Registration Number: 00923748

OSBORNE & LITTLE LIMITED

REPORT AND ACCOUNTS
Year ended 31 March 2019

ANNUAL REPORT
for the year ended 31 March 2019

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DIRECTORS AND ADVISORS

DIRECTORS	Sir Peter George Osborne Bt. Peter Soar FCA Graham John Noakes (retired 31 May 2019) Lady Felicity Alexandra Osborne
SECRETARY AND REGISTERED OFFICE	Peter Soar FCA Riverside House 26 Osiers Road London SW18 1NH Tel 020 8812 3000 email oandl@osborneandlittle.com
REGISTERED NUMBER	00923748, England
AUDITORS	BDO LLP 55 Baker Street London W1V 7EU
BANKERS	HSBC UK Bank PLC 1 Centenary Square Birmingham B1 1HQ

The company is a wholly owned subsidiary of Osborne & Little Group Limited and its results are included in the consolidated financial statements of Osborne & Little Group Limited which are publically available.

STRATEGIC REPORT
for the year ended 31 March 2019

1. INTRODUCTION

The principal activities of the company are the design and international distribution of fine furnishing fabrics and wallpapers.

The directors report a loss before tax of £863,000 compared with a loss of £21,000 in the previous year.

2. BUSINESS REVIEW

Sales for the year of £18.5 million were down 5% compared with the previous year of £19.4 million. The gross profit reduced by 11% to £8.3 million (2018 - £9.3 million).

Sales in the United Kingdom declined by 5% to £5.9 million (2018 - £6.2 million).

Sales to Europe and the rest of the world declined by 5% in reporting currency to £8.3 million (2018 - £8.7million). Sales to customers in euros represented 76% of exports to Europe and the rest of the world and were down 2% in local currency.

Intercompany sales to the North American subsidiary, Osborne & Little Inc, were £4.3 million (2018 - £4.4 million).

Following the loss in year-ending 31 March 2019 the directors have implemented a wide-ranging programme of cost-savings across all areas of the business. In a full year those savings already identified and put in place will amount to approximately £1.4 million. In the year ended 31 March 2020 savings of £1.1 million would have resulted in a broadly break-even position had it not been for the Covid-19 crisis. Following the outcome of the UK General Election in December 2019 and legal departure from the European Union on 31 January 2020 we await details of the trade negotiations, but anticipate a return of business confidence and consequent improvement in the company's trading. We continue to seek savings in all areas of our business. More recently the worldwide economies have been affected by the coronavirus pandemic which is referred to below under principal risks and uncertainties.

STRATEGIC REPORT (continued)

3. PRINCIPAL RISKS AND UNCERTAINTIES

The company uses financial instruments to manage the risks arising from its operations. These transactions are undertaken only to manage the currency risk associated with the group's underlying business activities.

The company's financial instruments, other than derivatives, comprise cash and various items, such as trade debtors and trade creditors, that arise directly from its operations.

The company enters into derivative transactions, principally forward foreign currency contracts. The purpose of such transactions is to manage the currency risk arising from the company's operations.

It is, and has been throughout the period under review, the company's policy that no speculative trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest rate, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

At 31 March 2019 the company's net borrowing was £4,264,000 (2018 - £3,350,000) all of which is at floating rates.

The company's policy is to hold cash and overnight deposits on a floating rate basis.

Liquidity risk

Short-term flexibility is achieved by invoice and asset financing facilities.

Currency risk

The company has one significant overseas subsidiary, operating in the US. The majority of the US subsidiary's turnover is sourced by exports from the UK company which are invoiced in US dollars. The company minimises the currency transaction exchange risk by the use of forward contracts covering between 40% and 70% of the forecast exchange exposures for up to two years ahead.

At 31 March 2019 the company had outstanding synthetic forward currency contracts of £1,110,371 (2018 - £3,856,840) at an average rate of GBP1:USD1.35 (2018 - GBP1:USD1.40) in respect of its actual and forecast currency transaction exposures. Under FRS 102 these contracts were recorded in the accounts as a liability of £35,461 (2018 - recorded as an asset of £44,000).

