

Company Registration No. 05630013 (England and Wales)

**TECH 21 UK LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 MAY 2022**

TUESDAY



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# TECH 21 UK LIMITED

## COMPANY INFORMATION

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<b>Director</b>	J L Roberts
<b>Company number</b>	05630013
<b>Registered office</b>	Unit 6, Firmdale Village New Horizons Court Ryan Drive Brentford TW8 9ZB
<b>Auditor</b>	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB

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# TECH 21 UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 MAY 2022

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The director presents the strategic report for the year ended 31 May 2022.

#### Review of the business

The company has seen a decline in the year with revenues at £28.6m, a decrease of 8% on the previous year's £31.2m. The operating profit for the year increased to £17.0m (2021: £1.7m). The increase in operating profit is due to a £14.4m exceptional item which relates to the write down of legacy creditor balances. See note 4 to the financial statements for more information.

The business is repairing and strengthening existing key partnerships, growing its global footprint in existing markets, whilst continuing to maintain focus on product innovation and quality, to retain its position as brand leader in the technology protection category.

The Company has a strong proposition in the core phone case market with the best product available in terms of impact protection (as measured by drop testing standards applying technology from the National Physical Laboratory) and utilizing our own impact protection material Flexshock™ proven to be the best-in-class impact material in the mobile phone case market. The Company has also looked to be more efficient through optimising the product portfolio and reducing the overall product portfolio.

An efficiency analysis exercise has also been undertaken with a significant reduction in overall headcount. The tangible benefits of this headcount reduction on cash flow will become more evident over the coming months.

The Company also has several exciting opportunities at various stages of realisation :

- The Company has developed a unique solution for addressing the Global industrial gloves market. The market was valued at c\$8.7 billion in 2022 with a projected Compound Annual Growth Rate ("CAGR") of 6%. The solution involves the mass production of a more dexterous and durable glove (achieving the best impact protection efficiency rating), using FlexShock3D printing. Production trials have been completed and the project is entering the mass production phase. This is based on a royalty/margin share model to Tech 21 and involves no Capital or Working Capital expenditure for Tech21. It is anticipated that this will generate significant future profit for the company.
- The Company has developed a new innovative modular injection moulding process that will reduce future tooling costs and reduce manufacturing lead times. The Company believes that this significant improvement in supply chain performance and production flexibility will be a compelling proposition for key retailers, allowing the company the opportunity for growth in market share. It is anticipated that this project will enter the production phase in the next six months.

Further product innovation, launches and business initiatives are planned to continue to drive the growth of the business.

#### Post balance sheet events

As disclosed in note 27 to the financial statements, subsequent to the year end, the company completed a refinancing of its bank loan facilities. The Westbrooke loan was repaid in full (repaying \$5,307,686 in capital and \$375,387 in accrued interest) and this was replaced by £3m in term loans and a £5m invoice discounting facility all with HSBC.

# TECH 21 UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2022

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#### Principal risks and uncertainties

The principal risks arising from the company's activities are credit risk, currency risk, competition risk and liquidity risk. The director reviews and agrees policies for managing risks and they are summarised below.

##### *Credit risk*

The company's principal financial assets are cash and trade debtors. The principal credit risk arises with trade debtors. Credit arrangements are kept under constant review by financial and sales management through review of debtors ageing and collection performance.

##### *Currency risk*

The company is exposed to transaction foreign exchange risk. Wherever possible the company seeks to hedge currency risks by matching outflows with inflows. The majority of sales and purchases are contracted in US dollars, providing a natural and effective hedge against these risks.

##### *Competition risk*

The company is exposed to competition from other manufacturers of cases and screen shields for use with mobile electronic devices. This risk is mitigated by producing best-in-class innovative products, and first-class customer service.

##### *Liquidity risk*

The risk to the cash flow of the Company because of a lack of funds. The Company manages this risk on an ongoing basis through regular cash forecasting along with ensuring appropriate financing facilities are put in place.

#### Key performance indicators

The director considers the key performance indicators for the business are:

- Minimising the decline of both sales and market share in our mature, established markets as the business stabilises and the impact of production related issues wash through.
  - Turnover: £28.6m (2021: £31.2m). Turnover by geographical market is disclosed in note 3 to the financial statements.
- Business Development into new and emerging markets for technology protection
- Operating Efficiencies, through continued work to improve the businesses processes, systems, supply chain, and production capabilities, to drive stronger profitability.
  - Gross profit (before exceptional items): £12.1m (2021: £10.9m)
  - Operating profit (before exceptional items): £2.5m (2021: £1.7m)
- Cash flow, management of working capital, and ensuring strong return on investment in all categories, markets, and product sectors.

