

Registered number: 04774845

THE COTSWOLD COMPANY (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 25 FEBRUARY 2018

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THE COTSWOLD COMPANY (UK) LIMITED

COMPANY INFORMATION

Directors	K M Johnson P S Marshall J J Birtwhistle A J Joseph
Registered number	04774845
Registered office	Norfolk Tower Surrey Street Norwich Norfolk NR1 3PA
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Abacus House Castle Park Cambridge CB3 0AN

THE COTSWOLD COMPANY (UK) LIMITED

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THE COTSWOLD COMPANY (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 25 FEBRUARY 2018

Introduction

The directors present their strategic report for the Company for the year ended 25 February 2018.

Business review

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risk and uncertainties we face.

Turnover has increased by 21% to £42m and net assets have increased by 15% to £3m. This continues the growth of the Company against a background of an uncertain retail market. The directors believe the Company is well placed to grow in the future. The Cotswold brand is strong and there is significant opportunity to increase its share of the market place. To achieve this, the Company continues to invest in all aspects of its operations, including staff. Profit after tax fell to 1% of turnover (2017: 5%) as a result of increased pressures on product margins, principally resulting from exchange rate fluctuations, which occurred after the Brexit referendum. Since the balance sheet date the Company has seen an improvement in its foreign exchange rate contracts.

At year end the Company had net assets of £3,335,105 (2017: £2,905,439).

Principal risks and uncertainties

The Company is susceptible to a range of risk factors, and the Board monitors these in relation to each risk within the following segments;

- Financial risk
- Operational risk
- Health and Safety risk
- Strategic risk
- IT risk

Financial Risk

Financial risk includes the exposure to price fluctuations, liquidity, interest rate risk and cash flow risk.

The Company operates in numerous foreign currencies and to mitigate risk for fluctuations in exchange rates enters in various exchange rate hedges. As at the year end date, the Company had hedge arrangements in place for forecasted stock purchases to 1 August 2018.

Liquidity risk is primarily in relation to the Company's ability to meet its obligations to pay its creditors. There is considered a risk that if the Company does not generate enough cash, it will be unable to repay its creditors. As a cash positive Company, with growing reserves and significant forecast sales growth, the directors consider that this risk is low. Since the Balance Sheet date, the Group has further mitigated its risk by paying off its bank term loans funded by cash through loans and shares from the current shareholders.

Cash flow risk is managed through daily monitoring and forecasting of cash flow requirements and rigorous financial appraisal of new investment opportunities.

THE COTSWOLD COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 25 FEBRUARY 2018

Operational Risk

The principal operational risks are those affecting the integrity and continuity of the supply chain, and the quality and control of stores and products provided. Store management are supported by head office management and the Company undertakes stringent quality control of stocks. The supply chain is managed in an open and transparent manner. Regular dialogue with the supply chain ensures the products are created to the high-quality standards the Company operates, and ensures that stocks are available to meet customer demand. On the converse side in relation to customers, there is a marketing risk that the Company will be committed into ineffective marketing campaigns which is mitigated by trials and analysis of historic marketing campaign results.

Health and Safety Risk

The Company takes its responsibilities the health, safety and wellbeing of its employees very importantly and seeks to comply with all relevant legislation. The Company utilises both internal and external consultants to ensure that current practices are compliant and robust. Furthermore, the Company considers the health and safety of those within the supply chain as equally important, and ensures that relevant legislations are adhered to within the supply chain.

Strategic Risk

The Company is sixteen months into a five year significant growth plan. The Directors consider the strategic direction of the Company to operate online and increase its showroom footprint is the appropriate strategy for the Company to continue on a going concern basis. The trading strategy is reviewed regularly and the impact of economic changes evaluated against the strategy to ensure the Company is responding appropriately to changes in the market.

IT Risk

As a primarily online retailer, a significant failure in key IT systems could result in the Company being unable to operate effectively. The Company continue to invest in the necessary technology and adopt cloud computing technologies to provide further resilience to the risks associated with IT. Data security is extremely important to the Company. Security measures are continuously reviewed and tested to mitigate any potential breaches. The company has complied with the GDPR legislation which came into law in May 2018.