STRATEGIC REPORT (continued)

About 45% of the company's sales are to countries other than the UK and North America, including 36% to European countries. Most of these sales are invoiced in local currencies. The company does not eliminate currency exposure on these sales through forward currency contracts as any exposure is minimised due to the offsetting effect of imports and local costs.

Covid-19

The worldwide effect of Covid-19 will significantly impact on our market in the remainder of 2020 and the current outcome for the next few months, with much of the world under lock-down, is extremely uncertain. We are working to follow all Government advice addressing public safety and the health and safety of staff and customers remains paramount.

We have a robust plan to counter the exceptional circumstances of the Covid-19 worldwide pandemic and to weather the storm and come out leaner and profitable. We made savings before this crisis hit that would have delivered a small profit for the year ended 31 March 2020. We are being prudent, planning on the basis of the most pessimistic assumptions about sales in the four months of April to July 2020 as the virus peaks in our main markets of the UK, North America and Europe. We are making full use of the UK Government's Covid loan and furlough schemes to support us during an unprecedented economic shock so that we emerge in good health and ready to resume our business. All short-term measures will be balanced against ensuring the long term health of the business.

For the safety of our staff and customers we have closed our showroom and offices in London and staff work from home where possible. We are still receiving orders from customers from all over the world. The central warehouse in South London is open and working at reduced levels of staff who are keeping recommended distances between themselves. We continue to ship goods and sampling but at much lower quantities than compared with normal times.

We have since the beginning of March 2020 implemented substantial savings, in excess of £1.8m, which will impact on the current financial year ended 31 March 2021. These are in addition to those mentioned earlier and which impacted on the year ended 31 March 2020. The savings include the furloughing to date of over 60% of the workforce, senior management taking significant pay cuts and a reduction in discretionary expenditure. The end result, even on a cautious assumption over the impact of the crisis, is that we will emerge as a strong and sustainable profit-making business.

The closure of customer operations for a probable period of three months will have a significant impact on our cash requirements. In this regard we have made a succesful application for a significant CBIL loan.

STRATEGIC REPORT (continued)

4. KEY PERFORMANCE INDICATORS

The key performance indicators of the company relate to sales, gross margins and results before tax.

Commentary on sales is included under Business Review. The uncertainty in the economic climate has been influenced by Brexit and latterly by the world trade economic tensions and the Covid-19 crisis.

The gross margin reduced to 45% (2018 - 48%) primarily because forward exchange contracts in the previous financial year were exercised at rates above spot. The main exposure of sterling to overseas currencies is with the US dollar. The average exchange rate for the year was GBP1:USD1.32 (2018 - USD1.33).

Stock turnover increased to 136 days (2018 - 129 days) as the company invested in new collections.

Trading until the Covid-19 crisis remained competitive. The company is concentrating on spreading its risk globally by selling into more than 70 countries. The directors are confident that the investment in new collections and the monitoring of cost control will improve results.

Subsequent to the year end, the parent company waived its debt due from the company, of £1,911,000.

By Order of the Board

Peter Soar, FCA
COMPANY SECRETARY
London
17 April 2020

REPORT OF THE DIRECTORS
for the year ended 31 March 2019

The directors submit their report and the audited financial statements for the year ended 31 March 2019.

1. PRINCIPAL ACTIVITIES

The principal activities of the company are the design and international distribution of fine furnishing fabrics and wallpapers.

2. ULTIMATE HOLDING COMPANY

The ultimate holding company is Osborne & Little Group Limited, which is the parent undertaking of the largest group to consolidate these financial statements.

3. DIVIDENDS

No dividends were paid during the year (2018 - nil).

4. EXECUTIVE DIRECTORS

The directors listed on page 2 have held office during the year ended 31 March 2019. On 31 May 2019, Graham Noakes retired after 31 years of service and therefore resigned his position as director.

The directors retiring by rotation, in accordance with the Articles of Association, are Peter Osborne and Peter Soar who, being eligible, offer themselves for re-election.