Approved by the director

*Jason Roberts*

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J L Roberts

Director

Date: 20/10/2023  
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# TECH 21 UK LIMITED

## DIRECTOR'S REPORT

### FOR THE YEAR ENDED 31 MAY 2022

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The director presents his annual report and financial statements for the year ended 31 May 2022.

Please refer to the strategic report for further details regarding review of the business, future developments, post balance sheet events and principal risks of the company during the year under review.

#### **Principal activities**

The principal activity of the company continued to be that of the design and sale of accessories for the computer and mobile telephone market.

#### **Results and dividends**

The results for the year are set out on page 9.

The director does not recommend payment of a dividend.

#### **Director**

The director who held office during the year and up to the date of signature of the financial statements was as follows:

J L Roberts

#### **Auditor**

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

#### **Statement of disclosure to auditor**

At the date of approving this report, the director is aware that there is no relevant audit information of which the company's auditor is unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Approved by the director

*Jason Roberts*

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J L Roberts

**Director**

Date: 20/10/2023  
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# **TECH 21 UK LIMITED**

## **DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MAY 2022**

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The director is responsible for preparing the strategic report, the director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law, the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the director must not approve the financial statements unless he is 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 director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECH 21 UK LIMITED

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## Opinion

We have audited the financial statements of Tech 21 UK Limited (the 'company') for the year ended 31 May 2022 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2022 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.

## 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 UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which sets out uncertainties in relation to going concern caused by the delays in availability of Apple iPhones at the end of the 2022 calendar year causing a technical breach in bank loan covenants and a need to manage payment expectations with suppliers. As indicated in note 1, the company is currently engaged in a further refinancing exercise to bring additional funding to the business, although the timing or success of this exercise cannot be predicted which, together with the other factors disclosed in note 1, indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## Opinions 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECH 21 UK LIMITED (CONTINUED)**

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### **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 director's report.

We have nothing to report in respect of the following matters where 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of director**

As explained more fully in the director's responsibilities statement set out on page 4, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has 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.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud; and
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECH 21 UK LIMITED (CONTINUED)

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As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, completion of a financial statements disclosure checklist and reviewing tax computations prepared by external tax advisors.

The audit engagement team identified the risk of management override of controls as the area where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing a sample of journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://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.

*Richard Coates*

Richard Coates (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB  
United Kingdom

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20/10/2023

# TECH 21 UK LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2022

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	Notes	2022 £	2021 £
Turnover	3	28,565,581	31,194,293
Cost of sales		(16,435,608)	(20,286,630)
Exceptional item	4	14,408,543	-
<b>Gross profit</b>		<u>26,538,516</u>	<u>10,907,663</u>
Administrative expenses		(9,579,976)	(9,197,062)
<b>Operating profit</b>	7	<u>16,958,540</u>	<u>1,710,601</u>
Interest payable and similar expenses	9	(574,563)	(602,987)
(Loss)/profit on foreign exchange		(3,728,594)	5,575,667
<b>Profit before taxation</b>		<u>12,655,383</u>	<u>6,683,281</u>
Tax on profit	10	(1,777,452)	5,401,941
<b>Profit for the financial year</b>		<u><u>10,877,931</u></u>	<u><u>12,085,222</u></u>

**TECH 21 UK LIMITED****STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2022**

	Notes	2022 £	£	2021 £	£
<b>Fixed assets</b>					
Intangible assets	11		82,756		173,229
Tangible assets	12		98,399		93,718
			<u>181,155</u>		<u>266,947</u>
<b>Current assets</b>					
Stocks	13	2,929,382		1,549,216	
Debtors	14	21,057,377		28,574,647	
Cash at bank and in hand		460,654		1,258,298	
		<u>24,447,413</u>		<u>31,382,161</u>	
<b>Creditors: amounts falling due within one year</b>	15	(19,678,140)		(43,818,027)	
<b>Net current assets/(liabilities)</b>			<u>4,769,273</u>		<u>(12,435,866)</u>
<b>Total assets less current liabilities</b>			<u>4,950,428</u>		<u>(12,168,919)</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(6,241,416)		-
<b>Net liabilities</b>			<u>(1,290,988)</u>		<u>(12,168,919)</u>
<b>Capital and reserves</b>					
Called up share capital	18		100		100
Share premium account	19		149,960		149,960
Profit and loss reserves	19		(1,441,048)		(12,318,979)
<b>Total equity</b>			<u>(1,290,988)</u>		<u>(12,168,919)</u>

