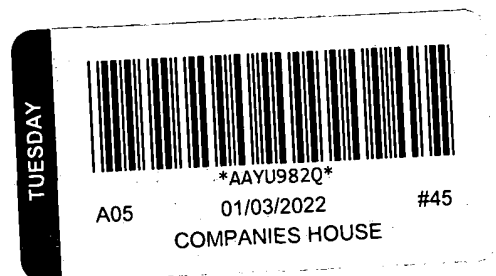


Company Registration No. 05630013 (England and Wales)

TECH 21 UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2021



TECH 21 UK LIMITED

COMPANY INFORMATION

Director	J L Roberts
Company number	05630013
Registered office	Parkshot House 5 Kew Road Richmond TW9 2PR
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom

TECH 21 UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2021

The director presents the strategic report for the year ended 31 May 2021.

Review of the business

The company has seen a decline in the year with revenues at £31.2m, a decrease of 36.6% on the previous year's £49.2m. The operating profit for the year increased to £1.7m (2020: £23.7m loss). A challenging period in FY20 Q1 relating to launch production issues caused some losses in customer confidence. A fault free launch in FY21 has gone a long way to restoring trust.

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 director is confident that the coming year will see the business stabilising across all areas of operations and has secured adequate funding to support this growth.

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

Post balance sheet events

Subsequent to the year end, the company has signed agreements with five of the company's trade creditors reducing liabilities by \$20m, issued a promissory note providing a cash inflow to the company of \$4m and extended the repayment date of the existing \$6m bank loan agreement to 31 July 2022.

Principal risks and uncertainties

The principal risks arising from the company's activities are credit risk, currency risk, and competition risk as well as the additional risks arising as a result of the COVID-19 virus.

COVID-19 and going concern risk

The impact of COVID-19 on UK and global economies and businesses has been significant. The director cannot predict the future impact on the company (or its customers or suppliers), although he is confident that the company will continue as a going concern. The director's going concern assessment is set out in note 1 to the financial statements.

The director reviews and agrees policies for managing other 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 in light 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 to 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.

TECH 21 UK LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2021

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 impacts of production related issues wash through.
 - Turnover 2021: £31.2m (2020: £49.2m). 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 2021: £10.9m (2020: £9.4m loss)
 - Profit before tax 2021: £6.7m (2020: £26.2m loss)
- Cash flow, management of working capital, and ensuring strong return on investment on all categories, markets, and product sectors.

Director's duties to Stakeholders (Section 172(1) statement)

The director is aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The director of the company have sought to balance the needs of its members with the S172 matters throughout the year, for example in the policies and practices which run through the company, ensuring that the company's reputation for high standards of conduct are maintained and in our engagement with our employees.

The director of the company have a duty to promote the success of the company, and it relies on smooth operations and the support and joint efforts of stakeholders. Thus, effective communication and interaction are indispensable in the Company's business operations, Tech 21 UK Limited is aware of the importance of stakeholder opinions and understands and responds to relevant stakeholders and their concerns.

We identified the most important stakeholders based on past stakeholder communications. We contact these stakeholders through regular/ad hoc channels to ensure comprehensive communications.

TECH 21 UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

Engagement with employees

Employees are the most valuable assets of the company. We engage with the employees through various means including:

- Weekly townhall meetings
- Team and 1-2-1 meetings throughout the company
- Microsoft teams
- HR system
- Employee surveys

Through these means we cover the following topics:

- Company strategy and performance
- Employee welfare and engagement
- Compliance matters

We set up strict selection procedures and standards in place to ensure non-discrimination in our employment policy. We provide employees with comprehensive training and career development opportunities. We conduct departmental and external professional training.

We continue to organize management courses to assist managers on effective management for the company to achieve higher performance. These courses are run regularly and at all levels in the organisation.