REPORT OF THE DIRECTORS (continued)

5. DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who were directors at the time when this report is approved confirms that:

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

By Order of the Board

Peter Soar, FCA
COMPANY SECRETARY
London
17 April 2020

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are 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;

- 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSBORNE & LITTLE LIMITED

Opinion

We have audited the financial statements of Osborne & Little Limited ("the company") for the year ended 31 March 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss 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 indicates the directors' considerations over going concern including the potential impact of the current Covid-19 outbreak. As stated in note 1, these events or conditions indicate 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OSBORNE & LITTLE LIMITED (continued)

Other information

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

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

We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters 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 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 OSBORNE & LITTLE LIMITED (continued)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Clark, *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
55 Baker Street
London
W1V 7EU
17 April 2020

INCOME STATEMENT

for the year ended 31 March 2019

	Note	2019 £000	2018 £000
Turnover	3	**18,493**	19,387
Cost of sales		**(10,154)**	(10,071)
Gross profit		**8,339**	9,316
Operating expenses		**(9,032)**	(9,194)
Operating (loss)/profit		**(693)**	122
Interest payable	6	**(170)**	(143)
(Loss) on ordinary activities before taxation	7	**(863)**	(21)
Taxation on (loss) on ordinary activities	8	**(167)**	(12)
(Loss) for the financial year		**(1,030)**	(33)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 £000	2018 £000
(Loss) for the financial year		**(1,030)**	(33)
Cash flow hedges: reversal of prior year		**(44)**	298
Cash flow hedges: arising in the year		**(35)**	44
Other comprehensive (loss)/income in the year before tax		**(79)**	342
Income tax relating to components of other comprehensive income	8	**14**	(58)
Other comprehensive (loss)/income for the year (net of tax)		**(65)**	284
Total comprehensive (loss)/income for the financial year		**(1,095)**	251

All activity has arisen from continuing operations.

The company is a wholly owned subsidiary of Osborne & Little Group Limited and its results are included in the consolidated financial statements of Osborne & Little Group Limited which are publically available.

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Note	2019 £000	2018 £000
Non-current assets			
Fixed assets	9	**599**	534
Investments	10	**462**	462
		1,061	996
Current assets			
Stock	11	**6,837**	6,848
Debtors	12	**3,100**	3,586
Cash and cash equivalents		**366**	422
		10,303	10,856
Creditors: amounts falling due within one year	13	**(7,963)**	(7,403)
Net current assets		**2,340**	3,453
Total assets less current liabilities		**3,401**	4,449
Creditors: amounts falling due after one year	14	**(1,911)**	(1,864)
Net assets		**1,490**	2,585
Capital and reserves			
Called up share capital	16	**301**	301
Share premium account		**795**	795
Capital redemption reserve		**61**	61
Hedging reserve		**(35)**	44
Profit and loss account		**368**	1,384
Shareholders' funds		**1,490**	2,585

The financial statements were approved by the board of directors on 17 April 2020 and were signed on its behalf by:

Sir Peter G Osborne Bt
Director

Peter Soar FCA
Director

The company is a wholly owned subsidiary of Osborne & Little Group Limited and its results are included in the consolidated financial statements of Osborne & Little Group Limited which are publically available.

Company number: 00923748

STATEMENT OF CHANGES IN EQUITY
31 March 2019

	Share capital	Share premium	Capital redemp-tion reserve	Hedging reserve	Profit & loss account	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2017	301	795	61	(298)	1,475	2,334
(Loss) for financial year	-	-	-	-	(33)	(33)
Other comprehensive income:-						
Currency hedges	-	-	-	342	-	342
Income tax relating to components of other comprehensive income	-	-	-	-	(58)	(58)
At 31 March 2018	301	795	61	44	1,384	2,585
(Loss) for financial year	-	-	-	-	(1,030)	(1,030)
Other comprehensive income:-						
Currency hedges	-	-	-	(79)	-	(79)
Income tax relating to components of other comprehensive income	-	-	-	-	14	14
At 31 March 2019	**301**	**795**	**61**	**(35)**	**368**	**1,490**

NOTES TO THE FINANCIAL STATEMENTS
31 March 2019

1. PRINCIPAL ACCOUNTING POLICIES

(a) General information

Osborne & Little Limited is a limited company, registered in England and Wales. The principal place of business is Riverside House, 26 Osiers Road, London SW18 1NH.