The financial statements were approved and signed by the director and authorised for issue on 20/10/2023

*Jason Roberts*

J L Roberts  
Director

# TECH 21 UK LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2022

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
<b>Balance at 1 June 2020</b>	100	149,960	(24,404,201)	(24,254,141)
<b>Year ended 31 May 2021:</b>				
Profit and total comprehensive income for the year	-	-	12,085,222	12,085,222
<b>Balance at 31 May 2021</b>	100	149,960	(12,318,979)	(12,168,919)
<b>Year ended 31 May 2022:</b>				
Profit and total comprehensive income for the year	-	-	10,877,931	10,877,931
<b>Balance at 31 May 2022</b>	100	149,960	(1,441,048)	(1,290,988)

# TECH 21 UK LIMITED

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2022

	Notes	2022 £	£	2021 £	£
<b>Cash flows from operating activities</b>					
Cash (absorbed by)/generated from operations	22	(573,567)		226,332	
Interest paid		-		(2,339)	
Income taxes refunded		724,599		279,368	
<b>Net cash inflow from operating activities</b>		<u>151,032</u>		<u>503,361</u>	
<b>Investing activities</b>					
Purchase of intangible assets		(13,258)		(151,787)	
Purchase of tangible fixed assets		(95,082)		(16,910)	
<b>Net cash used in investing activities</b>		<u>(108,340)</u>		<u>(168,697)</u>	
<b>Financing activities</b>					
Interest paid		-		(600,648)	
Proceeds from borrowings		2,933,842		-	
Repayment of borrowings		(1,034,566)		-	
Repayment of trade creditors		(2,739,612)		-	
<b>Net cash used in financing activities</b>		<u>(840,336)</u>		<u>(600,648)</u>	
<b>Net decrease in cash and cash equivalents</b>		<u>(797,644)</u>		<u>(265,984)</u>	
Cash and cash equivalents at beginning of year		<u>1,258,298</u>		<u>1,524,282</u>	
<b>Cash and cash equivalents at end of year</b>		<u><u>460,654</u></u>		<u><u>1,258,298</u></u>	

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 MAY 2022

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#### 1 Accounting policies

##### Company information

Tech 21 UK Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Unit 6, Firmdale Village, New Horizons Court, Ryan Drive, Brentford TW8 9ZB.

The company's principal activities and nature of its operations are disclosed in the director's report.

##### Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the requirements of the Companies Act 2006.

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 £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

##### Going concern

As disclosed in note 27 to the financial statements, subsequent to the year end, the company completed a refinance of its bank loan facilities. The Westbrook loan was repaid in full (repaying \$5,307,686 in capital and \$375,387 in accrued interest) and this was replaced by £3m in term loans and a £5m invoice discounting facility all with HSBC.

Due to delays in the availability of Apple iPhone devices at the end of the 2022 calendar year, we were unable to deliver the forecast growth in line with our business plan causing a technical breach in our bank loan covenants in 2023 and causing us to manage payment expectations with suppliers. HSBC continues to be supportive of the business and the Company continues to make capital and interest payments in line with the loan agreements.

The company is currently engaged in a further refinancing exercise to bring additional funding to the business to provide working capital headroom and to support growth plans. It is anticipated that this refinancing will be completed by the end of 2023.

The director has reviewed management prepared cash flow forecasts and considered the company's current and forecast financial position together with the expected cash flow requirements for the period up to 31 May 2025.

As a result of his review, the director acknowledges the material uncertainty in relation to going concern caused by the factors listed above along with the unpredictable nature of the global economy and the associated impact on the company and its customers.

The director remains confident that the company will have adequate resources to continue as a going concern for the period to 31 May 2025 and as a result has adopted the going concern basis of accounting for preparing these financial statements.