The company strives to enhance employee safety and care. The company considers the general wellbeing and the mental health of staff to be a of high importance. Recently the company implemented a remote workplace tool which gives staff access to a wide range of resources, therapists, and counsellors to support wellbeing. In addition to having several trained mental health first aiders in the business.

Engagement with suppliers, customers and others in a business relationship with the company

Suppliers

Tech 21 UK Limited works with its supplier base to ensure its operations can be carried out as efficiently as possible. The business runs a demand planning process designed to provide a complete holistic model from which order generation to 3rd party manufacturers is managed. We work with suppliers to give them maximum possible vision of our relevant requirements, reduce our stock levels and ensure that invoices are paid in a timely manner.

Customers

Tech 21 UK Limited works with its customers to ensure that our products are designed and manufactured to make the products that are needed. We aim to deliver products in line with customer expectations and minimise our cost base so that our prices are as competitive as possible.

Others

Tech 21 UK Limited works with its local tax authorities to ensure that employment, sales, and other corporate taxes are accounted for and paid as appropriate in line with relevant guidelines.

On behalf of the board



J L Roberts
Director

28 February 2022

TECH 21 UK LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2021

The director presents his annual report and financial statements for the year ended 31 May 2021.

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 7.

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.

Energy and carbon reporting

As the company has not consumed more than 40,000 kWh of energy in this reporting period, it qualifies as a low energy user under these regulations and is not required to report on its emissions, energy consumption or energy efficiency activities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each 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.

On behalf of the board



J L Roberts
Director

28 February 2022

TECH 21 UK LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MAY 2021

The director is responsible for preparing the strategic report and 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;
- state whether applicable UK Accounting Standards 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 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

Opinion

We have audited the financial statements of Tech 21 UK Limited (the 'company') for the year ended 31 May 2021 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 2021 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 COVID-19 and the fact that the current bank loan facility is repayable on demand and has a termination date of 31 July 2022. As indicated in note 1, the impact of COVID-19 cannot be predicted which, together with the repayment status of the bank loan facility, 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)

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 5, 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;
- 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)

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
28 February 2022

TECH 21 UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2021

		2021 £	2020 £
	Notes		
Turnover	3	31,194,293	49,235,480
Cost of sales		(20,286,630)	(58,642,134)
Gross profit/(loss)		10,907,663	(9,406,654)
Administrative expenses		(9,197,062)	(14,341,821)
Operating profit/(loss)	6	1,710,601	(23,748,475)
Interest payable and similar expenses	8	(602,987)	(316,766)
Profit/(loss) on foreign exchange		5,575,667	(2,133,056)
Profit/(loss) before taxation		6,683,281	(26,198,297)
Tax on profit/(loss)	9	5,401,941	-
Profit/(loss) for the financial year		12,085,222	(26,198,297)

TECH 21 UK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2021**

	Notes	2021 £	£	2020 £	£
Fixed assets					
Intangible assets	10	173,229		196,288	
Tangible assets	11	93,718		150,837	
			<u>266,947</u>		<u>347,125</u>
Current assets					
Stocks	12	1,549,216		2,650,882	
Debtors	13	28,574,647		25,300,333	
Cash at bank and in hand		1,258,298		1,524,282	
			<u>31,382,161</u>		<u>29,475,497</u>
Creditors: amounts falling due within one year	14	<u>(43,818,027)</u>		<u>(54,076,763)</u>	
Net current liabilities			<u>(12,435,866)</u>		<u>(24,601,266)</u>
Total assets less current liabilities			<u>(12,168,919)</u>		<u>(24,254,141)</u>
Capital and reserves					
Called up share capital	16		100		100
Share premium account	17		149,960		149,960
Profit and loss reserves	17		<u>(12,318,979)</u>		<u>(24,404,201)</u>
Total equity			<u>(12,168,919)</u>		<u>(24,254,141)</u>

The financial statements were approved and signed by the director and authorised for issue on 28 February 2022