(b) Basis of accounting

These financial statements are prepared in accordance with United Kingdom applicable accounting standards including Financial Reporting Standard 102.

The company is exempt under section 405 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included in the consolidated financial statements of its parent, Osborne and Little Group Limited, a company registered in England and Wales.

(c) Going Concern

The directors have prepared the financial statements on a going concern basis, which assumes the company will continue in operational existence for the foreseeable future.

The company operates under certain bank covenants, which includes maintaining net assets at £1.9 million excluding the subordinated loan of £300,000 from a director. At 31 March 2019, net assets, following the loss for the year, were £1.49 million, being in breach of the covenant threshold. Subsequent to the year end, the parent company has waived its inter company loan of £1.911 million. The company has since traded broadly neutrally and as at the date of approval of these financial statements, the net asset compliance covenant is being satisfied.

The stock facility, on which the balance at 31 March 2019 was £2.754 million, operates under a covenant requiring the consolidated net assets of Osborne & Little Group Limited to be maintained at £3.85 million. At 31 March 2019, the group net assets were £2.787 million and hence the company was in breach of this covenant. Subsequent to the year end a directors' loan of £300,000, outstanding at the year end, together with a further loan of £200,000, has been subordinated in favour of the bank.

The company has stock and debtor bank facilities, which operate on the basis of six months notice being required by either party, with a further facility, in respect of guarantees, all falling due for renewal in January 2020. These facilities were satisfactorily renewed through to 28th February 2021, with a small reduction in the debt facility, however the group net asset threshold covenant requirement was not reduced and the company therefore continues to be in breach of its banking covenants.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(c) Going Concern (continued)

As a result the company's facilities are repayable on demand.

Subsequent to the year end the Covid-19 virus has reached the UK with unprecedented government action requiring the closure of most UK retail outlets, representing our core client base. This has lead to the furloughing of all non-essential staff and curtailing all discretionary expenditure. Whilst the timing and ultimate impact cannot be assessed with any precision at the time of approval of these financial statements, various scenarios, reflecting the closure of customer shops for at least a three month period, together with a phased return to normal activity levels, have been run on the potential impact of COVID-19 with an expected decrease on revenue and cash flows resulting in the need for additional funding. These events or conditions indicate that a material uncertainty exists which may cast significant doubt on the company's ability to continue as a going concern and therefore its ability to realise it assets and discharge it liabilities in the normal course of business.

An application for a significant CBIL loan has been made to the company's bankers in the UK and for a Paycheck loan in the US. The UK bankers have approved the CBIL loan in April 2020. The directors are confident that this will cover the forecast cash shortfalls through to an expected return to normal activity levels by the autumn.

On the basis of the above, the directors believe that the company will meet its liabilities as they fall due for a period of at least 12 months from the date of approval of these financial statements and have therefore prepared the financial statements on a going concern basis. The financial statements do not contain any adjustments that would be necessary if the company were unable to continue as a going concern.

(d) Depreciation

Depreciation is calculated to write off the full cost of all assets on the straight line basis over their expected useful economic lives. The principal annual rates used for this purpose are:

Short leaseholds	Over the life of the lease
Plant, equipment and fittings	10%-25%
Motor vehicles	25%
Computer equipment	25%

Any impairment of fixed assets is dealt with in the Income Statement in the period in which it arises.

(e) Investments

Investments in subsidiary companies are stated at cost less any impairment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(f) Stocks

Stocks, comprising goods held for resale, are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis. Net realisable value is the price at which the stock can be realised in the normal course of business after making full allowance for the cost of realisation. Provision is made for obsolete, slow-moving and defective stocks.

(g) Trade debtors

Trade debtors are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoice price, less any allowances for doubtful debts.

(h) Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments which are readily convertible, being those with original maturities of three months or less.

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at the reporting date.

