

WEARWELL (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



WEARWELL (UK) LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Independent auditor's report	6 - 8
Statement of comprehensive income	9
Balance sheet	10
Statement of changes in equity	11
Notes to the financial statements	12 - 25

WEARWELL (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006, for the period ended 31 December 2018.

Business review

The Company operates as manufacturer and provider of corporate apparel in the United Kingdom.

The Company provides products to a broad customer base, including global companies, SMEs and sole traders. Our product lines include the latest innovations in technology and style. We supply into a wide range of sectors including Laundries, Automotive, Manufacturing, Retail, Healthcare, Airlines, Travel, Distribution, Public Sector, Hospitality, Facilities Management, Leisure and Beauty.

We saw improved sales volumes in 2018 (+6%) with addition of RWE flame retardant workwear contract and growth with new and existing customers. Our market remains highly competitive with our customers experiencing cost pressures.

We continue to significantly increase our sales and marketing team, including the introduction of a new website, social media presence and point of sales material promoting the Wearwell brand, products and services. Our head office in Tamworth had a major refurbishment, improving facilities for both staff and customers.

The benefit of the investment from 2018 in the new infrastructure continues into 2019 with the Company broadening its customer base and products. Tecwear by Wearwell have launched a new complete range of Arc flash and flame-retardant garments which have been well received by its customers.

The Company has successfully introduced an invoice discounting facility with HSBC in 2019 to provide additional working capital and assist the Company in its growth aspirations.

The Directors submit the audited accounts for the period ended 31 December 2018. Showing a profit of £540,268.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Principal risks and uncertainties

The Company reviews the key risks and uncertainties faced on an on-going basis; these are set out below with their mitigating factors:

Financial risk management

The Company's key financial risks are the effects of changes in market risk, credit risk and liquidity risk.

Market risk

The Company has a broad end user customer base, the Directors are therefore of the opinion that the risk from loss of business through the lack of retention of key clients is mitigated. No single end user makes up a significant proportion of the Company's turnover.

Credit risk

The Company has implemented credit control policies that require credit checks on all potential customers before sales are made. We then carry out periodic credit checks to manage any adjustments required to their terms to further reduce any credit risk. The amount of exposure to any individual customer is subject to a limit, which is regularly reassessed by the Directors.

Liquidity risk

The financial stability of the Company depends on its future trading performance and liquidity. The Company regularly prepares profit and cash flow forecasts based on likely levels of demand. Resulting working capital projections are reviewed regularly to ensure cash resources are adequate and levels of working capital are supported through the funding facilities available.

Supply chain management

The Company has a robust selection process to ensure its suppliers operate within an appropriate ethical framework and are able to deliver on time to the required quality standards. Regular supplier audits and inspections are conducted to ensure compliance and efficiency of the supply chain is maintained.

The supplier base is well spread, therefore over reliance on any one factory is mitigated. The Company monitors the domestic political and financial factors of the countries in to which its suppliers operate.

The Company will conduct in 2019 a full supply chain review, with a particular focus in moving away from Moroccan production and looking to introduce ASIA and other North Africa suppliers.

Business continuity

Controls are in place to maintain the integrity and efficiency of the IT systems, including disaster recovery plans which would be implemented in the event of a major failure. IT security is monitored and updated to ensure data is protected from unauthorised use and corruption. The business continuity plan for all significant activities and operations is reviewed and tested on a regular basis.

Brexit

The decision to leave the European Union, has created a number of uncertainties. The extent to which operational and financial performance will be affected will only become clear as the process evolves. We consider no new principal risks to our business have arisen from the uncertainty that Brexit brings. Areas of potential risks are, exchange rate, changes in tariffs and duties, and economic uncertainty.

The directors will continue to monitor the potential risks and uncertainties which may arise from the process of leaving the EU.

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety of employees, customers, visitors to Company premises and others affected by the Company's activities. The Company has clearly defined health and safety policies which follow current best practices and meet or exceed legal requirements.

