Ann Summers Ltd

Annual Report

For the 52 week period ended

27 June 2020

Company registration number: 01034349

Ann Summers Ltd

Report and Financial Statements
for the 52 week period ended 27 June 2020

Contents

Company Information

Directors: Statutory	J Gold CBE V Gold
Directors: Non-Executive	M Gifford
Company number	01034349
Registered office	Gold Group House Godstone Road Whyteleafe Surrey CR3 0GG
Auditors	Haysmacintyre LLP Chartered Accountants & Statutory Auditor 10 Queen Street Place London EC4R 1AG
Bankers	Royal Bank of Scotland NWB Central Corp. Banking Corporate Banking Centre 5-10 Great Tower Street London EC3P 3HX

CEO's Message

Review of the Year Summary

Ann Summers reports an operating loss of £13.3 million for the 52 weeks ended 27th June 2020 which is an improvement of £0.8m on the operating loss for 2019 of £14.1 million.

During the first half of the year, we started to realise the benefits of our turnaround plan, however, the Covid-19 pandemic had a hugely disruptive influence on our business, with all of our UK stores forced to close in March 2020 under the national lockdown.

However, despite the inevitable impact to all retailers, we responded with decisive actions and as a result, if we exclude exceptional expenses arising from the impact of the pandemic, our performance shows a £3.6 million improvement on profitability year-on-year. This is despite a decline in turnover to £84.2 million (2019: £93.7 million).

In response to the national lockdown and enforced closure of our retail stores, we took immediate action to grow our online and direct selling businesses which our customers responded incredibly well to. Within online, we stepped up our promotional activities and focused our marketing activities on online influencers. During the first lockdown period, this increased our online sales by 79% on the prior year. Within direct selling, we removed the joining fee and recruited an additional 10,000 Ambassadors, increasing our direct selling sales by 263% over the first lockdown.

We also took immediate steps to reduce costs and preserve liquidity. We extended payment terms with our suppliers, we renegotiated rents with landlords, we undertook a recruitment and capital expenditure freeze and we furloughed 85% of our head office team and 100% of our retail team. We also took advantage of wider government support including deferring the payment of taxes, taking advantage of business rates relief and securing rates grants where available.

However, our focus was not just on the short-term. Having identified the issues that adversely impacted 2018/19, during 2019-20 implemented several significant changes to support the turnaround of the business. Specifically, we:

- Kicked off the delivery of a clearly defined 3-year growth strategy;
- Refined our operational processes and further optimised our core ERP system with a successful re-platform implementation;
- Continuously improved product quality & fit and price positioning, whilst extending our product range into relevant categories, including the launch of our first wellness brand; MyViV;.
- Launched several new digital marketing & social initiatives to reach new audiences, increase brand desirability, and positively change perceptions of our iconic brand;
- Evolved our online experience with improved functionality, the launch of an always on OUTLET, and a new and improved CRM provider;
- Focussed on the recruitment and retention of our direct selling ambassadors and drove performance through increased digitisation & systemic improvements;
- Further extended our reach through additional third-party partnerships including Boots, PrettyLittleThing, FeelUnique and Freemans; amd
- Responded with pace & agility to the challenges of Covid-19, whilst delivering significant cost savings, efficiencies, and procurement benefits across the business.

Events since the end of the period

In December 2020, we successfully implemented a CVA. The CVA followed extensive discussions with our landlords to ensure that our property costs reflect today's much-changed market conditions. Prior to the CVA we had already agreed revised terms with over two-thirds of our landlords and the CVA enabled us to move the remainder of stores onto turnover based rents.

With our store costs now largely rebased to reflect today's retail environment, we can not only grow our successful online and direct selling channels, but our iconic stores will continue to thrive and we are actively looking at key new sites for the future.

Although not impacted by the CVA, we have also worked closely with our partners to improve our terms, and we are extremely thankful to all those suppliers and landlords who gave us their support throughout the Covid-19 pandemic

In summary, this unprecedented period has presented us with new opportunities, which has meant some exciting changes to our strategy which will ensure we come out of the pandemic a stronger, more agile business.

As a result, I am confident that Ann Summers is back on track and we expect to see a significant return to profitability in the year ending June 2021, with further progress expected in year ending June 2022.

Further information on post balance sheet events is disclosed on page 13.

Finally, I would like to thank our passionate teams across the business who remained loyal, hard-working and went above and beyond throughout the entire year. I am incredibly proud of every one of you - you are truly the best!

Jacqueline Gold CBE
Chief Executive Officer
26 January 2022

Business Model

Ann Summers Ltd's principal activity is the retail and wholesale of lingerie, apparel, adult toys and related accessories.

At the end of the year Ann Summers Ltd had a UK High Street presence through its 94 stores (2019: 98) with a further 3 stores (2019: 4) in Eire through a subsidiary company, Ann Summers Ireland (Retail) Ltd. The company continues to distribute to its network of Party Ambassadors, operates a UK based web channel that serves both UK and International customers, and has a growing wholesale and licensing channel.

Future Plans

The business will continue with its plans to profitably grow the business through:

(a) delivering market-leading product;

(b) delivering outstanding customer experience and optimising performance in each sales channel;

(c) brand investment; and

(d) optimising systems and processes to realise efficiencies.

Key Performance Indicators

The company constantly monitors a number of key performance indicators to ensure optimal business performance and to track the progression of its strategic goals. KPI's include:

Customer measures: footfall into stores, internet traffic, sales per visitor

Product measures: gross profit margins, stock holding, stock turnover

People measures: retention, net promoter scores

Financial measures: profitability, cash flow

Business and Financial Review

As explained in the Chief Executive's report, turnover decreased from £94.7 million to £84.2 million during the period ended 27 June 2020.