(j) Financial instruments

The company's financial instruments, other than derivatives, comprise trade and other debtor and creditor balances, together with inter-company balances which are stated at cost less provision for impairment and are receivable and payable within one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(k) Derivative financial instruments and hedging activities

The company uses derivative financial instruments to manage exposure to foreign currency risks. Derivative financial instruments are classified as other financial instruments in the Statement of Financial Position and where used as a hedging instrument, have been classified as cash flow hedges.

For cash flow hedges, the portion of the charge in fair value of the hedging instrument that was effective is recognised in other comprehensive income. Any excess of the cumulative change in fair value is recognised in profit or loss.

The hedging gain or loss recognised in other comprehensive income is reclassified to profit or loss when the hedged item is recognised in profit or loss or when the hedging relationship ends. This treatment is discontinued if the hedging instrument expires or is sold, terminated or exercised, once the Company has elected to discontinue and has documented that decision or the hedge no longer meets the criteria for hedge accounting.

(l) Foreign currencies

The company has a functional and presentation currency of Pounds Sterling (GBP).

Monetary assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. All foreign exchange differences are taken to the Income Statement in the year in which they arise.

(m) Turnover

Turnover, which excludes value added tax, is recognised as goods are despatched to customers.

(n) Deferred taxation

Deferred taxation is provided in full on all timing differences which result in an obligation to pay more tax, or a right to pay less tax in the future at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised only to the extent that it is more likely than not there will be sufficient taxable profits from which future reversals of the underlying timing differences can be deducted. No provision is made where the amounts involved are not material.

(o) Pension arrangements

Contributions paid to the company pension schemes (defined contribution), in respect of its employees, are charged to the Income Statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(p) Operating leases

Costs in respect of operating leases are charged to the Income Statement on a straight line basis over the term of the lease.

(q) Cash flow statement

The company is a wholly owned subsidiary of Osborne & Little Group Limited and its results included in the consolidated financial statements of Osborne & Little Group Limited which are publically available. Consequently the Company has taken advantage of the exemption within Financial Reporting Standard 102 from preparing a cash flow statement.

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

With regard to accounting estimates, notes 11 and 12 contain details of the company's inventory and debtors. The carrying value of finished goods and trade debtors have been reviewed using commercial judgement with regard to an appropriate level of provision against inventory obsolescence and irrecoverable debts. Details of the provisions are stated in notes 11 and 12.

In the judgement of the directors the company will make sufficient profits to utilise the deferred tax asset of £240,000 (2018 - £393,000) in the foreseeable future. In the event that trading conditions deteriorate this balance may need to be impaired.

The directors review of going concern is set out on page 16.

3. SEGMENT INFORMATION

The table below shows total sales on a worldwide basis, for each of the Company's geographical areas. The company has only one class of business.

	2019	2018
	£000	£000
United Kingdom	**5,894**	6,237
Europe	**6,728**	6,792
Rest of the world	**1,534**	1,939
	14,156	14,968
Sales to group company - North America	**4,337**	4,419
	18,493	19,387

A geographical segmental analysis of profit before tax and net assets has not been included because, in the opinion of the directors, such disclosure would be seriously prejudicial to the interests of the business.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. DIRECTORS' EMOLUMENTS

The following charges are made in the financial statements:

	2019 £000	2018 £000
Salary payments (including benefits in kind)	1,089	1,064
Company pension contributions to money purchase schemes	-	-
	1,089	1,064

Retirement benefits were not accruing to any director (2018 – nil).

Fees and other emoluments include amounts paid to the highest paid director:

	2019 £000	2018 £000
Salary payments, benefits in kind, annual incentives and pensions	566	560

5. EMPLOYEE INFORMATION

(a) The average number of persons employed by the company (including executive directors) during the year is analysed below:

	2019 No.	2018 No.
Production and warehousing	38	39
Selling and distribution	45	49
Administration	35	36
	118	124

(b) Company employment costs – all employees including executive directors:

	2019 £000	2018 £000
Wages and salaries	4,969	5,042
Social security costs	613	616
Other pension costs	176	181
	5,758	5,839

(c) Key management personnel comprise the directors of the company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. INTEREST PAYABLE