J L Roberts
Director

TECH 21 UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2021

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2019	100	149,960	1,794,096	1,944,156
Year ended 31 May 2020:				
Loss and total comprehensive income for the year	-	-	(26,198,297)	(26,198,297)
Balance at 31 May 2020	100	149,960	(24,404,201)	(24,254,141)
Year ended 31 May 2021:				
Profit and total comprehensive income for the year	-	-	12,085,222	12,085,222
Balance at 31 May 2021	100	149,960	(12,318,979)	(12,168,919)

TECH 21 UK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2021

	Notes	2021 £	£	2020 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	20		226,332		(3,331,975)
Interest paid			(602,987)		(316,766)
Income taxes refunded/(paid)			279,368		-
Net cash outflow from operating activities			(97,287)		(3,648,741)
Investing activities					
Purchase of intangible assets		(151,787)		(49,246)	
Purchase of tangible fixed assets		(16,910)		(47,393)	
Net cash used in investing activities			(168,697)		(96,639)
Financing activities					
Repayment of bank loans		-		5,073,113	
Net cash (used in)/generated from financing activities			-		5,073,113
Net (decrease)/increase in cash and cash equivalents			(265,984)		1,327,733
Cash and cash equivalents at beginning of year			1,524,282		196,549
Cash and cash equivalents at end of year			1,258,298		1,524,282

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies

Company information

Tech 21 UK Limited is a private company limited by shares registered and incorporated in England and Wales. The registered office and principal place of business is Parkshot House, 5 Kew Road, Richmond, TW9 2PR.

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 25, subsequent to the year end, the company has signed agreements with five of the company's trade creditors reducing liabilities by \$20m, issued a promissory note providing a cash inflow to the company of \$4m and extending the repayment date of the existing \$6m bank loan agreement to 31 July 2022. Whilst the director notes that there has been a breach of a bank loan covenant related to the timing of financial statement completion, meaning the loan is repayable on demand, he is confident the existing facility will continue to be made available to at least 31 July 2022.

The director has reviewed management prepared cash flow forecasts for the period ending 15 January 2023 and considered the company's current and forecast financial position together with the expected cash flow requirements for the period up to 31 May 2023.

As a result of his review, the director notes that there is uncertainty in relation to going concern caused by the unpredictable and ongoing impact of COVID-19 (and the measures used to control the spread of the pandemic) on the global economy and the fact that the bank loan, which is \$5.6m as at the date of approval of these financial statements, is repayable on demand and has a termination date of 31 July 2022.

Whilst acknowledging the material uncertainty created by the factors set out above, the director remains confident that the company will have adequate resources to continue as a going concern for the period to at least 31 May 2023 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 2021

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.

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

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.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies (Continued)

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.

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.

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 2021

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.

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.

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.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

1 Accounting policies (Continued)

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 12), the adequacy of the provision for goods returned under sale or return agreements (which are included in accruals in note 14) and the recognition of a deferred tax asset (which is disclosed in notes 9, 13 and 15).

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

3 Turnover and other revenue

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

	2021 £	2020 £
Turnover analysed by geographical market		
United Kingdom	5,030,215	2,848,102
Europe, Middle East and Africa	7,726,833	8,044,020
Americas	14,982,256	31,090,087
Australasia and Asia Pacific	3,454,989	7,253,271
	<u>31,194,293</u>	<u>49,235,480</u>

4 Employees

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

	2021 Number	2020 Number
Management	3	4
Sales, marketing and design	36	43
Operations	18	16
Administration	19	19
	<u>76</u>	<u>82</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	4,142,213	4,814,843
Social security costs	431,270	538,471
Pension costs	147,603	137,245
	<u>4,721,086</u>	<u>5,490,559</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

5 Director's remuneration

	2021 £	2020 £
Remuneration for qualifying services	365,509	406,219
Company pension contributions to defined contribution schemes	23,350	23,126
	<u>388,859</u>	<u>429,345</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 1).