The policy is brought to the attention of all employees and copies of policy documents are available upon request to all interested parties.

The Company has arrangements in place to consult employees regarding health and safety matters. There are regular meetings of site-based committees which comprise employee representatives and health and safety representatives as appropriate.

Key performance indicators

The directors consider the key financial indicators of the business to be as follows:

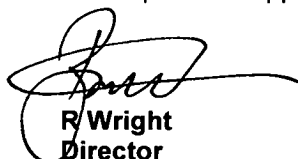
Gross margin percentage	28.0%
Earnings before Interest, Taxation, Depreciation and Amortisation	£599,027
Net assets	£6,075,038

In addition, management closely monitors sales pipeline, order fulfilment and garment quality measures. As noted above, the Board also monitors the availability of funding and is pleased to report that cash generation and funding headroom are both strong.

This report was approved by the board on

24/9/2019

and signed on its behalf.



R Wright
Director

WEARWELL (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2018**

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

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

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

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

Principal activity

The principal activity of the Company is the manufacture and distribution of workwear clothing.

Results and dividends

The profit for the year, after taxation, amounted to £540,268 (2017 - £720,050).

The directors did not recommend the payment of a dividend during the year (2017: £Nil).

Directors

The directors who served during the year were:

G Clayton
C Rooney
R Wright

WEARWELL (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the Balance sheet date.

Auditor

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

This report was approved by the board on 24/9/19 and signed on its behalf.



R Wright
Director

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEARWELL (UK) LIMITED

Opinion

We have audited the financial statements of Wearwell (UK) Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

10/1/2019

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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEARWELL (UK) LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEARWELL (UK) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, 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.


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: 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.



Martin Ramsey BSc(Hons) FCCA (Senior statutory auditor)
for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

Rutland House

148 Edmund Street

Birmingham

B3 2FD

Date: 24/9/19

WEARWELL (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £	2017 £
Turnover	4	6,600,241	6,227,696
Cost of sales		(4,749,562)	(4,786,964)
Gross profit		1,850,679	1,440,732
Administrative expenses		(1,314,947)	(712,623)
Other operating income	5	3,600	-
Operating profit		539,332	728,109
Interest receivable and similar income		936	37
Interest payable and similar expenses		-	(8,096)
Profit before tax		540,268	720,050
Tax on profit	8	-	-
Profit for the financial year		540,268	720,050
Other comprehensive income for the year			
Unrealised surplus on revaluation of tangible fixed assets		-	691,740
Total comprehensive income for the year		540,268	1,411,790

The notes on pages 12 to 25 form part of these financial statements.

21/10/18

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	9	4,543	5,703
Tangible assets	10	1,317,453	1,247,460
		<u>1,321,996</u>	<u>1,253,163</u>
Current assets			
Stocks	11	1,460,433	1,024,652
Debtors: amounts falling due within one year	12	4,563,831	3,796,934
Cash at bank and in hand		323,624	818,580
		<u>6,347,888</u>	<u>5,640,166</u>
Creditors: amounts falling due within one year	13	(1,578,323)	(1,342,036)
Net current assets		<u>4,769,565</u>	<u>4,298,130</u>
Total assets less current liabilities		<u>6,091,561</u>	<u>5,551,293</u>
Provisions for liabilities			
Deferred tax	14	(16,523)	(16,523)
Net assets		<u><u>6,075,038</u></u>	<u><u>5,534,770</u></u>
Capital and reserves			
Called up share capital	15	146,178	146,178
Share premium account	16	132,943	132,943
Revaluation reserve	16	691,740	691,740
Capital redemption reserve	16	71,463	71,463
Merger reserve	16	692,696	692,696
Profit and loss account	16	4,340,018	3,799,750
		<u><u>6,075,038</u></u>	<u><u>5,534,770</u></u>

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

24/1/19



R Wright
Director

The notes on pages 12 to 25 form part of these financial statements.