THE COTSWOLD COMPANY (UK) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 25 FEBRUARY 2018

Financial key performance indicators

We consider that our key performance indicators are those that communicate the financial performance and strengths of the group as a whole, those being sales growth, gross profit and operating margin:

Sales growth	21% (2017: 79%)
Gross profit margin	51% (2017: 55%)
Operating profit margin	1% (2017: 6%)

The business monitors KPI's on a daily, weekly and monthly basis. These are monitored at product level and compared against forecasts to enable the business to react to under/over performing products. The business monitors, amongst other things; sales, margin, stockholding, outstanding orders, customer complaints, marketing performance and overhead spend.

The company purchases the majority of its product from overseas. During the year, as a result of the Brexit referendum, the foreign exchange rate depreciated significantly, resulting in an equivalent increase in the cost of goods. The market place did not pass these cost increases onto customers resulting in lower margins. However, the directors believe the effect of this will have a greater effect on competitors who do not purchase direct from factories. Since the year end there has been an improvement in contracted exchange rate covered by the company. Despite the significant adverse movement in the foreign exchange rate during the year, which is the prime reason for the lower gross margin percentage, the Directors are satisfied with the performance of the business during the financial year. Total revenue has risen by 21% compared to the prior year, ahead of a number of competitors and the retail market in general.

Operating profit as a % of sales was adverse from the previous year. The key driver of this reduction was a depreciation in the exchange rate the company uses to purchase the majority of its products. The company continues to recruit and invest in its staff to ensure the company is well placed for future growth.

This report was approved by the board on 28th November 2018 and signed on its behalf.



P S Marshall
Director

THE COTSWOLD COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 25 FEBRUARY 2018

The directors present their report and the audited financial statements for the year ended 25 February 2018.

Directors

The directors who served during the year and up to the date of signing these financial statements were:

K M Johnson
P S Marshall
J J Birtwhistle
A J Joseph (appointed on 16 May 2018)

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also 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.

Results and dividends

The profit for the year, after taxation, amounted to £429,666 (2017 - £1,885,272).

The directors have not recommended an amount that should be paid by way of a dividend (2017: Nil).

Future developments

The business continues to expand and grow its customer base through providing a high quality service to customers, offering a wide range of products and investment in strategic marketing. The directors continue to review opportunities to grow the business in the new financial year.

THE COTSWOLD COMPANY (UK) LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 25 FEBRUARY 2018

Financial instruments

Due to the nature of sourcing of its products The Cotswold Company (UK) Limited is susceptible to changes in foreign exchange rates and this, together with changes in the global economy, present a risk to the businesses cashflow.

The financial risk management objectives and policies of the Company aim to minimise exchange rate fluctuations. Exchange rates are hedged using a number of hedging products based on forecast purchases of exchange related purchases. The principal financial risk faced by the Company is its ability to meet its obligations to pay its creditors.

Disclosure of information to auditors


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

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

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 28th November 2018 and signed on its behalf.



P S Marshall
Director

THE COTSWOLD COMPANY (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COTSWOLD COMPANY (UK) LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, The Cotswold Company (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 25 February 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 25 February 2018; the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

THE COTSWOLD COMPANY (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COTSWOLD COMPANY (UK) LIMITED

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 25 February 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

THE COTSWOLD COMPANY (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COTSWOLD COMPANY (UK) LIMITED

We have no exceptions to report arising from this responsibility.



