

Financial Statements
Lux Group Holdings LTD
(formerly SWMF Limited)

For the period ended 31 December 2019



Registered number: 11707773

Company Information

Directors	Patrick Burke (appointed 19 June 2019) Iain Christopher O'Mahony (appointed 6 September 2019) Ronnie Shemesh (appointed 5 July 2019) Jeremy Todd (appointed 3 December 2018, resigned 5 July 2019)
Company secretary	Acuity Secretaries Limited (appointed 7 December 2018)
Registered number	11707773
Registered office	The Hopton Workshop Hopton Road Devizes United Kingdom SN10 2EU
Independent auditor	Grant Thornton Chartered Accountants & Statutory Auditors 13-18 City Quay Dublin 2 D02 ED70
Bankers	National Westminster Bank PLC South West RCSC 740 Waterside Drive Aztec West Almondsbury United Kingdom BS99 5BD Metro Bank One Southhampton Row London United Kingdom WC1B 5HA
Solicitors	Acuity Law 21 Ganton Street Soho London United Kingdom W1F 9BN

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Strategic report

For the period ended 31 December 2019

The directors present their reports and the statements for the financial period ended 31 December 2019.

Business review

The Company acquired the trade and assets of the business from an Administrator. Included in the assets acquired were specific brand names and trademarks on which the directors saw significant value. The directors, with the financial support of the shareholders, took the strategic decision to protect the acquired brands and trademarks by recognising and honouring customer deposits of £8.4M paid prior to the Administrator's appointment. The Company embarked on a right sizing exercise that have resulted in redundancy costs totalling £621k. The Directors believe that these decisive actions to protect the acquired brands and trademarks and to right size the business have put Company on firm financial footing. The directors do not expect to incur these exceptional costs in the future and look forward to the Company growing in the coming years.

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties faced by the Company are in the following categories:

Economic risk

The risk of increased interest rates and or inflation having an adverse impact on served markets.

Competitor risk

The directors of the Company manage competition through close attention to customer service levels.

Financial risk

The Company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk.

Brexit

The Company is exposed on the uncertainties that Brexit may bring but the directors have plans to negotiate the potential risks.

COVID-19 outbreak

In December 2019, a novel strain of coronavirus ("COVID-19") was reported in Wuhan, China. The World Health Organisation has declared COVID-19 to constitute a "Public Health Emergency of International Concern." On the 11th of March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic.

As a result of the outbreak affecting current economic conditions, demand for our business could have an adverse material impact. Uncertainty about the current economic conditions due to the Coronavirus could result in customers delaying projects in response to tighter credit, unemployment, negative financial news and declines in income or asset values and other economic factors.

We are also subject to other types of risks associated with the aforementioned pandemic, including the following:

- 1) Difficulties in collecting accounts receivable.
- 2) Difficulties in staffing and managing operations.
- 3) Difficulties in maintaining adequate working capital to finance the company's current liabilities.
- 4) Disruption in business due to order to shut down business temporarily by the Government.

Lux Group Holdings LTD (formerly SWMF Limited)

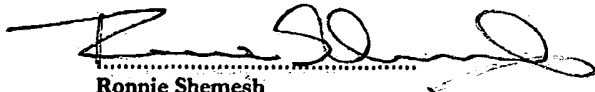
Strategic report (continued)

For the period ended 31 December 2019

Financial key performance indicators

The Company's key performance indicators are turnover, gross margin and EBITDA.

This report was approved by the board and signed on its behalf.

A handwritten signature in black ink, appearing to read 'Ronnie Shemesh', is written over a horizontal dotted line.

Ronnie Shemesh
Director

Date: 24 March 2021

Directors' report

For the period ended 31 December 2019

Principal activity

Lux Group Holdings Limited (formerly SMWF Limited) was incorporated on 3 December 2018. The financial statements cover the 13 month period ended 31 December 2019.

The Company's principal activity is design, manufacture and installation of bespoke fitted kitchens.

Results and dividends

The loss for the period, after taxation, amounted to £9,865,121.

The directors have not recommend a dividend.