WEARWELL (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Other reserves £	Profit and loss account £	Total equity £
At 1 January 2017	146,178	132,943	71,463	-	692,696	3,079,700	4,122,980
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	720,050	720,050
Surplus on revaluation of freehold property	-	-	-	691,740	-	-	691,740
At 1 January 2018	146,178	132,943	71,463	691,740	692,696	3,799,750	5,534,770
Comprehensive income for the year							
Profit for the year	-	-	-	-	-	540,268	540,268
At 31 December 2018	146,178	132,943	71,463	691,740	692,696	4,340,018	6,075,038

The notes on pages 12 to 25 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. General information

Wearwell (UK) Limited is a private company limited by shares incorporated in England. The address of the registered office and principal place of business is Gagarin, Lichfield Road, Tamworth, Staffordshire, B79 7TR.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Wear to Work Solutions Limited as at 31 December 2018 and these financial statements may be obtained from Gagarin, Lichfield Road, Tamworth, Staffordshire, B79 7TR.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Interest income

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

2.6 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.7 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance sheet date.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Computer software	-	20 % Straight line
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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

Depreciation is provided on the following basis:

Plant and machinery	- 10-20% per annum
Motor vehicles	- 20% per annum
Office equipment	- 10-33% per annum

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.11 Revaluation of tangible fixed assets

Freehold land and property are carried at fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses. Land is considered to have an unlimited useful life and is accordingly not depreciated.

Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Statement of comprehensive income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.12 Stocks

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.13 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.14 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.16 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income. The impairment loss is measured as the difference between an asset's carrying amount and best estimate of the

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

2. Accounting policies (continued)

2.16 Financial instruments (continued)

recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

2.17 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.

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

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Stocks:

It is the Company's policy to make a provision against stock for any stock lines which are considered slow-moving or which may not be used going forward and which may realise less than their full cost. The provision is to reduce the value of stock to its estimated net realisable value.

Depreciation and amortisation:

Depreciation is provided on tangible fixed assets based on the estimated useful economic life of those assets. This is based on management's knowledge of the business and the assets held.

Amortisation is provided on intangible fixed assets based on the estimated useful economic life of those assets. This is based on management's knowledge of the business and the assets held.

Debtors:

It is the Company's policy to make a provision against trade debtors for any balances which are considered to be irrecoverable. The provision is to reduce the value of the debtor to its estimated realisable value.

4. Turnover

Turnover represents the manufacture and wholesale distribution of workwear products.

All turnover arose within the United Kingdom.

5. Other operating income

	2018 £	2017 £
Net rents receivable	3,600	-

WEARWELL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

6. Operating profit

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

	2018 £	2017 £
Depreciation of tangible fixed assets	58,535	47,854
Amortisation of intangible assets	1,160	97
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	14,200	13,750
Exchange differences	(3,908)	(4,235)
Defined contribution pension cost	17,726	5,143

7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	1,051,953	718,577
Social security costs	76,097	36,608
Cost of defined contribution scheme	13,064	5,143
	<u>1,141,114</u>	<u>760,328</u>

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

	2018 No.	2017 No.
Production and sales	35	37
Management and administration	25	18
	<u>60</u>	<u>55</u>

The directors of the Company are remunerated through the ultimate parent undertaking, Wear to Work Solutions Limited.

WEARWELL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

8. Taxation

No tax charge arises on the profit for the year.

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19.25%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>540,268</u>	<u>720,050</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.25%)	102,651	138,610
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	905	-
Capital allowances for year in excess of depreciation	(14,059)	3,370
Movement in pension fund prepayment leading to an increase in tax	745	-
Other tax relief on exceptional items	-	(114,169)
Group relief	(90,242)	(27,811)
Total tax charge for the year	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

There are no known factors of significance that will affect the future tax charge of the Company.