Nicholas Cook (Senior Statutory Auditor)

for and on behalf of

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cambridge
Date: 28 November 2018

THE COTSWOLD COMPANY (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 25 FEBRUARY 2018

	Note	2018 £	2017 £
Turnover	4	42,357,142	35,000,473
Cost of sales		(20,437,528)	(15,853,981)
Gross profit		21,919,614	19,146,492
Distribution costs		(7,096,565)	(5,839,586)
Administrative expenses		(13,818,582)	(10,742,762)
Exceptional administrative expenses	5	-	(56,433)
Fair value movements		(426,593)	(357,606)
Operating profit	6	577,874	2,150,105
Interest receivable and similar income	9	-	2
Interest payable and similar expenses	10	(119,179)	(58,438)
Profit before tax		458,695	2,091,669
Tax on profit	11	(29,029)	(206,397)
Profit for the financial year		429,666	1,885,272

There was no other comprehensive income for 2018 (2017:ENIL).

The notes on pages 12 to 29 form part of these financial statements.

THE COTSWOLD COMPANY (UK) LIMITED
REGISTERED NUMBER: 04774845

BALANCE SHEET
AS AT 25 FEBRUARY 2018

	Note	25 February 2018 £	28 February 2017 £
Fixed assets			
Intangible assets	13	473,702	355,248
Tangible assets	14	851,369	217,263
		<u>1,325,071</u>	<u>572,511</u>
Current assets			
Stocks	15	7,561,008	8,415,089
Debtors: amounts falling due within one year	16	2,642,007	1,433,099
Cash at bank and in hand	17	2,394,757	909,437
		<u>12,597,770</u>	<u>10,757,625</u>
Creditors: amounts falling due within one year	18	(10,587,736)	(8,424,697)
Net current assets		<u>2,010,034</u>	<u>2,332,928</u>
Total assets less current liabilities		<u>3,335,105</u>	<u>2,905,439</u>
Net assets		<u><u>3,335,105</u></u>	<u><u>2,905,439</u></u>
Capital and reserves			
Called up share capital	21	100	100
Profit and loss account		3,335,005	2,905,339
		<u><u>3,335,105</u></u>	<u><u>2,905,439</u></u>

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

28th November 2018



P S Marshall
 Director

THE COTSWOLD COMPANY (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 25 FEBRUARY 2018**

	Called up share capital £	Profit and loss account £	Total equity £
At 1 March 2016	100	1,343,238	1,343,338
Comprehensive Income for the year			
Profit for the financial year	-	1,885,272	1,885,272
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	1,885,272	1,885,272
Dividends: Equity capital	-	(323,171)	(323,171)
	<hr/>	<hr/>	<hr/>
At 28 February 2017	100	2,905,339	2,905,439
Comprehensive Income for the year			
Profit for the financial year	-	429,666	429,666
	<hr/>	<hr/>	<hr/>
At 25 February 2018	100	3,335,005	3,335,105
	<hr/>	<hr/>	<hr/>

The notes on pages 12 to 29 form part of these financial statements.

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 FEBRUARY 2018

1. General Information

The Cotswold Company (UK) Limited ("the Company") is a private company, limited by shares incorporated in the United Kingdom, and registered in England and Wales. The registered office is Norfolk Tower, Surrey Street, Norwich, Norfolk, NR1 3PA. The Company's principal activity is the sale and delivery of home furniture and accessories.

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 accounting policies have been applied consistently for the preparation of the financial statements.

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

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. (The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3).

At the end of the year, the Company had net assets of £3,335,105 (2017: £2,905,439). The Directors believe the Company will continue to meet its debts as they fall due, based on a review of the forecasted profitability of the group and the support provided by the parent Company Raven Topco Limited. The Directors consider it appropriate to prepare the financial statements on a going concern basis

2.2 Exemptions for qualifying entities under FRS 102

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 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Raven Topco Limited as at 25 February 2018 and these financial statements may be obtained from the registered office at Francis House, 11 Francis Street, London, SW1P 1DE.

THE COTSWOLD COMPANY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018**

2. Accounting policies (continued)

2.3 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, and any possible return of goods can be measured reliably.

Customers have, in addition to their legal rights, the ability to return goods up to 30 days after their delivery.

2.4 Finance costs

Finance costs are charged to the Statement of Comprehensive Income the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.5 Interest income

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

2.6 Borrowing costs

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

2.7 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 FEBRUARY 2018

2. Accounting policies (continued)

2.8 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:

Domain name	-	33 % per annum straight line
Customer relationships	-	33- 50 % per annum straight line
Website development	-	20 % per annum straight line

The useful life of intangible assets are based on the expected life of each element using judgements based on past experience, market conditions or comparative assets.