Within retail, our stores faced a challenging year. Prior to the closure of stores in March 2020 under the first national lockdown we had seen a decline in footfall, down 4.7% on a like for like basis. However sales per visitor had improved, up 2.4% on a like for like basis demonstrating that once the customer came into store, they bought into to the improved product offer. In addition, we had seen an improving trend in like for like sales over the early months of the year, a further sign that the business was starting to see the benefits of the turnaround plan. Sadly, in March 2020, we had to close all of our stores resulting in retail sales finishing the year 30% down on 2018/19.

Within internet, sales increased by 30%. Prior to the closure of stores in March 2020, internet sales were up 16% on 2018/19, driven by an increase in traffic to our website which was up 27%. In addition, average transaction value increased by 3% The closure of stores under a national lockdown and the actions taken to increase promotional activities and focus marketing on online influencers accelerated the growth in traffic, which was up 69% from March to June 2020. We also saw a further increase in average transaction value, increasing by 16% on the pre-lockdown period. Both of these factors resulted in an increase in internet sales over the period from April to June 2020 of 80%.

Within direct selling, we saw the most significant impact of the Covid-19 pandemic. Following the closure of stores, we removed the joining fee for new ambassadors and with a considerable proportion of the UK workforce on furlough, we recruited over 10,000 new ambassadors, finishing the year with an increase in the number of ambassadors of over 300%. We also saw a 6% increase in the average selling price such that direct selling sales increased by 246% of the period from April to June 2020 and 35% for the full year, compared to 2018/19.

Gross profit

Gross profit for the year was £48.8 million compared to £58.3 million in the prior year. The decrease is partly due to the decrease in sales explained above, but also a decrease in the gross margin rate from 62.2% in 2019 to 57.9% in 2020. The decrease in rate is explained by a combination of stock clearance activity at the start of the year as well as the impact of the change in sales mix during the COVID-19 lockdown. The retail channel has a higher gross margin than our direct selling business and therefore the closure of our stores and the success of our direct selling business over this period, adversely impacted the gross margin rate.

Operating expenses and income

Operating expenses of £67.4 million (2019: £74.2 million) were £6.8 million lower than the prior year. This includes some exceptional expenses which are explained below. Excluding the exceptional expenses, operating expenses were £64.5 million (2019: £74.2 million) which was £9.7 million lower than the prior year. The savings have been generated by a combination of business rates relief from April 2020 to June 2020, renegotiations of store rents and savings in head office expenses from targeted cost saving actions across all functions including a restructure of our central team.

Business and Financial Review (continued)

Operating expenses and income (continued)

Other operating income of £5.2 million (2019: £1.8 million) increased by £3.4 million on the prior year. This was largely due to the benefit of government support provided during the COVID-19 pandemic including £2.5 million of furlough income as the company was forced to furlough 85% of its head office team and 100% of its store team, as well as £0.4 million of support grants. In addition, the growth in the sales within the internet and direct selling channels resulted in an increase of £0.5 million in delivery income.

Exceptional expenses

Exceptional expenses in the 52 week period ended 27 June 2020 include:

- Impairment of tangible fixed assets in relation to store assets where the expected recoverable amount from value is use is less than the net book value at 27 June 2020. This is largely due to the impact of COVID-19 on the retail sector.

- Increase in the onerous lease provision for stores that are not expected to generate a positive value in use based on the forecasts and projections available at 27 June 2020. This is largely due to the impact of COVID-19 on the retail sector.

- A holiday pay accrual relating to the government requirement to allow employees to carry over holiday into the next two years during the COVID-19 pandemic. As at 29 June 2019, the holiday pay accrual was £nil as the company policy is that holiday cannot be carried over to the following year.

There were no exceptional expenses in the 52 week period ended 29 June 2019.

Interest

Net interest receivable for the period was £0.9 million compared to net interest payable of £0.4 million in the year ended 28 June 2019. The movement was primarily due to the conversion of a £26.1 million intercompany balance into a loan carrying a 5% interest charge in August 2019.

Taxation

The company's tax charge for the period was £0.2 million (2019: credit of £0.4 million). Given that the company was loss making, the tax charge is driven by a decrease in the deferred tax asset from £1.3 million at 28 June 2019 to £1.1 million at 27 June 2020.

Loss for the period

The loss for the period, after taxation, amounted to £12.6 million (2019: a loss of £14.0 million).

Excluding the exceptional expenses outlined above, the loss for the period after taxation improved by £4.3 million to £9.7 million (2019: £14.0 million).

Business and Financial Review (continued)

Working capital

As explained previously, following the onset of the COVID-19 pandemic, the company took immediate action to protect its liquidity. This included deferring stock intake and supplier payments, renegotiating payment terms, deferring payment of taxes under time to pay arrangements and deferring rent and service charge payments whilst stores were closed under the national lockdown. All of the above activity resulted in an improvement in the company's working capital position at 27 June 2020. However, much of this will unwind in the year ending June 2021 and June 2022 as the company repays the amounts deferred during the pandemic.

At 27 June 2020, the company's stock holding was £10.5 million, a reduction of £3.3 million from the position at 29 June 2019 of £13.8 million. A significant reduction in our stock holding was a key element of our turnaround plan and was achieved through a combination of tighter buying as well as actions to sell through old season stock during periods of sale. Given the impact and uncertainty around the COVID-19 pandemic, actions were also taken in the final quarter of the year to defer stock intake which would also have impacted the stock holding at year end.