Directors

The directors who served during the period were:

Patrick Burke (appointed 19 June 2019)

Iain Christopher O'Mahony (appointed 6 September 2019)

Ronnie Shemesh (appointed 5 July 2019)

Jeremy Todd (appointed 3 December 2018, resigned 5 July 2019)

Going concern

The Company had net assets of €3,824,122 for the financial year ended 31 December 2019. The directors have reviewed the short, medium and long term cash flow forecasts for the Company and are confident from their review and their assumptions in preparing the cash flows that the Company has sufficient funding available to continue trading for the foreseeable future. However, the Company remains dependent on the continuing support of its stakeholders and shareholders to meet payments as they fall due. As a result of this, the financial statements have been prepared on a going concern basis.

Directors' report (continued)

For the period ended 31 December 2019

Principal risks and uncertainties

The directors consider that the principal risks and uncertainties faced by the Company are in the following categories:

Economic risk

The risk of increased interest rates and or inflation having an adverse impact on served markets.

Competitor risk

The directors of the Company manage competition through close attention to customer service levels.

Financial risk

The Company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk.

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The Company is exposed on the uncertainties that Brexit may bring but the directors have plans to negotiate the potential risks.

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As a result of the outbreak affecting current economic conditions, demand for our business could have an adverse material impact. Uncertainty about the current economic conditions due to the Coronavirus could result in customers delaying projects in response to tighter credit, unemployment, negative financial news and declines in income or asset values and other economic factors.

We are also subject to other types of risks associated with the aforementioned pandemic, including the following:

- 1) Difficulties in collecting accounts receivable.
- 2) Difficulties in staffing and managing operations.
- 3) Difficulties in maintaining adequate working capital to finance the company's current liabilities.
- 4) Disruption in business due to order to shut down business temporarily by the Government.

Future developments

The Company plans to continue its present activities.

Disclosure of information to auditor

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

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

Directors' report (continued)

For the period ended 31 December 2019

Post balance sheet events


On the 11th of March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. The directors are closely monitoring the evolution of this pandemic, including how it may affect the Company, the economy and the general population. The directors have not yet determined the financial impact of these events. The directors' primary concern is with the health and safety of our employees and other stakeholders and the directors will continue to monitor and assess the ongoing development and respond accordingly.

The development of these strategies is in line with global strategies guided by the World Health Organisation and European Centre for Prevention and Disease Control (ECDC) and the directors will continue to implement measures in line with the government direction. While we the directors expect a decline in operations in 2020 in line with the closure of operations, quarantine measures and travel restrictions, given the dynamic nature of these circumstances, the directors have not formally determined the financial impact of these events on our results of operations, cash flows and financial condition. The directors will continue to monitor closely the global developments of this new virus and respond accordingly.

Auditor

The auditor, Grant Thornton, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



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Ronnie Shemesh
Director

Date: 24 March 2021

Directors' responsibilities statement

For the period ended 31 December 2019

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

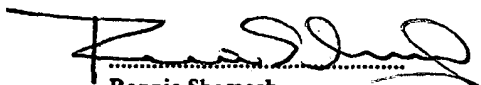
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice),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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

On behalf of the board



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Ronnie Shemesh
Director

Date: 24 March 2021

Independent auditor's report to the members of Lux Group Holdings LTD (formerly SWMF Limited)

Opinion

We have audited the financial statements of Lux Group Holdings LTD (formerly SWMF Limited) ('the Company'), which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows for the period ended 31 December 2019, and the related notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, Lux Group Holdings LTD (formerly SWMF Limited)'s financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the period then ended; 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 'Responsibilities of the auditor for the audit of the financial statements' section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, namely the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances of the entity. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent auditor's report to the members of Lux Group Holdings LTD (formerly SWMF Limited) (continued)

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Independent auditor's report to the members of Lux Group Holdings LTD (formerly SWMF Limited) (continued)

Responsibilities of management and those charged with governance for the financial statements

As explained more fully in the Directors' responsibilities statement, management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management 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 management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the auditor for the audit of the financial statements

The objectives of an auditor 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 their 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.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent auditor's report to the members of Lux Group Holdings LTD (formerly SWMF Limited) (continued)

Responsibilities of the auditor for the audit of the financial statements (continued)

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.

The purpose of our audit work and to whom we owe our responsibilities

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.



Kevin Foley (FCA) (Senior statutory auditor)
for and on behalf of

Grant Thornton
Chartered Accountants
& Statutory Auditors
Dublin 2

Date: 24 March 2021

Statement of comprehensive income

For the period ended 31 December 2019

	Note	Period from 3 December 2018 to 31 December 2019 £
Turnover	4	19,794,327
Cost of sales		(11,683,354)
Gross profit		<u>8,110,973</u>
Administrative expenses		(10,449,256)
Exceptional administrative expenses	11	(7,524,595)
Operating loss	5	<u>(9,862,878)</u>
Interest payable and expenses	9	(2,243)
Loss before tax		<u>(9,865,121)</u>
Tax on loss	10	-
Loss for the period		<u><u>(9,865,121)</u></u>

All amounts relate to continuing operations.