2.9 Tangible 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.

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:

Short-term leasehold property	-	33% per annum straight line
Plant and machinery and other fixed assets	-	20% per annum straight line
Office equipment	-	33% per annum straight line

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.

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 FEBRUARY 2018

2. Accounting policies (continued)

2.10 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.11 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 first in, first out 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.

2.12 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

2. Accounting policies (continued)

2.15 Financial Instruments (continued)

is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.16 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

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

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

THE COTSWOLD COMPANY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 26 FEBRUARY 2018**

2. Accounting policies (continued)

2.17 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is the pound sterling.

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.

Foreign exchange gains and losses are all presented in the Profit and Loss account within administrative expenses.

2.18 Operating leases: the Company as lessee

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

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

2.19 Pensions

Defined contribution pension plan

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

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

2.20 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Balance sheet date.

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 26 FEBRUARY 2018

2. Accounting policies (continued)

2.21 Exceptional administration costs

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

2.22 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits, hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date, and the amounts reported for income and expenditure during the year. No judgements (apart from those involving estimates) have been made when preparing the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of asset and liabilities within the next financial year include:

Stock provision

A provision for damaged stock and stock where net realisable value is expected to be less than cost has been included in the financial statements. This provision requires management's best estimate based on the nature and condition of the stock.

Financial Instruments

The Company uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The fair value of the forward currency contracts is calculated by reference to current forward exchange contracts with similar maturity profiles (see note 19 for further details).

Useful economic life of tangible and intangible assets

The directors use their judgement to determine the extent to which capitalised assets have a value that will benefit the performance of the company over future periods. To assist in making this judgement, the directors undertake an assessment, at least annually, of the carrying value of the Company's tangible and intangible assets. The depreciation/amortisation charge in the financial statements is based on the estimated useful economic life of the assets less any residual value.

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

4. Turnover

The whole of the turnover is attributable to the sale and delivery of home furniture and accessories.

All turnover arose within the United Kingdom.

5. Exceptional administrative expenses

	2018 £	2017 £
Exceptional professional fees	-	56,433
	<u>-</u>	<u>56,433</u>

Exceptional items are costs incurred in relation to the sale of shares in the group formerly headed by Blackbird Retail Holdings Limited to Raven Bidco Limited.

6. Operating profit

The operating profit is stated after charging/crediting:

	2018 £	2017 £
Depreciation of tangible assets	172,269	104,887
Amortisation of intangible assets	176,828	32,697
Impairment of intangible assets	2,591	-
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	30,900	10,000
Fees payable to the Company's auditor for tax compliance services	7,325	7,200
Foreign exchange (gains) / losses	153,235	54,350
Defined contribution pension cost	23,479	255,859
Operating lease payments	727,299	512,393
Inventory recognised as an expense	<u>19,881,768</u>	<u>15,664,000</u>

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

7. Employees

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

	2018 £	2017 £
Wages and salaries	2,892,256	2,491,684
Social security costs	289,660	231,182
Other pension costs	23,479	255,859
	<u>3,205,395</u>	<u>2,978,725</u>

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

	2018 No.	2017 No.
Administration	103	92
Directors	3	3
	<u>106</u>	<u>95</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	303,738	376,490
Company contributions to defined contribution pension schemes	19,004	166,459
	<u>322,742</u>	<u>542,949</u>

During the year retirement benefits were accruing to 3 directors (2017 - 6) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £116,913 (2017 - £161,112).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £12,280 (2017 - £98,173).