Debtors decreased by £3.7 million to £33.9 million (2019: £37.5 million) at 27 June 2020. The decrease was driven by prepayments which decreased from £8.0 million at 29 June 2019 to £1.7 million at 27 June 2020. This decrease was a direct result of the COVID-19 pandemic and the impact on rent and rates. In response to the pandemic and enforced store closures during lockdown, the company entered into negotiations with its landlords such that there was a significant reduction in the rent prepayment arising from the "normal" June rent payment quarter date. In addition, the as part of their support package, the Government announced full business rates relief for all retailers from April 2020. The decrease in prepayments was partially offset by an increase in the amounts owed by group undertakings of £29.8 million (2019: £26.8 million).

Total creditors increased by £2.6 million to £32.9 million (2019: £30.3 million) at 27 June 2020. The increase of £1.1 million in creditors due within one year was driven by a number of factors. Within trade creditors, we saw a decrease of £8.8 million arising from a reduction and deferral of stock intake as well as cost saving activities. This was partially offset by an increase of £2.9 million in social security and other taxes as the company entered into Time to Pay arrangements with HMRC to defer tax payments whilst stores were closed due to the national lockdown. In addition, there was an increase of £4.0 million in accruals and deferred income, driven largely by rent payments as the company entered into negotiations with its landlords. Other creditors also increased by £2.9 million driven by timing differences on payments such as payroll around the year end date.

The increase of £1.4 million in creditors due after more than one year was driven by a loan from the shareholders of the ultimate parent company at 27 June 2020, GGI Holdings Limited of £2.8 million to support the company during its turnaround and the COVID-19 pandemic. This was partially offset by the repayment of amounts due under asset financing arrangements.

Principal Risks and Uncertainties

Risk Management and Internal Controls

The Board has ultimate responsibility for risk management and internal control. For principal risks, sub-committees exist, namely Welfare (Health & Safety), Business Continuity, Steering (change governance).

The Board sets policies to manage risk and maintain internal control. These policies are implemented by the relevant internal department, and compliance is monitored by the Business Risk department.

Payment Card Industry compliance

The company takes card holder data protection seriously and actively manages this risk with the support of relevant partners and our acquirers. The company has retained its compliant status in the Retail and Web channels.

Liquidity and cash flow

The directors review the liquidity and cash flow risk of the company on a very regular basis. The directors consider the company have access to sufficient funds for operations. As set out in note 25 to the accounts, the business has been given access to additional sources of liquidity since the end of the financial year.

Going Concern

The financial statements have been prepared on a going concern basis having given due consideration to current trading, the COVID-19 pandemic and forward-looking projections.

The directors have prepared a detailed cash flow forecast for a period of at least twelve months from the date of approval of these financial statements for the company and entitles which were previously part of the GGI Holdings Limited group until the post year end group reconstruction (see Note 25) and which remain under common control. When preparing the cash flow forecast the directors have confirmed that those entities under common control will continue to provide support to the company, if required. The directors have also considered a severe but plausible forecast that focuses on the potential impact of the COVID-19 pandemic on the company's trading performance. The principal assumptions in the severe but plausible forecast include:

- all stores closed in January and February 2022;
- an uplift in sales from the online and direct selling channels in line with previous experience; and
- re-introduction of Government support for periods of store closures.

As explained in note 25, the directors have already taken a number of actions to improve the future liquidity position of the wider group of entities under common control and therefore the company, including arranging additional loan facilities if required, successfully implementing a CVA and utilising government support to defer payment of certain taxes. In preparing the forecasts and scenarios referred to above, the directors have also considered other mitigating actions that could be taken to offset the impact on cash.

Principal Risks and Uncertainties (continued)

Going Concern (continued)

The directors acknowledge that there is uncertainty as to the future impact on the company and the wider group of entities under common control from the COVID-19 pandemic. Uncertainty remains over what future strategies the government may put in place and over the broader implications of the COVID-19 pandemic, which the company accepts makes outcomes more difficult to model. The directors believe that the most likely impacts could be on the sales revenue and profitability of retail stores, the carrying value of tangible fixed assets and stock, the provision required for onerous leases and the recoverability of amounts owed by group undertakings. The directors acknowledge that there may be an impact from the contingent liabilities relating to other companies under common control (see note 23).

On 23 December 2020, the company successfully implemented a Creditors Voluntary Arrangement ("CVA") which resulted in the compromise of certain liabilities including rent and dilapidations payments, as well as the rescheduling of certain payments in respect of these liabilities. The CVA will generate significant savings in rent charges during the CVA period to February 2023 as well as other cashflow benefits from the timing of payments in respect of these costs.

Following the successful implementation of the CVA, the shareholders have agreed to make a further £4.0 million loan available to the company. This loan would attract interest of 5% and would be repayable in February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

In addition to the above, Gold Group International Limited, a company under common control, has agreed to make a loan facility of £6.0 million available to the company if required. The loan can be drawn at any time prior to 23 February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

After review of the forecasts for the coming twelve months from the date of signing the financial statements, including the severe but plausible downside scenario, the CVA, availability of finance facilities as disclosed above, the directors believe that the Group of entitles under common control, and thereby the company, will have sufficient funds in order to meet liabilities as they fall due. In addition, the shareholders of the parent company have confirmed that they will provide support if necessary. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

Foreign Exchange Risk

The company's operations expose it to exchange rate risk. This risk is managed by entering into forward contracts for up to 12 months in advance, as deemed appropriate by prevailing economic conditions at that time.

The Impact of Uncertainties due to the United Kingdom exiting the European Union

The directors have assessed the impact of Brexit on the future performance of the company. They consider that the impact will be minimal.

Principal Risks and Uncertainties (continued)

The impact of Uncertainties due to the outbreak of COVID-19

Since the year end, the outbreak of the COVID-19 virus has continued to give rise to material economic and financial uncertainties. In complying with COVID-19 restrictions, the company was required to once again close all its stores across the U.K. in October and November 2020 respectively in light of the second national lockdown implemented by the Government and again from January to April 2021 under third national lockdown. In addition to the national lockdowns, the company has also been impacted by a number of local lockdowns.