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

	2021 £	2020 £
Remuneration for qualifying services	365,509	372,469
Company pension contributions to defined contribution schemes	23,350	10,000
	<u>388,859</u>	<u>382,469</u>

6 Operating profit/(loss)

	2021 £	2020 £
Operating profit/(loss) for the year is stated after charging:		
Depreciation of owned tangible fixed assets	74,029	102,700
Amortisation of intangible assets	174,846	92,569
Operating lease charges	225,073	371,036
	<u>473,948</u>	<u>566,305</u>

7 Auditor's remuneration

	2021 £	2020 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	72,500	65,000
For other services		
Taxation compliance services	5,250	5,250
All other non-audit services	7,250	7,000
	<u>12,500</u>	<u>12,250</u>

8 Interest payable and similar expenses

	2021 £	2020 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	602,987	316,766
	<u>602,987</u>	<u>316,766</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

9 Taxation

	2021 £	2020 £
Current tax		
UK corporation tax on profits for the current period	131,395	-
Adjustments in respect of prior periods	(1,065,736)	-
Total current tax	(934,341)	-
Deferred tax		
Origination and reversal of timing differences	1,081,396	-
Adjustment in respect of prior periods	(5,548,996)	-
Total deferred tax	(4,467,600)	-
Total tax credit	(5,401,941)	-

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

	2021 £	2020 £
Profit/(loss) before taxation	6,683,281	(26,198,297)
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	1,269,823	(4,977,676)
Tax effect of expenses that are not deductible in determining taxable profit	116,180	4,528
Unutilised tax losses carried forward	-	4,970,549
Adjustments in respect of prior years	(6,614,731)	-
Research and development tax credit	(168,686)	-
Other differences	(4,527)	2,599
Taxation credit for the year	(5,401,941)	-

In March 2021, the Finance Bill was announced and was substantively enacted on 24 May 2021, this included legislation that the UK tax rate will increase from 19% to 25% from 1 April 2023.

The adjustments in respect of prior years mainly relates to the recognition of a deferred tax asset in relation to tax losses that can be offset against future taxable profits as well as the benefit for a research and development tax credit claim. The deferred tax asset has been recognised in the 2021 accounts due to the improved financial performance of the Company in 2021 compared to prior years.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

10 Intangible fixed assets

	Software £
Cost	
At 1 June 2020	726,842
Additions	151,787
At 31 May 2021	878,629
Amortisation and impairment	
At 1 June 2020	530,554
Amortisation charged for the year	174,846
At 31 May 2021	705,400
Carrying amount	
At 31 May 2021	173,229
At 31 May 2020	196,288

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

11 Tangible fixed assets

	Land and buildings leasehold £	Plant and machinery £	Total £
Cost			
At 1 June 2020	89,358	2,386,004	2,475,362
Additions	-	16,910	16,910
At 31 May 2021	89,358	2,402,914	2,492,272
Depreciation and impairment			
At 1 June 2020	88,212	2,236,313	2,324,525
Depreciation charged in the year	1,146	72,883	74,029
At 31 May 2021	89,358	2,309,196	2,398,554
Carrying amount			
At 31 May 2021	-	93,718	93,718
At 31 May 2020	1,146	149,691	150,837

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 2021

12 Stocks

	2021 £	2020 £
Raw materials and consumables	-	443,416
Finished goods and goods for resale	1,549,216	2,207,466
	<u>1,549,216</u>	<u>2,650,882</u>

Stocks were impaired in the year by £995,405 (2020: £9,072,433) which is recorded within cost of sales in the statement of comprehensive income.