	2019 £000	2018 £000
Interest payable - bank facilities	121	93
Interest payable - group balances	49	50
	170	143

7. (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2019 £000	2018 £000
(Loss) on ordinary activities before taxation is stated after charging/(crediting):		
Cost of stocks recognised as an expense	9,024	9,209
Depreciation charge - owned assets	271	286
Loss/(profit) on disposal of tangible fixed assets	10	(8)
Auditors' remuneration - statutory audit	30	30
Operating lease rentals - land & buildings	874	816
Exchange loss/(gain)	259	(17)

Remuneration during the year of the Company's auditors for non-audit services to the Company, was £13,000 (2018 - £15,000) in respect of taxation compliance and advisory fees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. TAXATION ON (LOSS) ON ORDINARY ACTIVITIES

	2019 £000	2018 £000
Analysis of tax charge		
Current tax		
UK corporation tax	-	-
Total current tax charge	-	-
Deferred tax		
Origination and reversal of timing differences	167	12
Total deferred tax charge	167	12
Tax charge on loss on ordinary activities	167	12

The actual tax charge for the current and previous year end varies with the standard rate for the reasons set out in the following reconciliation:

	2019 £000	2018 £000
(Loss) on ordinary activities before tax	(863)	(21)
Tax on loss on ordinary activities at standard rate of 19% (2018 - 19%)	(164)	(4)
Factors affecting the tax charge for the year:		
Expenses not deductible for tax purposes	8	11
Depreciation (below) capital allowances	-	(1)
Loss/(profit) on disposal of fixed assets	2	(2)
Group relief surrendered	9	9
Other deductions arising in the period	-	(1)
Losses not recognised as a deferred tax asset	187	-
Impairment of deferred tax asset	125	-
Tax charge for the year	167	12

The tax recovery/(expense) recognised directly in other comprehensive income comprises:

	2019 £000	2018 £000
Deferred taxation in respect of forward currency hedging	14	(58)

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TANGIBLE FIXED ASSETS

	Short leasehold properties	Plant, equipment & fittings	Motor vehicles	Computer equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 April 2018	481	1,547	527	926	3,481
Additions	76	132	56	92	356
Disposals	(165)	(145)	(111)	(114)	(535)
At 31 March 2019	392	1,534	472	904	3,302
Accumulated depreciation					
At 1 April 2018	476	1,274	371	826	2,947
Charge for the year	5	133	85	48	271
Disposals	(165)	(145)	(93)	(112)	(515)
At 31 March 2019	316	1,262	363	762	2,703
Net book value 31 March 2019	**76**	**272**	**109**	**142**	**599**
Net book value 31 March 2018	5	273	156	100	534

10. INVESTMENTS

Subsidiary companies	£000
At 31 March 2019 and 2018 - cost and net book value	**462**

The principal subsidiary companies are shown below:

Tamesa Fabrics Limited:-

Country of incorporation and operation	England and Wales
Class of capital	Ordinary shares held 100% directly
	Preference shares held 100% directly
Business	Holding company

Osborne & Little Inc

Country of incorporation and operation	United States of America
Class of capital	Common stock held 100% indirectly
Business	Furnishing fabrics and wallpapers distribution

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. STOCKS

	2019 £000	2018 £000
Finished goods and goods for resale	**7,294**	7,121
Allowance for estimated irrecoverable amounts of stock	**(457)**	(273)
Net stock	**6,837**	6,848

12. DEBTORS

	Note	2019 £000	2018 £000
Gross trade debtors		**2,136**	2,469
Allowance for estimated irrecoverable trade debtors		**(68)**	(82)
Net trade debtors		**2,068**	2,387
Group companies		**434**	323
Deferred tax	15	**240**	393
Other debtors		**152**	88
Forward currency contracts		**-**	44
Prepayments and accrued income		**206**	351
		3,100	3,586

Other than the deferred tax balance, which is expected to be recovered after more than one year, all debtor balances fall due within one year.