During the period when the company's stores were trading between lockdowns, there were significant operating restrictions in place. These include increased health and safety measures, social distancing measures limiting the number of customers who can be in stores at any given time, localised lock-downs, as well as fitting room limitations making it more difficult for customers to try and buy products. Since the end of the most recent lockdown, stores have been able to trade more freely however, footfall remains below pre-pandemic levels. Despite this, the stores overall have traded better than originally expected by management.

To mitigate the overall COVID-19 Impact, the company took certain immediate and proactive management actions to support sales and reduce costs. This included measures to maximise online sales and to facilitate the continued growth of the party plan business. The company's efforts and investment in developing its online business and infrastructure has enabled it to benefit from increased online sales during lockdown periods.

The Directors also halted all discretionary spend, utilised Government support where possible (including furloughing employees, business rates relief and small store grants), implemented pay-cuts for non-furloughed staff and deferred certain taxes.

Despite these measures, the company believes COVID-19 could have a continuing impact on the business, the overall impact of which remains uncertain. In the longer-term, the pandemic is likely to affect consumer confidence and result in a negative wider economic impact.

The directors have assessed the potential impact on the future performance of the company and believe the most likely impacts to be on the sales revenue and profitability of retail stores, the carrying value of tangible fixed assets and stock, the provision required for onerous leases and the recoverability of amounts owed by group undertakings.

The directors will continue to monitor developments and to address any impact on the company's operations.

Section 172 Statement

In line with Section 172 of the Companies Act 2006, the directors of the company act in accordance with a set of general duties that they consider to promote the success of the company. The directors consider all key stakeholders, including employees, shareholders, customers and suppliers, in the actions and decisions that they make for the short and long term directors for the business.

Approval

This strategic report was approved by order of the Board on 26 January 2022.

Jacqueline Gold

J Gold CBE
Director

Directors

The statutory directors of the company throughout the period were:
J Gold CBE
V Gold
In addition, M Gifford acts a non-executive director.

Dividends

The company has not paid dividends to shareholders during the current or prior period.

Employees

The company is committed to a policy of recruitment and promotion on the basis of aptitude and ability without discrimination of any kind. As such the company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by the applicant. Where existing employees become disabled, it is the company's policy to provide continuing employment under normal terms and conditions wherever practicable, and to provide training and career development and promotion wherever appropriate.

Involvement of company employees in relevant company matters is under constant consideration. The company's policy is to consult and discuss with employees at meetings and at forums matters likely to affect employees' interests. Information on matters of concern to employees is given through information bulletins, the company intranet site and by regular briefings. These seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

Greenhouse gas emissions, energy consumption and energy efficiency action

The total energy consumption for the company for the financial year for scope 1 and 2 emissions was 4.8 million kWh (2019: 6.4 million kWh) which produced total emissions of 1,088 Tonnes of CO_2e (2019: 1,551 Tonnes) under the location based method and 1,019 Tonnes of CO_2e (2019: 1,335 Tonnes) under the market based method. The emissions have been calculated using the UK Government GHG Conversion Factors for Company Reporting for the year 2020.

The company believes that the most appropriate intensity measure for its business is turnover as this captures the overall activity of the business and normalises emissions for annual comparison. The emissions for the financial year equate to 10.9 kwH per £m of turnover compared to 13.5 kWh per £m of turnover for the year ended 29 June 2019 under the location based method and 10.2 kWh per £m of turnover (2019: 11.6 kWh per £m turnover) under the market based method.

The reduction in all metrics of around 25% is partially due to the impact of the COVID-19 pandemic on the company's activities, particularly during the national lockdown when stores were closed and head office employees were advised to work from home. Given this, the company has provided information for the year ended 29 June 2019 as it believes this represents the best comparison going forwards.

Greenhouse gas emissions, energy consumption and energy efficiency action (continued)

The company is committed to minimising its impact on the environment. We have already begun to improve environmental practices in our business and throughout our supply chain. Our products are becoming more sustainable and we are reducing waste, energy and water consumption and lowering our carbon emissions with the ultimate aim to deliver net zero carbon emissions by 2040.

During the year we have installed LED lighting across parts of our distribution centre and head office and reduced business travel. Our plans for the coming year include further rollout of LED lighting and motion sensor light switches, further reduction in business travel through the utilisation of technology to connect, replacement of old and inefficient heating and cooling systems and implementation of a long term plan to source energy from more renewable sources.

Provision 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 that director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

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

Post balance sheet events

Financing

During the year ended 27 June 2020, the shareholders of the ultimate parent company, GGI Holdings Limited, loaned the company £4.7 million and repayments of £2.0 million have been made, such that the balance outstanding at 27 June 2020 was £2.8 million including accrued interest. Since the year end the loan has been repaid (see note 18).

In addition, following the successful implementation of the CVA (see below), the shareholders of the parent company have agreed to make a further £4.0 million loan available to the company. This loan would attract interest of 5% and would be repayable in February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

In addition to the above, Gold Group International Limited, a company under common control, has agreed to make a loan facility of £6.0 million available to the company if required. The loan can be drawn at any time prior to 23 February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

Post balance sheet events (continued)

Financing (continued)

Since the year end, monthly repayments have been made against the other outstanding loans, totalling £0.6 million, in accordance with the agreed repayment schedule (see notes 17 and 18).

During the year ended 27 June 2020, £26.1 million of the amount owed by group undertakings was converted into a loan. The earliest repayment date was 31 December 2024 with the borrower, Gold Group International Limited, having the option to extend this until 31 December 2030 at its sole discretion. Interest accrued on the loan at 5% per annum and was payable on the repayment date. Since the year end, this loan has been settled in full for cash consideration of £5.5 million (see note 15).

