the period	30,788	78,539	109,327
At 31 March 2019	<u>86,697</u>	<u>78,539</u>	<u>165,236</u>
Carrying amount			
At 31 March 2019	<u>552,988</u>	<u>678,620</u>	<u>1,231,608</u>
At 25 March 2018	<u>583,776</u>	<u>167,844</u>	<u>751,620</u>

In the statement of comprehensive income the amortisation of intangible fixed assets is included within administrative expenses.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

12 Tangible fixed assets

Group	Short, leasehold improvements	Fixtures, fittings and equipment	Total
	£	£	£
Cost			
At 25 March 2018	534,464	392,703	927,167
Additions	10,046	35,526	45,572
Disposals	(239,903)	(307,965)	(547,868)
At 31 March 2019	<u>304,607</u>	<u>120,264</u>	<u>424,871</u>
Depreciation and Impairment			
As at 25 March 2018	287,140	323,366	610,506
Depreciation charged in the period	75,604	41,766	117,370
Eliminated in respect of disposals	(239,903)	(307,965)	(547,868)
At 31 March 2019	<u>122,841</u>	<u>57,167</u>	<u>180,008</u>
Carrying amount			
At 31 March 2019	<u>181,766</u>	<u>63,097</u>	<u>244,863</u>
At 25 March 2018	<u>247,324</u>	<u>69,337</u>	<u>316,661</u>

The company had no tangible fixed assets at 31 March 2019 or 25 March 2018.

Depreciation of tangible fixed assets is included in administrative expenses in the consolidated statement of comprehensive income.

13 Fixed asset investments

		Group 2019	2018	Company 2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	14	-	-	1,656,752	1,656,752

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

14 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Lulu Guinness Asia Holdings Limited	13/F, 299 Queen's Road Central, Hong Kong	Retailer	Ordinary	100	
Lulu Guinness Limited	Courtyard 1, Highgate Studios, Highgate Road, London, NW5 1TL, United Kingdom	Retailer	Ordinary	100	
Lulu Guinness Trading (Shenzhen) Company Limited	Suite 808, Floor 8, Block B, Jiangsu Daxia, Futian District, Shenzhen, Guangdong, China	Retailer	Ordinary		100
Lulu Guinness USA Inc	420 Lexington Avenue, Suite 300, New York, NY10170, United States of America	Retailer	Ordinary	100	

15 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Finished goods and goods for resale	<u>2,891,334</u>	<u>4,115,048</u>	<u>-</u>	<u>-</u>

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

16 Debtors

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	932,322	1,130,607	-	-
Corporation tax recoverable	185,971	246,308	-	-
Amounts owed by group undertakings	-	-	3,110,013	2,705,219
Derivative financial instruments	187,743	-	-	-
Other debtors	74,714	81,906	-	414
Prepayments and accrued income	356,301	698,090	-	2,500
	<u>1,737,051</u>	<u>2,156,911</u>	<u>3,110,013</u>	<u>2,708,133</u>
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due after more than one year:				
Other debtors	<u>34,029</u>	<u>61,178</u>	<u>-</u>	<u>-</u>
Total debtors	<u>1,771,080</u>	<u>2,218,089</u>	<u>3,110,013</u>	<u>2,708,133</u>

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

17 Creditors: amounts falling due within one year

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Bank loans and overdrafts	657,766	282,876	-	-
Trade creditors	910,930	1,852,861	-	-
Corporation tax payable	909	243	-	-
Other taxation and social security	264,093	273,303	-	-
Derivative financial instruments	-	187,258	-	-
Other creditors	15,467	89,807	-	11,823
Accruals and deferred income	197,360	232,524	-	4,167
	<u>2,046,525</u>	<u>2,918,872</u>	<u>-</u>	<u>15,990</u>

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

18 Borrowings

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans and overdrafts	657,766	282,876	-	-
Payable within one year	<u>657,766</u>	<u>282,876</u>	<u>-</u>	<u>-</u>

Bank loans and overdrafts consist of a bank trade facility secured by fixed and floating charges over the assets of Lulu Guinness Limited and Lulu Guinness Holdings Limited.