##### Turnover

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

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

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

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### 1 Accounting policies (Continued)

#### **Intangible fixed assets other than goodwill**

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

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

Software	40% straight line
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#### **Tangible fixed assets**

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

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

Land and buildings leasehold	40% straight line
Plant and machinery	33% to 40% straight line

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

#### **Impairment of fixed assets**

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

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

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

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

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

#### **Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2022

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#### 1 Accounting policies (Continued)

##### **Financial instruments**

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

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

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

##### **Basic financial assets**

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

##### **Other financial assets**

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

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

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

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

##### **Derecognition of financial assets**

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

##### **Classification of financial liabilities**

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



# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

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### 1 Accounting policies (Continued)

#### **Basic financial liabilities**

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

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

#### **Other financial liabilities**

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

#### **Derecognition of financial liabilities**

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

#### **Equity instruments**

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

#### **Taxation**

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

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

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2022

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#### 1 Accounting policies (Continued)

##### **Employee benefits**

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

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

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

##### **Retirement benefits**

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

##### **Leases**

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

##### **Foreign exchange**

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

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

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

#### 2 Judgements and key sources of estimation uncertainty

Estimates and judgements 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.

##### *Accounting estimates and assumptions*

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

The key accounting estimates made in preparing these financial statements relate to the quantum of the impairment of stocks (which is disclosed in note 13), the adequacy of the provision for goods returned under sale or return agreements (which are included in accruals in note 15) and the recognition of a deferred tax asset (which is disclosed in notes 10, 14 and 17).

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 3 Turnover

The company's turnover is all derived from its principal activity. An analysis of the company's turnover by geographical market is given below:

	2022 £	2021 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	4,146,036	5,030,215
Europe, Middle East and Africa	6,448,514	7,726,833
Americas	15,519,948	14,982,256
Australasia and Asia Pacific	2,451,083	3,454,989
	<u>28,565,581</u>	<u>31,194,293</u>

### 4 Exceptional item

	2022 £	2021 £
<b>Expenditure</b>		
Exceptional item - Cost of sales	(14,408,543)	-
	<u>(14,408,543)</u>	<u>-</u>

During the year, the company signed agreements with five of its trade creditors reducing liabilities by £14.4m (\$20m) and agreeing payment plans to settle the remaining old debts. The gain arising on settlement has been recognised as an exceptional item in the year.

### 5 Employees

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

	2022 Number	2021 Number
Management	4	3
Sales, marketing and design	35	36
Operations	23	18
Administration	24	19
	<u>86</u>	<u>76</u>

Their aggregate remuneration comprised:

	2022 £	2021 £
Wages and salaries	4,744,648	4,142,213
Social security costs	614,223	431,270
Pension costs	150,864	147,603
	<u>5,509,735</u>	<u>4,721,086</u>

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 6 Director's remuneration

	2022 £	2021 £
Remuneration for qualifying services	626,679	500,509
Company pension contributions to defined contribution schemes	12,666	28,750
	<u>639,345</u>	<u>529,259</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 1).

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

	2022 £	2021 £
Remuneration for qualifying services	626,679	500,509
Company pension contributions to defined contribution schemes	12,666	28,750
	<u>639,345</u>	<u>529,259</u>

### 7 Operating profit

	2022 £	2021 £
Operating profit for the year is stated after charging:		
Depreciation of owned tangible fixed assets	67,644	74,029
Loss on disposal of tangible fixed assets	22,757	-
Amortisation of intangible assets	54,484	174,846
Loss on disposal of intangible assets	49,247	-
Operating lease charges	229,072	225,073
	<u>323,104</u>	<u>473,948</u>

### 8 Auditor's remuneration

	2022 £	2021 £
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	80,000	72,500
	<u>80,000</u>	<u>72,500</u>

### 9 Interest payable and similar expenses

	2022 £	2021 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank and other loans	574,563	602,987
	<u>574,563</u>	<u>602,987</u>

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 10 Taxation

	2022 £	2021 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	853,819	131,395
Adjustments in respect of prior periods	(9,176)	(1,065,736)
Total current tax	844,643	(934,341)
<b>Deferred tax</b>		
Origination and reversal of timing differences	963,756	1,081,396
Adjustment in respect of prior periods	(30,947)	(5,548,996)
Total deferred tax	932,809	(4,467,600)
Total tax charge/(credit)	1,777,452	(5,401,941)

The total tax charge/(credit) for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2022 £	2021 £
Profit before taxation	12,655,383	6,683,281
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	2,404,523	1,269,823
Tax effect of expenses that are not deductible in determining taxable profit	261,402	116,180
Adjustments in respect of prior years	(40,123)	(6,614,731)
Research and development tax credit	-	(168,686)
Other differences	-	(4,527)
Impact of change in deferred tax rate	(848,350)	-
Taxation charge/(credit) for the year	1,777,452	(5,401,941)

In March 2021, the Chancellor of the Exchequer announced that the tax rate would increase from 19% to 25% with effect from 1 April 2023. On 24 May 2021, the Finance No. 2 Bill 2021 became substantively enacted. As a result, deferred tax for temporary/timing differences that are forecast to unwind in the UK on or after 1 April 2023 have been re-measured and recognised at 25%.