COVID-19

Since the year end, the outbreak of the COVID-19 virus has continued to give rise to material economic and financial uncertainties. In complying with COVID-19 restrictions, the company was required to once again close all its stores across the U.K. in October and November 2020 respectively in light of the second national lockdown implemented by the Government and again from January to April 2021 under third national lockdown. In addition to the national lockdowns, the company has also been impacted by a number of local lockdowns.

During the period when the company's stores were trading between lockdowns, there were significant operating restrictions in place. These include increased health and safety measures, social distancing measures limiting the number of customers who can be in stores at any given time, localised lock-downs, as well as fitting room limitations making it more difficult for customers to try and buy products. Since the end of the most recent lockdown, stores have been able to trade more freely however, footfall remains below pre-pandemic levels. Despite this, the stores overall have traded better than originally expected by management.

To mitigate the overall COVID-19 Impact, the company took certain immediate and proactive management actions to support sales and reduce costs. This included measures to maximise online sales and to facilitate the continued growth of the party plan business. The company's efforts and investment in developing its online business and infrastructure has enabled it to benefit from increased online sales during lockdown periods. The Directors also halted all discretionary spend, utilised Government support where possible (including furloughing employees, business rates relief and small store grants), implemented pay-cuts for non-furloughed staff and deferred certain taxes.

Despite these measures, the company believes COVID-19 could have a continuing impact on the business, the overall impact of which remains uncertain. In the longer-term, the pandemic is likely to affect consumer confidence and result in a negative wider economic impact.

The directors have assessed the potential impact on the future performance of the company and believe the most likely impacts to be on the sales revenue and profitability of retail stores, the carrying value of tangible fixed assets and stock, the provision required for onerous leases and the recoverability of amounts owed by group undertakings.

The directors will continue to monitor developments and to address any impact on the company's operations.

Post balance sheet events (continued)

CVA

On 23 December 2020, the company successfully implemented a Creditors Voluntary Arrangement ("CVA") which resulted in the compromise of certain liabilities including rent and dilapidations payments, as well as the rescheduling of certain payments in respect of these liabilities. The CVA will generate significant savings in rent charges during the CVA period to February 2023 as well as other cashflow benefits from the timing of payments in respect of these costs.

Group reorganisation

Since the year end, a newly incorporated company, GGIH Holdings Limited, has been inserted above the previous ultimate parent undertaking, GGI Holdings Limited, and has completed a demerger of some of its subsidiaries. As at the date of approval of the financial statements, the company's immediate and ultimate parent undertaking is Ann Summers (UK) Holdings Limited, a newly incorporated company registered in England and Wales.

In addition, as part of the group reorganisation, the company has distributed its investment in Ann Summers Ireland (Retail) Limited by way of a dividend in specie to GGIH Holdings Limited (see note 13).

All of the above post balance sheet events are considered to be non-adjusting post balance sheet events for the company.

Approval

This Directors' Report was approved on 26 January 2022 and signed on its behalf.

Jacqueline Gold

J Gold CBE,
Director

Directors' responsibilities statement

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Opinion
We have audited the financial statements of Ann Summers Limited (the 'Company') for the period ended 27 June 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and 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 27 June 2020 and of its loss for the period 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.

Emphasis of Matter
In forming our opinion on the financial statements, which is not modified, we draw attention to note 1.3 in the financial statements. This note discloses key considerations made by the Directors in their assessment of the company's continued status as a going concern, including the impact of the ongoing COVID-19 pandemic and the resources available to the company over the next 12 months from the Group of companies under common control. The Directors' assessment takes into account the resources available to all companies under common control and those available from the shareholders in order to conclude that the company will have sufficient funds to meet liabilities as they fall due.

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.

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 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 by the Company, 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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 16, 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 Council's 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.

Anastasia Frangos (Senior Statutory Auditor)
for and on behalf of Haysmacintyre LLP
Chartered Accountants and Statutory Auditor
10 Queen Street Place
London
EC4R 1AG

Date: 26 January 2022

Statement of Comprehensive Income
for the 52 week period ended 27 June 2020

	Note	2020	2019
		£	£
Turnover	3	84,231,789	93,719,559
Cost of sales		(35,457,116)	(35,387,824)
Gross profit		48,774,673	58,331,735
Selling and distribution expenses before exceptional expenses		(35,943,737)	(38,797,540)
Exceptional expenses	4	(2,892,741)	-
Selling and distribution expenses		(38,836,478)	(38,797,540)
Administrative expenses		(28,528,835)	(35,422,264)
Other operating income	5	5,266,778	1,816,510
Operating loss before exceptional expenses		(10,431,121)	(14,071,559)
Exceptional expenses	4	(2,892,741)	-
Operating loss	6	(13,323,862)	(14,071,559)
Interest receivable and similar income	8	1,281,438	177,113
Interest payable and similar charges	9	(387,842)	(568,674)
Loss on ordinary activities before taxation and exceptional expenses		(9,537,525)	(14,463,120)
Exceptional expenses	4	(2,892,741)	-
Loss on ordinary activities before taxation		(12,430,266)	(14,463,120)
Tax (charge)/credit on loss on ordinary activities	10	(210,159)	483,742
Loss for the financial period		(12,640,425)	(13,979,378)
Other comprehensive income		-	-
Total comprehensive income		(12,640,425)	(13,979,378)

All amounts relate to continuing operations.

There were no recognised changes in equity for 2020 or 2019 other than those included in the Statement of Comprehensive Income.

The notes on pages 23 to 43 form part of these financial statements.