There was no other comprehensive income for 2019.

The notes on pages 15 to 32 form part of these financial statements.

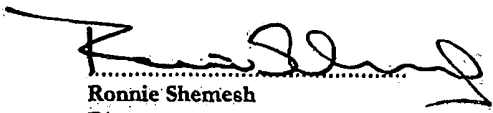
Lux Group Holdings LTD (formerly SWMF Limited)
Registered number: 11707773

Balance sheet

As at 31 December 2019

	Note	2019 £
Fixed assets		
Intangible assets	12	6,939,179
Tangible assets	13	962,205
		<u>7,901,384</u>
Current assets		
Stocks	14	3,986,812
Debtors: amounts falling due within one year	15	740,316
Cash at bank and in hand	16	3,614,438
		<u>8,341,566</u>
Current liabilities		
Creditors: amounts falling due within one year	17	(12,170,523)
Net current liabilities		<u>(3,828,957)</u>
Total assets less current liabilities		<u>4,072,427</u>
Creditors: amounts falling due after more than one year	18	(248,305)
Net assets		<u><u>3,824,122</u></u>
Capital and reserves		
Called up share capital	21	13,689,243
Profit and loss account	22	(9,865,121)
		<u><u>3,824,122</u></u>

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



Ronnie Shemesh
 Director

Date: 24 March 2021

The notes on pages 15 to 32 form part of these financial statements.

Statement of changes in equity

For the period ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
Loss for the period	-	(9,865,121)	(9,865,121)
Shares issued during the period (note 21)	13,689,243	-	13,689,243
At 31 December 2019	13,689,243	(9,865,121)	3,824,122

The notes on pages 15 to 32 form part of these financial statements.

Statement of cash flows

For the period ended 31 December 2019

	Note	2019 £
Cash flows from operating activities		
Loss for the period		(9,865,121)
Adjustments for:		
Depreciation of tangible assets	13	68,864
Interest paid	9	2,243
Increase in stocks		(3,986,812)
Increase in debtors	15	(490,371)
Increase in amounts owed by groups undertakings		(249,948)
Increase in creditors		12,023,171
Net cash (used in) operating activities		<u>(2,497,974)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	12	(6,939,179)
Purchase of tangible fixed assets	13	(1,031,066)
HP interest paid	9	(2,243)
Net cash used in investing activities		<u>(7,972,488)</u>
Cash flows from financing activities		
Issue of ordinary shares		13,689,243
New finance leases	17,18	395,657
Net cash generated from financing activities		<u>14,084,900</u>
Net increase in cash and cash equivalents		<u>3,614,438</u>
Cash and cash equivalents at the end of period		<u><u>3,614,438</u></u>
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand		3,614,438
		<u><u>3,614,438</u></u>

The notes on pages 15 to 32 form part of these financial statements.

Notes to the financial statements

For the period ended 31 December 2019

1. General information

Lux Group Holdings Limited (formerly SMWF Limited) ("the Company") is incorporated in the United Kingdom and registered under the number 11707773. Its registered office is located at The Hopton Workshop, Hopton Road, Devizes, United Kingdom. The Company's principal activity is design, manufacture and installation of bespoke fitted kitchens.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 Going concern

The Company had net assets of €3,824,122 for the financial year ended 31 December 2019. The directors have reviewed the short, medium and long term cash flow forecasts for the Company and are confident from their review and their assumptions in preparing the cash flows that the Company has sufficient funding available to continue trading for the foreseeable future. However, the Company remains dependent on the continuing support of its stakeholders and shareholders to meet payments as they fall due. As a result of this, the financial statements have been prepared on a going concern basis.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'interest payable and expenses'. All other foreign exchange gains and losses are presented in Statement of comprehensive income within 'administration expenses'.

Notes to the financial statements

For the period ended 31 December 2019

2. Accounting policies (continued)

2.4 Revenue

Costs of long term contracts include all direct costs and attributable profits. Provision is made in full for any foreseeable losses.