Amounts due from group companies are unsecured and interest free.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. CREDITORS: amounts falling due within one year

	2019 £000	2018 £000
Invoice and inventory financing	**4,630**	3,772
Forward currency contracts	**35**	-
Other taxes and social security costs	**157**	166
Trade creditors	**1,800**	1,682
Group companies	**572**	929
Loan from shareholder	**300**	250
Accruals and deferred income	**469**	604
	7,963	7,403

The invoice financing facility agreement is limited to £2,900,000 with a discounting charge of 2.51% over base rate. The facility agreement can be ended by either party with not less than six months notice.

The stock financing facility agreement is limited to £2,900,000 with a discounting charge of 2.75% over base rate. The facility can be ended by either party with not less than six months notice.

There are also facilities for documentary credits of £250,000, forward exchange contracts of USD2 million and guarantees of £120,000.

The security for the financing facilities and other bank facilities consists of:

(a) a debenture comprising fixed and floating charges over all the assets and undertakings of Osborne & Little Limited;

(b) an unlimited cross-guarantee in relation to the group banking facilities with all UK companies in the group;

(c) guarantees given by Sir Peter Osborne, director and parent company shareholder, amounting to £540,000.

Amounts due to group companies are unsecured and interest free.

Peter Osborne has given the company an interest free loan of £300,000 during the year. Subsequent to the year end, this has increased to £640,000 of which £500,000 has been subordinated in favour of the bank.

14. CREDITORS: amounts falling due after one year

	2019 £000	2018 £000
Group companies	**1,911**	1,864
	1,911	1,864

The group balance relates to an inter company loan from Osborne and Little Group Limited, the parent company. The loan attracts interest accruing at 2% above HSBC plc base rate and is repayable within twelve months written notice to repay.

Subsequent to the year end, the loan has been waived.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. DEFERRED TAX

	2019 £000	2018 £000
At 1 April	**393**	463
(Charge) to the Income Statement	**(167)**	(12)
Credit/(charge) to other Comprehensive Income	**14**	(58)
At 31 March	**240**	393
Deferred taxation asset as follows:		
Fixed asset timing differences	**136**	178
Arising on hedging reserve	**7**	(7)
Tax losses	**97**	222
Deferred taxation included in current assets	**240**	393

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences where the directors believe it is probable that the assets are recoverable in the foreseeable future.

16. SHARE CAPITAL

Allotted, called up and fully paid	Ordinary shares of 5p	£
At 31 March 2019 and 2018	**6,027,427**	**301,371**

17. OPERATING LEASE COMMITMENTS

At 31 March 2019 the company had total commitments under non-cancellable operating leases as follows:-

	2019 Land and buildings £000	2019 Other £000	2018 Land and buildings £000	2018 Other £000
Within one year	**980**	**-**	758	-
Within two to five years	**4,278**	**-**	867	-
Over five years	**4,434**	**-**	100	-
	9,692	**-**	1,725	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. COMMITMENTS

At 31 March 2019 the company had synthetic forward currency contracts to sell US dollars of £1,110,371 (2018 - £3,856,840) at an average rate of GBP1:USD1.35 (2018 - GBP1:USD1.40).

20. RELATED PARTY TRANSACTION

The directors have taken advantage of the exemption provided by Section 33 of FRS 102 and have therefore not disclosed transactions with wholly owned entities which form part of the group headed by Osborne & Little Group Limited.

21. ULTIMATE CONTROLLING PARTY

The ultimate holding company is Osborne & Little Group Limited, which is the parent undertaking of the largest group to consolidate these financial statements. Copies of the Osborne & Little Group Limited consolidated financial statements can be obtained from the Company Secretary at Osborne & Little Group Limited, Riverside House, 26 Osiers Road, London, SW18 1NH.

The ultimate controlling party is Sir Peter Osborne.

22. POST BALANCE SHEET EVENT

Subsequent to the year end Covid-19 has had an unprecedented impact on the world and its trade, with the UK and many other countries presently under lockdown. The impact on our markets in the remainder of 2020 is extremely uncertain, however it will have a major impact on our trading performance for the current year.

We are working to follow all Government advice addressing public safety and the health and safety of staff and customers remains paramount. We are currently taking action to reduce costs and secure financing, primarily through the UK Government CBIL scheme.