Ann Summers Ltd

Balance Sheet as at 27 June 2020
Company Number 01034349

		2020		2019	
	Note	**£**	**£**	**£**	**£**
Fixed assets					
Intangible assets	11		9,251,800		9,021,936
Tangible assets	12		3,772,718		6,007,746
Investments	13		2,639		2,639
			13,027,157		15,032,321
Current assets					
Stocks	14	10,500,597		13,782,706	
Debtors	15	33,942,152		37,555,990	
Cash at bank and in hand		1,547,972		1,237,444	
		45,990,721		52,576,140	
Creditors: amounts falling due within one year	17	(25,523,596)		(24,365,061)	
Net current assets			20,467,125		28,211,079
Total assets less current liabilities			33,494,282		43,243,400
Creditors: amounts falling due after more than one year	18		(7,370,058)		(5,982,266)
Provisions for liabilities and charges					
Other provisions	19		(4,650,811)		(3,147,301)
Net assets			21,473,413		34,113,833
Capital and reserves					
Called up share capital	20		500,000		500,000
Profit and loss account			20,973,413		33,613,833
Equity shareholders' funds			21,473,413		34,113,833

The financial statements were approved and authorised for issue by the Board of Directors on 26 January 2022.

Jacqueline Gold

J Gold CBE
Director

The notes on pages 23 to 43 form part of these financial statements.

Statement of Changes in Equity

For the 52 week period ended 29 June 2019

	Called up share capital £	Profit and loss account £	Total £
Balance at 30 June 2018	500,000	47,593,216	48,093,216
Loss for the period	-	(13,979,378)	(13,979,378)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(13,979,378)	(13,979,378)
At 29 June 2019	500,000	33,613,838	34,113,838

For the 52 week period ended 27 June 2020

	Called up share capital £	Profit and loss account £	Total £
Balance at 29 June 2019	500,000	33,613,838	34,113,838
Loss for the period	-	(12,640,425)	(12,640,425)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(12,640,425)	(12,640,425)
At 27 June 2020	500,000	20,973,413	21,473,413

Reserves

Profit and loss account

This reserve represents cumulative profits and losses of the company.

The notes on pages 23 to 43 form part of these financial statements.

1 Accounting policies

1.1 General Information

Ann Summers Limited is a private limited company incorporated in the United Kingdom. The address of its registered office and principal place of business is Gold Group House, Godstone Road, Whyteleafe, Surrey, CR3 0GG.

The principal activity of the company is the retail and wholesale of lingerie, apparel, adult toys and related accessories. The financial statements have been presented in Pound Sterling as this is the currency of the primary economic environment in which the company operates and rounded to the nearest pound.

1.2 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 'the Financial Reporting Standard applicable in the United Kingdom 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 company management to exercise judgement in applying the company's accounting policies (see note 2). The following principal accounting policies have been applied:

1.3 Going concern

The financial statements have been prepared on a going concern basis having given due consideration to current trading, the COVID-19 pandemic and forward-looking projections.

The directors have prepared a detailed cash flow forecast for a period of at least twelve months from the date of approval of these financial statements for the company and entitles which were previously part of the GGI Holdings Limited group until the post year end group reconstruction (see Note 25) and which remain under common control. When preparing the cash flow forecast the directors have confirmed that those entities under common control will continue to provide support to the company if required. The directors have also considered a severe but plausible forecast that focuses on the potential impact of the COVID-19 pandemic on the company's trading performance. The principal assumptions in the severe but plausible forecast include:

- all stores closed in January and February 2022;
- an uplift in sales from the online and direct selling channels in line with previous experience; and
- re-introduction of Government support for periods of store closures.

As explained in note 25, the directors have already taken a number of actions to improve the future liquidity position of the wider group of entities under common control and therefore the company, including arranging additional loan facilities if required, successfully implementing a CVA and utilising government support to defer payment of certain taxes. In preparing the forecasts and scenarios referred to above, the directors have also considered other mitigating actions that could be taken to offset the impact on cash.

1 Accounting policies (continued)

1.3 Going concern

The directors acknowledge that there is uncertainty as to the future impact on the company and the wider group of entities under common control from the COVID-19 pandemic. Uncertainty remains over what future strategies the government may put in place and over the broader implications of the COVID-19 pandemic, which the company accepts makes outcomes more difficult to model. The directors believe that the most likely impacts could be on the sales revenue and profitability of retail stores, the carrying value of tangible fixed assets and stock, the provision required for onerous leases and the recoverability of amounts owed by group undertakings. The directors acknowledge that there may be an impact from the contingent liabilities relating to other companies under common control (see note 23).

On 23 December 2020, the company successfully implemented a Creditors Voluntary Arrangement ("CVA") which resulted in the compromise of certain liabilities including rent and dilapidations payments, as well as the rescheduling of certain payments in respect of these liabilities. The CVA will generate significant savings in rent charges during the CVA period to February 2023 as well as other cashflow benefits from the timing of payments in respect of these costs.

Following the successful implementation of the CVA, the shareholders have agreed to make a further £4.0 million loan available to the company. This loan would attract interest of 5% and would be repayable in February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

In addition to the above, Gold Group International Limited, a company under commo control, has agreed to make a loan facility of £6.0 million available to the company if required. The loan can be drawn at any time prior to 23 February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

After review of the forecasts for the coming twelve months from the date of signing the financial statements, including the severe but plausible downside scenario, the CVA, availability of finance facilities as disclosed above, the directors believe that the Group of entitles under common control, and thereby the company, will have sufficient funds in order to meet liabilities as they fall due. In addition, the shareholders of the parent company have confirmed that they will provide support if necessary. Accordingly, the directors believe it is appropriate to prepare the financial statements on a going concern basis.

The financial statements do not include any adjustments that would result from the going concern basis of preparation being inappropriate.

1.4 Turnover

Turnover is recognised by the company when goods have been sold and despatched and is stated exclusive of VAT and trade discounts. The buyer's right to return is recognised by reducing turnover by an amount that is based on returns rate trends for the relevant sales channel.