Long term contracts are assessed on a contract by contract basis and reflected in the Statement of comprehensive income by recording turnover and related costs as contract activity progresses. No profit is recognised until the outcome of a long term contract can be assessed with reasonable certainty. Work in progress represents costs incurred net of amounts transferred to costs of sales, less foreseeable losses and applicable payments on account not matched with turnover.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

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

2.6 Finance assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.7 Finance costs

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

2.8 Pensions

Defined contribution pension plan

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

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

Notes to the financial statements

For the period ended 31 December 2019

2. Accounting policies (continued)

2.9 Taxation

Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

2.10 Exceptional items

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

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life. Intangible assets are not subject to amortisation in the year of acquisition.

Other intangible assets

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

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

Notes to the financial statements

For the period ended 31 December 2019

2. Accounting policies (continued)

2.11 Intangible assets (continued)

The estimated useful lives range as follows:

IP	-	10	years
Goodwill	-	10	years

2.12 Tangible fixed assets

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

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- 20% straight-line
Factory, plant & equipment	- 10%-20% straight-line
Computer equipment	- 33% straight-line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.13 Stocks

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

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

2.14 Debtors

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

Notes to the financial statements

For the period ended 31 December 2019

2. Accounting policies (continued)

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.16 Creditors

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

2.17 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors.

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

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Notes to the financial statements

For the period ended 31 December 2019

2. Accounting policies (continued)

2.18 Financial instruments derecognition

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the financial asset are transferred to another party or (c) control of the financial asset has been transferred to another party who has the practical ability to unilaterally sell the financial asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

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

Preparation of the financial statements requires management to make significant judgments and estimates.

Judgments and estimates 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. Actual results may ultimately differ from these estimates. In the process of applying the Company's accounting policies, management has made the following judgment and estimate, which have the most significant effect on the amounts recognized in the financial statements:

3.1 Critical Management Judgments in Applying Accounting Policies

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Going concern

The directors have assessed the Company's ability to continue as a going concern based on forecasts for the following twelve months and beyond and the continued support of the stakeholders and shareholders and are satisfied that it has the resources to continue its business for the foreseeable future. Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis (see note 2.2).

Assessing whether an agreement is a finance or operating lease

Management assess at the inception of the lease whether an arrangement is a finance or operating lease based on who bears substantially all risk and benefits incidental to the ownership of the leased items. Based on the management's assessment, the risk and rewards of owning the items leased by the Company are retained by the lessor and therefore accounts for such lease as operating lease. Otherwise, the lease will be accounted for as finance lease.

Notes to the financial statements

For the period ended 31 December 2019

3. Judgments in applying accounting policies (continued)

3.2 Key Sources of Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Estimating useful lives of tangible fixed assets

The Company estimates the useful lives of tangible fixed assets (note 13) based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of tangible fixed assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Estimating allowance for impairment losses on intangible and tangible assets

The Company assesses impairment on intangible (note 12) and tangible assets (note 13) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognised whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment loss is recognised and charged to profit or loss if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the risk-free rate of interest for a term consistent with the period of expected cash flows.

Construction contract revenue recognition

Recognised amounts of construction contract revenues (note 4) and related work in progress reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going construction contracts and the order backlog. For more complex contracts in particular costs to complete and contract profitability are subject to estimation uncertainty.

Determining net realisable value of stocks

Management estimates the net realisable values of stocks, taking into account the most reliable evidence available at each reporting date. The future realisation of these stocks may be affected by market-driven changes that may reduce future selling prices (Note 14).

Notes to the financial statements

For the period ended 31 December 2019

4. Turnover

An analysis of turnover by class of business is as follows:

	Period from 3 December 2018 to 31 December 2019 £
Sale of goods	19,794,327

Analysis of turnover by country of destination:

	Period from 3 December 2018 to 31 December 2019 £
United Kingdom	14,267,250
Rest of the world	5,527,077
	19,794,327

5. Operating loss

The operating loss is stated after charging:

	Period from 3 December 2018 to 31 December 2019 £
Difference on foreign exchange	(8,490)
Depreciation - factory, plant and machinery	67,349
Depreciation - computer equipment	1,107
Depreciation - leasehold improvements	408
Operating leases	1,336,365

Notes to the financial statements

For the period ended 31 December 2019

6. Auditor's remuneration

	Period from 3 December 2018 to 31 December 2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	24,000

7. Employees

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

	Period from 3 December 2018 to 31 December 2019 £
Wages and salaries	8,027,518
Social security costs	806,735
Cost of defined contribution scheme	260,830
	9,095,083

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

	Period from 3 December 2018 to 31 December 2019 No.
Sales	29
Manufacturing	149
Installation	13
Transport	6
Administration	48
	245

Notes to the financial statements

For the period ended 31 December 2019

8. Directors' remuneration

	Period from 3 December 2018 to 31 December 2019 £
Directors' emoluments	108,333
Company contributions to defined contribution pension schemes	4,375
	<u>112,708</u>

During the period retirement benefits were accruing to no directors in respect of defined contribution pension schemes.