19 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
Carrying amount of financial assets				
Measured at fair value through profit or loss				
- Other financial assets	187,743			
Debt instruments measured at amortised cost	1,041,065	1,273,277	3,110,013	2,705,219
	<u>1,228,808</u>	<u>1,273,277</u>	<u>3,110,013</u>	<u>2,705,219</u>
Carrying amount of financial liabilities				
Measured at fair value through profit or loss				
- Other financial liabilities	-	187,258	-	-
Measured at amortised cost	1,781,523	2,458,068	-	15,990
	<u>1,781,523</u>	<u>2,645,326</u>	<u>-</u>	<u>15,990</u>

Other financial assets measured at fair value through profit or loss represent the fair value of forward foreign exchange contracts.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

20 Provisions for liabilities

	Group 2019 £	2018 £	Company 2019 £	2018 £
Provision for losses of subsidiary	-	-	770,035	770,624
Company				Provision for losses of subsidiary £
At 25 March 2018				770,624
Additional provisions in the year				(589)
At 31 March 2019				770,035

21 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charges to profit or loss in respect of defined contribution schemes	19,542	9,568

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

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

22 Share capital

	Group and company	
	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
462,374 (2018: 461,497) Ordinary shares of 1p each	4,624	4,615

During the period the company issued 877 new ordinary shares of 1p each at a premium of £14.99 by way of existing shareholder exercising their warrants. As a result £13,146 was transferred to the share premium account.

All shares have the same voting rights and entitlement to dividends.

At the balance sheet date there were 26,030 (2018: 26,907) ordinary share warrants in issue. These warrants were issued to directors and existing shareholders for no consideration. Each warrant entitles the holder to subscribe for one ordinary share in the company at a subscription price of £15 per share.

23 Reserves

Share premium

The excess of the amount subscribed for share capital above the par value of the shares.

Cash flow hedge reserve

Gains and losses arising on forward foreign exchange contracts which have been designated as hedges for hedge accounting purposes.

Profit and loss reserves

Cumulative profit and loss net of distributions to shareholders.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

24 Cash generated from group operations

	2019 £	2018 £
Profit/(loss) for the period after tax	(530,699)	25,799
Adjustments for:		
Taxation credited	(135,698)	(214,509)
Finance costs	18,392	15,055
Investment income	(334)	(452)
Amortisation and impairment of intangible assets	109,327	31,984
Depreciation and impairment of tangible fixed assets	117,371	151,184
Foreign exchange gains on cash equivalents	(48,593)	18,180
Movement in derivative instrument	(187,743)	
Movements in working capital:		
Decrease/(increase) in stocks	1,223,714	(1,372,035)
Decrease/(increase) in debtors	588,257	(314,232)
(Decrease)/increase in creditors	(1,074,562)	453,201
Cash generated from/(absorbed by) operations	79,432	(1,205,825)

25 Contingent liabilities

The company has provided a commitment to pay any shortfall of amounts owed by Lulu Guinness USA Inc to Lulu Guinness Limited up to the amount of £798,215 (2018: £598,908). Given the net liability position of Lulu Guinness USA Inc a provision has been made of £770,035 (2018: £770,624) in the company only. The timing of cash flows under this commitment is uncertain.

LULU GUINNESS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2019

26 Operating lease commitments

Lessee

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

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Within one year	248,885	227,882	-	-
Between one and five years	562,338	421,813	-	-
In over five years	153,943	249,450	-	-
	<u>965,166</u>	<u>899,145</u>	<u>-</u>	<u>-</u>

27 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2019	2018
	£	£
Aggregate compensation	474,255	552,685
	<u>474,255</u>	<u>552,685</u>

The company has taken advantage of the exemption under FRS102 section 33 "Related Party Disclosures" not to disclose transactions with other wholly owned group companies.

Subsequent to the year end, the company issued convertible loan notes to existing shareholders amounting to £1.5m.