1 Accounting policies (continued)

1.5 Tangible fixed assets

Tangible fixed assets 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.

Repairs and maintenance are charged to Statement of Comprehensive Income during the period in which they are incurred.

1.6 Intangible fixed assets

Intangible fixed assets that are acquired by the company are stated at historical cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on development activities is capitalised if the product is technically and commercially feasible and the company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the company can measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised includes direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.7 Depreciation and amortisation

Depreciation on other assets is charged so as to allocate the cost of assets over their estimated useful lives, using the straight-line method, to their residual value. The estimated useful lives range as follows:

Website development costs	-	4 years
Computer software costs	-	4 to 8 years
Short leasehold land and buildings	-	4 years
Motor vehicles	-	4 years
Fixtures, fittings and equipment	-	4 to 9 years

The assets' useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, 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 within 'other operating income' in the Statement of Comprehensive Income.

Depreciation and amortisation are both disclosed within administrative expenses in Statement of Comprehensive Income.

1 **Accounting policies (continued)**

1.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.9 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.10 Stocks

Stock is held at the lower of cost and net realisable value. The cost is based on the weighted average cost comprising the purchase price, transport and handling costs, and the net realisable value is the estimated selling price less costs incurred to sell.

At each reporting date, stocks are assessed on this basis, and the carrying value is reduced as appropriate. The difference is recognised in the Statement of Comprehensive Income.

1.11 Debtors

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

1.12 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.

1.13 Creditors

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

1 **Accounting policies (continued)**

1.14 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into the company's functional currency (sterling) at the rate of exchange prevailing at the balance sheet date.

Foreign currency transactions are translated into the company's functional currency (sterling) using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

1.15 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.16 Leased assets

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Incentives received to enter into operating lease agreements are released to the Statement of Comprehensive Income over the term of the lease.

1.17 Pension costs

Contributions to the company's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the period in which they become payable.

1.18 Holiday pay accrual

In the unusual event that there is any unused holiday pay entitlement accrued at the balance sheet date, a liability is recognised measured and accrued at the undiscounted salary cost of the future holiday entitlement at the balance sheet date.

1 Accounting policies (continued)

1.19 Government grants

The Coronavirus Job Retention Scheme (CJRS) results in cash payments from the Government to compensate employers for part of the wages, associated National Insurance Contributions (NICs) and employer pension contributions of employees who have been placed on furlough (i.e. placed on a temporary leave of absence from working for the employer. This is accounted for in accordance with Section 24 of FRS102 under the accruals model in the same period as the related expenditure.

Wider Government financial support for businesses affected by Covid also includes Local Restrictions Support Grants and Closed Business Lockdown grants. All grants received are accounted for in accordance with Section 24 of FRS102 under the accruals model.

All grants of a revenue nature are recognised in the Statement of Comprehensive Income within other operating income.

1.20 Group overhead expenditure

Overhead expenditure incurred by the company on behalf of other group companies is recharged to each of these companies in the period in which it is incurred.

1.21 Disclosure exemptions

In preparing these financial statements, the company has taken advantage of the disclosure exemptions, as permitted by FRS 102 paragraph 1.12.

The company has taken advantage of the following exemptions in preparing the company financial statements:

(i) from preparing a Cash Flow Statement in accordance with Section 7 'Cash Flow Statements';
(ii) Key management personnel compensation; and
(iii) Related party transactions for wholly owned subsidiaries of GGI Holdings Limited at 27 June 2020.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk if causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2.1 Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives which are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

2.2 Intangible fixed assets

Intangible fixed assets are depreciated over their useful lives which are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, and enhancement programmes are taken into account.

2.3 Impairment of tangible and intangible fixed assets

Tangible and intangible assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

Management performs an impairment review for each cash-generating unit (CGU) that has indicators of impairment. The Directors consider an individual retail store to be a CGU, and perform an impairment review if a store is loss-making. When a review for impairment is conducted, the recoverable amount of an asset or CGU is determined based on value-in-use calculations using the Board approved budget and three-year plan at the period end date and are discounted using the weighted average cost of capital. Forecasts beyond the three-year time period are based on expected GDP rates of growth. Management's assumptions and estimates, based on the remaining lease length of each store, are used in the value-in-use calculation for store CGUs. Future events could cause the forecasts and assumptions used in impairment reviews to change with a consequential adverse impact on the results and net position of the wider group of companies under common control as actual cash flows may differ from forecasts and could result in further material impairments in future years.

2 Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

2.4 Onerous leases

Loss making stores are assessed annually in line with the company's property portfolio strategy to determine whether the lease is onerous. Provision is made when it is considered that the unavoidable costs of meeting the lease contracts for these stores will exceed the expected future economic benefits. The balance reflects the net present value of future cash flows over the life of the respective leases.

2.5 Dilapidations provision

This provision is made for the present value of the expected obligation to landlords at the end of a lease term. It is calculated using a dilapidations cost per square foot which is based upon historic dilapidation settlements with landlords at the end of a lease term. Where management are aware of other factors that alter this cost per square foot (for example known damages or exemption clauses), the provision will be adjusted for this.

2.6 Refund provision

The customer's right to return goods is recognised through the refund provision which is calculated based upon current return rates multiplied by the value of sales in the relevant trading period. The provision is applied on a trading channel basis. Any change in the carrying value of the provision in the period is charged to the Statement of Comprehensive Income.

2.7 Stock provision

It is expected that a small proportion of stock purchased will be sold at below cost or will never be sold because of stock loss, damage or line fragmentation. The stock provision is reassessed at each balance sheet date and is calculated based on a comparison of cost and net realisable value. Selling prices are estimated to determine the net realisable value and are based on the most recent selling price for each product as well as the seasonality of the stock and historic trading patterns.