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 11 Intangible fixed assets

	Software £
<b>Cost</b>	
At 1 June 2021	878,629
Additions	13,258
Disposals	(726,841)
At 31 May 2022	165,046
<b>Amortisation and impairment</b>	
At 1 June 2021	705,400
Amortisation charged for the year	54,484
Disposals	(677,594)
At 31 May 2022	82,290
<b>Carrying amount</b>	
At 31 May 2022	82,756
At 31 May 2021	173,229

Amortisation is recorded under administrative expenses in the statement of comprehensive income.

### 12 Tangible fixed assets

	Land and buildings leasehold £	Plant and machinery £	Total £
<b>Cost</b>			
At 1 June 2021	89,358	2,402,914	2,492,272
Additions	63,264	31,818	95,082
Disposals	(89,357)	(1,044,861)	(1,134,218)
At 31 May 2022	63,265	1,389,871	1,453,136
<b>Depreciation and impairment</b>			
At 1 June 2021	89,358	2,309,196	2,398,554
Depreciation charged in the year	8,398	59,246	67,644
Eliminated in respect of disposals	(89,357)	(1,022,104)	(1,111,461)
At 31 May 2022	8,399	1,346,338	1,354,737
<b>Carrying amount</b>			
At 31 May 2022	54,866	43,533	98,399
At 31 May 2021	-	93,718	93,718

Depreciation is recorded under administrative expenses in the statement of comprehensive income.

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 13 Stocks

	2022 £	2021 £
Finished goods and goods for resale	2,929,382	1,549,216

Stocks were impaired in the year by £3,679,494 (2021: £995,405) which is recorded within cost of sales in the statement of comprehensive income.

### 14 Debtors

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Trade debtors	3,365,767	3,364,383
Corporation tax recoverable	1,696,334	2,439,311
Amounts owed by group undertakings	7,557,173	13,603,793
Other debtors	4,681,020	4,599,515
Prepayments and accrued income	222,292	100,045
	17,522,586	24,107,047

	2022 £	2021 £
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 17)	3,534,791	4,467,600
<b>Total debtors</b>	21,057,377	28,574,647

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

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 MAY 2022

#### 15 Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans	4,503,255	4,454,114
Other loans	1,262,732	-
Trade creditors	6,820,813	26,755,236
Amounts owed to group undertakings	1,004,491	6,306,735
Corporation tax	957,661	131,396
Other taxation and social security	44,401	192,809
Other creditors	25,384	15,724
Accruals and deferred income	5,059,403	5,962,013
	<u>19,678,140</u>	<u>43,818,027</u>

On 30 September 2019, the company received \$6m under a new bank loan facility. The loan was due for repayment on 31 March 2021. The repayment date was extended to 31 July 2022. The loan was secured by a fixed and floating charge over the assets of the company. Mr J L Roberts, the director, provided a personal guarantee in respect of this loan facility. This loan facility was repaid in full in November 2022 and replaced by new facilities with HSBC. Further details are set out in note 27 to the financial statements.

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

#### 16 Creditors: amounts falling due after more than one year

	2022 £	2021 £
Other loan	1,980,354	-
Trade creditors	4,261,062	-
	<u>6,241,416</u>	<u>-</u>

The other loans disclosed in note 15 and above comprises promissory notes issued by the company for \$4m which bear interest at 3% per annum. \$1.5m of the balance was due within one year and has been repaid subsequent to the year end. The remaining two instalments of \$1m due on 1 June 2023 and \$1.5m due on 1 June 2024 were disclosed as due after more than one year. The instalment due on 1 June 2023 has subsequently been deferred and is expected to be settled by 31 December 2023.

Trade creditors comprise amounts due to 5 suppliers under payment plans referred to in note 4 above. The creditors are payable by instalments over the period to 31 December 2026.



# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2022 £	Assets 2021 £
<b>Balances:</b>		
Tax losses	3,516,861	4,467,600
Timing differences	17,930	-
	<u>3,534,791</u>	<u>4,467,600</u>
<b>Movements in the year:</b>		<b>2022 £</b>
Asset at 1 June 2021		(4,467,600)
Charge to profit or loss		<u>932,809</u>
Asset at 31 May 2022		<u>(3,534,791)</u>

The director estimates that the deferred tax asset will be recovered against future taxable profits during the next five financial years up to 31 May 2027.

### 18 Share capital

	2022 £	2021 £
<b>Ordinary share capital Issued and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

#### *Ordinary share rights*

The company's ordinary share capital carries no right to a fixed income but does confer the right to one vote per share at general meetings of the company.

### 19 Reserves

#### **Share premium**

The share premium account represents the aggregate amount of premium paid over and above the nominal value of the issued share capital.

#### **Profit and loss reserves**

Retained earnings represents cumulative profit and loss net of distributions to owners.

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 20 Retirement benefit schemes

	2022 £	2021 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	150,864	147,603

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the year end, £25,384 (2021: £21,354) was due to the company's pension scheme.

### 21 Operating lease commitments

#### Lessee

Operating lease payments represent rentals payable by the company for use of its premises.

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

	2022 £	2021 £
Within one year	58,920	-
Between one and five years	186,580	-
	<u>245,500</u>	<u>-</u>

### 22 Cash (absorbed by)/generated from operations

	2022 £	2021 £
Profit for the year after tax	10,877,931	12,085,222
<b>Adjustments for:</b>		
Taxation charged/(credited)	1,777,452	(5,401,941)
Finance costs	574,563	602,987
Loss on disposal of tangible fixed assets	22,757	-
Loss on disposal of intangible assets	49,247	-
Amortisation and impairment of intangible assets	54,484	174,846
Depreciation and impairment of tangible fixed assets	67,644	74,029
Foreign exchange losses/(gains) on debt	190,053	(618,999)
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(1,380,166)	1,101,666
Decrease in debtors	5,722,790	1,979,655
Decrease in creditors	(18,530,322)	(9,771,133)
<b>Cash (absorbed by)/generated from operations</b>	<u>(573,567)</u>	<u>226,332</u>

# TECH 21 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2022

### 23 Analysis of changes in net debt

	1 June 2021	Other non-cash flows	Cash flows	Exchange rate movements	31 May 2022
	£		£	£	£
Cash at bank and in hand	1,258,298	-	(797,644)	-	460,654
Borrowings excluding overdrafts	(4,454,114)	(574,563)	(1,899,276)	(818,388)	(7,746,341)
Trade creditors	-	(9,164,246)	2,739,612	628,335	(5,796,299)
	<u>(3,195,816)</u>	<u>(9,738,809)</u>	<u>42,692</u>	<u>(190,053)</u>	<u>(13,081,986)</u>

As explained in note 4 to the financial statements, during the year, the company agreed payment plans with 5 suppliers in relation to old creditors balances. The unpaid balance per the payment plan of £9,164,226 has been accounted for as a transfer to debt to provide a fairer presentation of the company's cash flows in the year.

### 24 Related party transactions

The company has taken advantage of the exemptions provided by Section 33 of FRS 102 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

Transactions with group companies that are not 100% owned within the group included net purchases by the company of £Nil (2021: £79,343). At 31 May 2022 a balance of £26,864 (2021: £22,987) was owed to Tech 21 UK Limited.

### 25 Directors' transactions

The company continues to operate a director's loan account in favour of J L Roberts. During the year, repayments were made totalling £Nil (2021: £1,000,000). At the balance sheet date, J L Roberts owed the company £4,505,654 (2021: £4,505,654) which is included in other debtors. No interest was charged on the outstanding balance.

### 26 Controlling party

The immediate parent company is Tech 21 Holdings Limited, a company incorporated in Hong Kong and the ultimate parent company is Mellis Place Limited, a company incorporated in England and Wales. Both the smallest and largest group preparing publicly available consolidated financial statements and including the results of Tech 21 UK Limited is Mellis Place Limited.

The ultimate controlling party is the director, J L Roberts.

### 27 Post balance sheet events

Subsequent to the year end, the company completed a refinance of its bank loan facilities. The Westbrooke loan was repaid in full (repaying \$5,307,686 in capital and \$375,387 in accrued interest) and this was replaced by £3m in term loans and a £5m invoice discounting facility all with HSBC. These facilities are secured on the company's assets. The term loan facilities are repayable over three years.