9. Interest payable and similar expenses

	Period from 3 December 2018 to 31 December 2019 £
Finance leases and hire purchase contracts	<u>2,243</u>

10. Taxation

	Period from 3 December 2018 to 31 December 2019 £
Total current tax	<u>-</u>
Taxation on profit on ordinary activities	<u>-</u>

Notes to the financial statements

For the period ended 31 December 2019

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	Period from 3 December 2018 to 31 December 2019 £
Loss on ordinary activities before tax	(9,865,121)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19%	(1,874,373)
Effects of:	
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	147
Capital allowances for period in excess of depreciation	(125,295)
Short term timing difference leading to an increase (decrease) in taxation	8,218
Unrelieved tax losses carried forward	1,991,303
Total tax charge for the period	-

Factors that may affect future tax charges

A deferred tax asset of £1,991,303 has not been recognised in the financial statements.

Notes to the financial statements

For the period ended 31 December 2019

11. Exceptional items

	Period from 3 December 2018 to 31 December 2019 £
Exceptional items	6,902,650
Redundancy costs	621,945
	<u>7,524,595</u>

The Company acquired the trade and assets of the business from an Administrator. Deposits paid to this business prior the appointment of Administrator were not included in the purchase agreement however the directors took the strategic decision to recognise and honour these customer deposits. This resulted in a net exceptional cost of £6,902,650 being recorded during the financial period. During the financial period as a result of reorganisation the Company recognised redundancy costs of £621,945 which due to their nature and size are considered exceptional costs. These exceptional costs are disclosed separately to provide further understanding of the financial performance of the Company.

12. Intangible assets

	Trademarks £	Goodwill (note 23) £	Total £
Cost			
Additions	6,000,000	939,179	6,939,179
At 31 December 2019	<u>6,000,000</u>	<u>939,179</u>	<u>6,939,179</u>
Net book value			
At 31 December 2019	<u>6,000,000</u>	<u>939,179</u>	<u>6,939,179</u>

Intangible assets were acquired during the year and are not subject to amortisation in the year of acquisition.

Notes to the financial statements

For the period ended 31 December 2019

13. Tangible fixed assets

	Leasehold improve- ments £	Factory, plant & equipment £	Computer equipment £	Total £
Cost				
Additions	4,900	1,007,917	18,249	1,031,066
At 31 December 2019	4,900	1,007,917	18,249	1,031,066
Depreciation				
Charge for the period	408	67,346	1,107	68,861
At 31 December 2019	408	67,346	1,107	68,861
Net book value				
At 31 December 2019	4,492	940,571	17,142	962,205

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £
Factory, plant & equipment	547,233

14. Stocks

	2019 £
Raw materials and consumables	811,223
Work in progress on long term contracts	3,026,899
Finished goods and goods for resale	148,690
	3,986,812

The net replacement cost of stocks is not expected to be materially different from that shown above.

Stocks recognised in Cost of Sales during the period as an expense was £2,050,814.

Notes to the financial statements

For the period ended 31 December 2019

15. Debtors

	2019 £
Trade debtors	50,704
Amounts owed by group undertakings	249,948
Prepayments	439,664
	<u>740,316</u>

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

16. Cash and cash equivalents

	2019 £
Cash at bank and in hand	<u>3,614,438</u>

17. Creditors: Amounts falling due within one year

	2019 £
Trade creditors	1,353,461
Other taxation and social security	778,532
Obligations under finance lease and hire purchase contracts	147,352
Deposits held	8,299,434
Accruals	1,591,744
	<u>12,170,523</u>

Trade and other creditors, including accruals, are payable at various dates over the coming months in accordance with the suppliers' usual and customary credit terms.

Corporation tax and other taxes including social insurance are repayable at various dates in accordance with the applicable statutory provisions.

Deposits held are realisable in stages over the life of the relevant contracts.