13 Debtors

	2021 £	2020 £
Amounts falling due within one year:		
Trade debtors	3,364,383	2,143,763
Corporation tax recoverable	2,439,311	1,652,942
Amounts owed by group undertakings	13,603,793	14,642,138
Other debtors	4,599,515	5,762,534
Prepayments and accrued income	100,045	1,098,956
	<u>24,107,047</u>	<u>25,300,333</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 15)	<u>4,467,600</u>	<u>-</u>
Total debtors	<u>28,574,647</u>	<u>25,300,333</u>

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 2021

14 Creditors: amounts falling due within one year

	2021	2020
	£	£
Bank loans	4,454,114	5,073,113
Trade creditors	26,755,236	34,130,650
Amounts owed to group undertakings	6,306,735	8,435,303
Corporation tax	131,396	-
Other taxation and social security	192,809	464,551
Other creditors	15,724	763,599
Accruals and deferred income	5,962,013	5,209,547
	<u>43,818,027</u>	<u>54,076,763</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 loan is secured by a fixed and floating charge over the assets of the company. Mr J L Roberts, the director, has provided a personal guarantee in respect of this loan facility. Further details of the current bank arrangements are disclosed in note 25.

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

15 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 2021	Assets 2020
	£	£
Balances:		
Tax losses	<u>4,467,600</u>	<u>-</u>
		2021
		£
Liability at 1 June 2020		-
Credit to profit or loss		(4,467,600)
Asset at 31 May 2021		<u>(4,467,600)</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 2026.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

16 Share capital

	2021 £	2020 £
Ordinary share capital		
Issued and fully paid		
100 ordinary of £1 each	100	100

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.

17 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.

18 Retirement benefit schemes

	2021 £	2020 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	147,603	137,245

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, £21,354 (2020: £17,612) was due to the company's pension scheme.

19 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for use of its premises and certain items of office equipment.

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

	2021 £	2020 £
Within one year	-	20,167
Between one and five years	-	210
	-	20,377

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

20 Cash generated from/(absorbed by) operations

	2021 £	2020 £
Profit/(loss) for the year after tax	12,085,222	(26,198,297)
Adjustments for:		
Taxation credited	(5,401,941)	-
Finance costs	602,987	316,766
Amortisation and impairment of intangible assets	174,846	92,569
Depreciation and impairment of tangible fixed assets	74,029	102,700
Foreign exchange gains on bank loan	(618,999)	-
Movements in working capital:		
Decrease in stocks	1,101,666	7,615,759
Decrease in debtors	1,979,655	10,758,552
(Decrease)/increase in creditors	(9,771,133)	3,979,976
Cash generated from/(absorbed by) operations	226,332	(3,331,975)

21 Analysis of changes in net debt

	1 June 2020 £	Cash flows £	Exchange rate movements £	31 May 2021 £
Cash at bank and in hand	1,524,282	(265,984)	-	1,258,298
Borrowings excluding overdrafts	(5,073,113)	-	618,999	(4,454,114)
	<u>(3,548,831)</u>	<u>(265,984)</u>	<u>618,999</u>	<u>(3,195,816)</u>

22 Related party transactions

In the year ended 31 May 2021, the director considered key management to be himself. The remuneration of key management personnel for the year ended 31 May 2020 amounted to £511,576.

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 £79,343 (2020: £27,478). At 31 May 2021 a balance of £22,987 (2020: £Nil) was owed to Tech 21 UK Limited.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2021

23 Directors' transactions

The company continues to operate a director's loan account in favour of J L Roberts. During the year, personal expenditure was repaid by the director amounting to £Nil (2020: £275,434), expenditure was allocated to the director's loan account of £Nil (2020: £971,233) and repayments were made totalling £1,000,000 (2020: £500,000). At the balance sheet date, J L Roberts owed the company £4,505,654 (2020: £5,494,872) which is included in other debtors. No interest was charged on the outstanding balance.

24 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 expected to be Mellis Place Limited.

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

25 Post balance sheet events

Subsequent to the year end, the company has signed agreements with five of the company's trade creditors reducing liabilities by \$20m, issued a promissory note providing a cash inflow to the company of \$4m and extended the repayment date of the existing \$6m bank loan agreement to 31 July 2022.