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

9. Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	-	2
	<u>-</u>	<u>2</u>

10. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	74,777	58,438
Directors' loan interest	43,137	-
Finance leases and hire purchase contracts	1,265	-
	<u>119,179</u>	<u>58,438</u>

11. Tax on profit

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	-	320,212
Adjustments in respect of previous periods	62,042	(31,732)
Total current tax	<u>62,042</u>	<u>288,480</u>
Deferred tax		
Origination and reversal of timing differences	(53,335)	(82,179)
Adjustment in respect of previous periods	15,985	-
Changes to tax rates	4,337	96
Total deferred tax	<u>(33,013)</u>	<u>(82,083)</u>
Taxation on profit on ordinary activities	<u>29,029</u>	<u>206,397</u>

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

11. Tax on profit (continued)

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 19.09% (2017 - 20.00%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	458,695	2,091,669
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.09% (2017 - 20.00%)	87,545	418,334
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,547	11,371
Capital allowances for year in excess of depreciation	13,271	3,878
Adjustments to tax charge in respect of prior periods	78,027	(31,732)
Other timing differences leading to an increase (decrease) in taxation	12,569	96
Group relief	(164,930)	(195,550)
Total tax charge for the year	29,029	206,397

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet dates have been measured using these enacted tax rates and reflected in these financial statements.

12. Dividends

	2018 £	2017 £
Dividends - Ordinary shares	-	323,171
	-	323,171

The dividend per share is £NIL (2017: £3,232).

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

13. Intangible assets

	Website developmen t £	Customer relationships £	Domain name £	Total £
Cost				
At 1 March 2017	47,085	384,197	14,676	445,958
Additions - internal	-	297,873	-	297,873
At 25 February 2018	47,085	682,070	14,676	743,831
Amortisation				
At 1 March 2017	47,085	31,006	12,619	90,710
Charge for the year	-	175,248	1,580	176,828
Impairment charge	-	2,591	-	2,591
At 25 February 2018	47,085	208,845	14,199	270,129
Net book value				
At 25 February 2018	-	473,225	477	473,702
At 28 February 2017	-	353,191	2,057	355,248

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

14. Tangible assets

	Short-term leasehold property £	Plant and machinery and other fixed assets £	Office equipment £	Total £
Cost				
At 1 March 2017	339,498	2,500	163,181	505,179
Additions	738,416	-	67,959	806,375
At 25 February 2018	1,077,914	2,500	231,140	1,311,554
Depreciation				
At 1 March 2017	161,498	2,117	124,301	287,916
Charge for the year on owned assets	137,638	-	34,631	172,269
At 25 February 2018	299,136	2,117	158,932	460,185
Net book value				
At 25 February 2018	778,778	383	72,208	851,369
At 28 February 2017	178,000	383	38,880	217,263

15. Stocks

	25 February 2018 £	28 February 2017 £
Finished goods and goods for resale	7,561,006	8,415,089
	7,561,006	8,415,089

There is no significant difference between purchase price or production cost of stocks and their replacement cost.

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

16. Debtors: Amounts falling due within one year

	25 February 2018 £	28 February 2017 £
Trade debtors	307,136	78,150
Amounts owed by group undertakings	1,645,614	909,811
Other debtors	404,106	223,505
Deferred taxation	34,824	1,811
Prepayments and accrued income	250,327	219,822
	<u>2,642,007</u>	<u>1,433,099</u>

The amounts owed by group undertakings are not subject to interest charges, and they are repayable on demand.

17. Cash at bank and in hand

	25 February 2018 £	28 February 2017 £
Cash at bank and in hand	2,394,757	909,437
	<u>2,394,757</u>	<u>909,437</u>

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

18. Creditors: Amounts falling due within one year

	25 February 2018 £	28 February 2017 £
Bank loans	1,052,557	2,114,028
Trade creditors	3,833,979	1,951,111
Amounts owed to group undertakings	1,751,180	1,751,314
Corporation tax	68,792	100,250
Other taxation and social security	544,649	691,292
Obligations under finance lease and hire purchase contracts	16,775	-
Other creditors	165,304	40,176
Accruals and deferred income	3,154,500	1,776,526
	<u>10,587,736</u>	<u>8,424,697</u>

Within bank loans due within one year is an amount of £1,052,557 (2017: £2,114,028) secured by way of a fixed and floating charge over the assets of the business. This is part of the company's revolving facility which for the trading period February to July inclusive was up to £1,500,000 and August to January inclusive was up to £2,750,000. The interest rate on this facility is 3.75% over Base Rate.