WEARWELL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

9. Intangible assets

	Computer software £
Cost	
At 1 January 2018	5,800
At 31 December 2018	5,800
Amortisation	
At 1 January 2018	97
Charge for the year	1,160
At 31 December 2018	1,257
Net book value	
At 31 December 2018	4,543
At 31 December 2017	5,703

WEARWELL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost or valuation					
At 1 January 2018	1,150,000	407,720	68,860	256,516	1,883,096
Additions	-	34,057	-	94,471	128,528
Disposals	-	-	(13,999)	-	(13,999)
At 31 December 2018	1,150,000	441,777	54,861	350,987	1,997,625
Depreciation					
At 1 January 2018	-	339,344	55,398	240,894	635,636
Charge for the year	-	27,876	8,360	22,299	58,535
Disposals	-	-	(13,999)	-	(13,999)
At 31 December 2018	-	367,220	49,759	263,193	680,172
Net book value					
At 31 December 2018	1,150,000	74,557	5,102	87,794	1,317,453
At 31 December 2017	1,150,000	68,376	13,462	15,622	1,247,460

Assets held under valuation at 31 December 2018 are as follows:

	Land and buildings £
At cost	-
At valuation:	
Valuation performed on 31 December 2018	1,150,000
	<u>1,150,000</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10. Tangible fixed assets (continued)

The freehold land and property were revalued on 31 December 2018. The valuation was performed on an open market with vacant possession basis by the board of directors using market-based information available at the time of assessment.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2018 £	2017 £
Cost	876,257	876,257
Accumulated depreciation	(477,297)	(447,647)
Net book value	398,960	428,610

11. Stocks

	2018 £	2017 £
Raw materials and consumables	222,109	205,702
Work in progress	617,067	473,484
Finished goods and goods for resale	621,257	345,466
	1,460,433	1,024,652

Stock recognised in cost of sales during the year as an expense was £3,252,067 (2017 - £3,675,709) .

A reversal of impairment losses of £156,465 (2017 - £Nil) was recognised in cost of sales against stock during the year in respect of previously impaired slow-moving and obsolete stocks.

12. Debtors

	2018 £	2017 £
Trade debtors	2,003,993	1,620,884
Amounts owed by group undertakings	2,470,383	2,098,610
Other debtors	44,376	585
Prepayments and accrued income	45,079	76,855
	4,563,831	3,796,934

WEARWELL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

12. Debtors (continued)

An impairment loss of £1,121 (2017: £Nil) was recognised in administrative expenses against trade debtors during the year due to irrecoverable balances.

13. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	974,936	759,133
Amounts owed to group undertakings	-	278,332
Other taxation and social security	143,817	129,864
Other creditors	3,722	-
Accruals and deferred income	455,848	174,707
	<u>1,578,323</u>	<u>1,342,036</u>

14. Deferred taxation

	2018 £
At beginning of year	(16,523)
At end of year	<u>(16,523)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	<u>(16,523)</u>	<u>(16,523)</u>

15. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
146,178 (2017 - 146,178) Ordinary shares of £1 each	<u>146,178</u>	<u>146,178</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

16. Reserves

Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve

This reserve records movements on the fair value of freehold land and property purchased by the Company.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the Company.

Merger Reserve

The merger reserve arose on the acquisition of a business.

Profit and loss account

Includes all current and prior period distributable retained profits and losses.

17. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £13,064 (2017: £6,157). Contributions totalling £3,345 (2017: £411) were payable to the fund at the Balance sheet date and are included in creditors.

18. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	17,806	5,148
Later than 1 year and not later than 5 years	36,716	20,592
Later than 5 years	2,145	7,293
	<u>56,667</u>	<u>33,033</u>

WEARWELL (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

19. Controlling party

As at 31 December 2018 and 31 December 2017, the immediate parent company was Wearwell Group Limited, a company registered in England and Wales.

As at 31 December 2018 and 31 December 2017, the ultimate parent company was Wear to Work Solutions Limited, a company registered in England and Wales.

As at 31 December 2018 and 31 December 2017, there is no single ultimate controlling party.