18. Creditors: Amounts falling due after more than one year

	2019 £
Net obligations under finance leases and hire purchase contracts	<u>248,305</u>

Notes to the financial statements

For the period ended 31 December 2019

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2019 £
Within one year	147,352
Between 2-5 years	248,305
	<u>395,657</u>

Hire purchase and finance leases are secured on the underlying assets.

20. Financial instruments

	2019 £
Financial assets	
Financial assets measured at fair value through profit or loss	3,614,438
Financial assets measured at amortised cost	300,652
	<u>3,915,090</u>
Financial liabilities	
Financial liabilities measured at amortised cost	<u>2,945,205</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets measured at amortised cost comprise amounts owed by group undertakings and trade debtors.

Financial liabilities measured at amortised cost comprise trade creditors and accruals.

Notes to the financial statements

For the period ended 31 December 2019

21. Share capital

	2019 £
Allotted, called up and fully paid	
13,689,243 Ordinary shares of £1.00 each	<u>13,689,243</u>

Consideration received for the allotment of ordinary shares during the period was £13,689,243.

There is a single class of equity shares. There are no restrictions on the distribution of dividends and the repayment of capital, subject to the availability of distributable reserves. All shares carry equal voting rights and rank for dividends to the extent to which the total amount on each share is paid up.

22. Reserves

Profit and loss account

Includes all current and prior period retained profits and losses.

23. Business combinations

During the financial period the Company acquired the trade and assets of Smallbones of Devizes and McCarron & Co for a combined consideration of £1,060,000.

Recognised amounts of identifiable assets acquired and liabilities assumed

	Book value £	Fair value £
Tangible	291,514	291,514
	<u>291,514</u>	<u>291,514</u>
Stocks	768,486	768,486
Total assets	1,060,000	1,060,000
Due within one year	(939,179)	(939,179)
Total identifiable net assets	<u>120,821</u>	<u>120,821</u>
Goodwill		939,179
Total purchase consideration		<u>1,060,000</u>

Notes to the financial statements

For the period ended 31 December 2019

23. Business combinations (continued)

Consideration

	£
Cash	1,060,000
Total purchase consideration	<u>1,060,000</u>

Cash outflow on acquisition

	£
Purchase consideration settled in cash, as above	1,060,000
Net cash outflow on acquisition	<u>1,060,000</u>

The goodwill of €939,179 arising from the acquisition is attributable to the future cash generating expectations and economies of scale expected from the combining the operations into the Company. The Company did not trade prior to the acquisition therefore the entire trade for period ended 31 December 2019 is attributed to the purchased trades.

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £260,830. Contributions totaling £43,250 were payable to the fund at the reporting date and are included in accruals.

25. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £
Not later than 1 year	430,504
Later than 1 year and not later than 5 years	519,375
Later than 5 years	-
	<u>949,879</u>

26. Related party transactions

The Company has availed of the exemptions in FRS102 Section 33, Paragraph 33.1A which allows non-disclosure of transactions between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Notes to the financial statements

For the period ended 31 December 2019

27. Post balance sheet events

On the 11th of March 2020, the World Health Organisation officially declared COVID-19, the disease caused by novel coronavirus, a pandemic. The directors are closely monitoring the evolution of this pandemic, including how it may affect the Company, the economy and the general population. The directors have not yet determined the financial impact of these events. The director's primary concern is with the health and safety of our employees and other stakeholders and the directors will continue to monitor and assess the ongoing development and respond accordingly.

The development of these strategies is in line with global strategies guided by the World Health Organisation and European Centre for Prevention and Disease Control (ECDC) and the directors will continue to implement measures in line with the government direction. While we the directors expect a decline in operations in 2020 in line with the closure of operations, quarantine measures and travel restrictions, given the dynamic nature of these circumstances, the directors have not formally determined the financial impact of these events on our results of operations, cash flows and financial condition. The Directors will continue to monitor closely the global developments of this new virus and respond accordingly.

28. Controlling party

The Company's immediate parent Company is Sapphire 700 Limited registered in the United Kingdom. The Company's ultimate parent Company is Sapphire Cabinetry (UK) LLC registered in the United States of America. The results are consolidated into the results of Sapphire Cabinetry (UK) LLC, the smallest and largest group company to prepare consolidated accounts. As of date of signing of these financial statements these consolidated accounts are not publicly available. These accounts present information about the company as an individual undertaking.

29. Approval of financial statements

The board of directors approved these financial statements for issue on 24 March 2021.