The amounts owed to group undertakings are unsecured, interest free and repayable on demand.

THE COTSWOLD COMPANY (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018**

19. Financial Instruments

	25 February 2018 £	28 February 2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>2,356,856</u>	<u>1,211,466</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(7,929,722)</u>	<u>(6,562,635)</u>

Financial assets measured at amortised cost comprise trade debtors of £307,136 (2017: £78,150), amounts owed by group undertakings of £1,645,614 (2017: £909,811) and other debtors of £404,106 (2017: £223,505).

Financial liabilities measured at amortised cost comprise of trade creditors of £3,833,979 (2017: £1,951,111), amounts owed to group undertakings of £1,751,180 (2017: £1,751,314), bank loans of £1,052,557 (2017: £2,114,028), obligations under finance lease and hire purchase contracts of £16,775 (2017: £Nil), other creditors of £165,304 (2017: £40,176) and accruals of £1,109,927 (2017: £706,006).

The company enters into foreign currency contracts and options to mitigate the exchange rate risk for certain foreign exchange currency transactions.

At 25 February 2018, the outstanding contracts mature within 6 months (2017: 4 months) of the year end. The company is committed to buy \$9,747,675 (2017: \$6,775,825) at fixed rates. The forward contracts are measured at fair value using forward exchange rate. The fair value of the forward contracts at the year end was £7,021,323.

20. Deferred tax asset/(liability)

	2018 £	2017 £
At beginning of the year	1,811	(80,272)
Credited to profit or loss	33,013	82,083
At end of the year	<u><u>34,824</u></u>	<u><u>1,811</u></u>

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

20. Deferred tax asset/(liability) (continued)

The deferred tax asset is made up as follows:

	25 February 2018 £	28 February 2017 £
Accelerated capital allowances	(44,870)	(6,978)
Other timing differences	79,694	8,789
	<u>34,824</u>	<u>1,811</u>

21. Called up share capital

	25 February 2018 £	28 February 2017 £
Allotted, called up and fully paid		
100 (2017 - 100) Ordinary shares of £1.00 each	100	100

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

22. Contingent liabilities

The company holds a joint VAT registration with fellow group companies: Changeawhile Limited, Blackbird Retail Holdings Limited, Raven Bidco Limited, Raven Midco Limited, and Raven Topco Limited. At 25 February 2018, the maximum potential liability amounted to £743,007 (2017: £760,064).

The Royal Bank of Scotland Plc had a fixed and floating charge over the company in respect of the borrowings of the Raven Topco Limited Group. These charges were satisfied in June 2018.

23. 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 £23,479 (2017 - £255,859). Contributions totalling £7,168 (2017 - £6,309) were payable to the fund at the balance sheet date.

THE COTSWOLD COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 25 FEBRUARY 2018

24. Commitments under operating leases

The Company had future minimum lease payments under non-cancellable operating leases as follows:

	25 February 2018 £	28 February 2017 £
Not later than 1 year	1,116,930	611,421
Later than 1 year and not later than 5 years	3,142,022	1,110,849
Later than 5 years	515,355	283,887
	<u>4,774,307</u>	<u>2,006,157</u>

25. Controlling party

The immediate parent company of the The Cotswold Company (UK) Limited is Blackbird Retail Holdings Limited. The ultimate parent company is Raven Topco Limited which is incorporated in the United Kingdom and registered in England and Wales. Whilst there is no overall controlling party of the group, the directors consider True Capital Partners I-A LP and True Capital Partners I LP, who between them control greater than 50% of the voting rights and are managed by True Capital Limited to be the ultimate controlling parties.

Raven Topco Limited prepares consolidated financial statements which can be obtained from Francis House, 11 Francis Street, London, SW1P 1DE. This is the largest and smallest group for which consolidated financial statements are prepared.