2.8 Exceptional items

The company separately reports exceptional items within their relevant Statement of Comprehensive Income line as it believes that this helps provide a better indication of the underlying performance of the company. Judgement is required in determining whether an item should be classified as an exceptional item or included within the underlying results. This assessment covers the nature of the item, cause of occurrence and the scale of the impact of that item on the reported performance. Generally exceptional items include those that do not occur often and are material. Reversals of previous exceptional items are assessed based on the same criteria. Further detail on the exceptional items in the 52 week period ended 27 June 2020 is provided in note 4.

3 Turnover

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination was:	2020	2019
	£	£
United Kingdom	83.084,862	92,783,817
Rest of Europe	616,758	250,731
Rest of the world	530,169	685,011
	84,231,789	93,719,559

4 Exceptional expenses

	2020	2019
	£	£
Impairment of tangible fixed assets (see note 12)	471,509	-
Change in onerous lease provision (see note 19)	1,431,983	-
Holiday pay accrual	989,249	-
	2,892,741	-

Exceptional expenses in the 52 week period ended 27 June 2020 include:

- Impairment of tangible fixed assets in relation to store assets where the expected recoverable amount from value in use is less than the net book value at 27 June 2020. This is largely due to the impact of COVID-19 on the retail sector.

- Increase in the onerous lease provision for stores that are not expected to generate a positive value in use based on the forecasts and projections available at 27 June 2020. This is largely due to the impact of COVID-19 on the retail sector.

- A holiday pay accrual relating to the government requirement to allow employees to carry over holiday into the following two years during the COVID-19 pandemic. As at 29 June 2019, the holiday pay accrual was £nil as the company policy is that holiday cannot be carried over to the following year.

There were no exceptional expenses in the 52 week period ended 29 June 2019.

5 Other operating income

	2020	2019
	£	£
Government grants	2,855,930	-
Sundry income	382,398	333,107
Rents and service charges	37,785	31,562
Postage and courier income	1,990,665	1,451,841
	5,266,778	1,816,510

6 Operating loss

The operating loss is stated after charging:

	2020	2019
	£	£
Amortisation of intangible fixed assets	1,487,461	1,191,892
Depreciation of tangible fixed assets	1,778,945	1,587,654
Impairment of tangible fixed assets	471,509	-
Fees payable to the company's auditor for audit services 18/19	109,680	162,185
Fees payable to the company's auditor for audit services 19/20	137,467	-
Fees payable to the company's auditor for other services:		
Tax compliance	39,853	21,194
Other	-	17,600
Loss on disposal of tangible fixed assets	246,146	-
Operating lease rentals	13,889,786	17,067,822
Charge in relation to onerous lease provision	1,431,983	141,448

7 Employees

Staff costs consist of:

	2020	2019
	£	£
Wages and salaries	19,050,470	20,352,064
Social security costs	1,423,637	1,548,327
Other pension costs	384,113	367,788
	20,858,220	22,268,179

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

	2020	2019
	Number	Number
Distribution and retail staff	915	1,001
Administration staff	173	191
	1,088	1,192

A defined contribution pension scheme is operated by the company on behalf of the employees of the company. 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 £365,211 (2019: £367,788). The amount outstanding at the period end and included within other creditors was £112,276 (2019: £183,774).

In both the current and prior years, the directors were paid by a fellow group company, Gold Group International Limited.

8 Interest receivable and similar income

	2020	2019
	£	£
Interest receivable from group companies	1,281,438	144,903
Interest receivable from bank	-	32,210
	1,281,438	177,113

9 Interest payable and similar charges

	2020	2019
	£	£
Bank loans and overdrafts	31,932	1,601
Other interest payable	355,910	567,073
	387,842	568,674

10 Taxation on loss on ordinary activities

	2020	2019
	£	£
UK Corporation Tax		
Current tax charge on loss for the period	-	105
Adjustments in respect of previous periods	(5,209)	(230,531)
	(5,209)	(230,426)
Deferred tax		
Origination and reversal of timing differences	370,549	(253,316)
Effect of tax rate change on opening balance	(155,181)	-
	215,368	(253,316)
Tax charge/(credit) on loss on ordinary activities	210,159	(483,742)

10 Taxation on loss on ordinary activities (continued)

The tax assessed for the period differs from (2019: differs from) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2020	2019
	£	£
Loss on ordinary activities before tax	(12,430,266)	(14,463,120)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%)	(2,361,751)	(2,747,993)
Effects of:		
Expenses not deductible for tax purposes	58,868	18,646
Fixed asset timing differences	139,986	407,956
Capitalised revenue	-	(10,454)
Reverse lease premium adjustment	-	(19,305)
Group relief claimed but unpaid for	581,832	93,628
Adjustments to prior periods	(5,209)	(230,531)
Deferred tax not recognised	2,186,745	2,004,311
Remeasurement of deferred tax for change in tax rates	(390,312)	-
Total tax charge/(credit) for the period	210,159	(483,742)

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020 and this was substantively enacted on 17 March 2020. As the deferred tax assets and liabilities should be recognised based on the corporation tax rate at which they are anticipated to unwind, the assets and liabilities have been recognised at a rate of 19% (2019: 17%).

At 27 June 2020, the company had unutilised tax losses of £22,208,176 (2019: £11,541,088).

11 Intangible fixed assets

	Website development £	Software £	Total £
Cost			
At 29 June 2019	3,004,920	10,034,120	13,039,040
Additions	271,658	1,445,667	1,717,325
Disposals	-	(46,955)	(46,955)
At 27 June 2020	3,276,578	11,432,832	14,709,410
Amortisation			
At 29 June 2019	2,700,723	1,316,381	4,017,104
Charge for the period	127,844	1,359,617	1,487,461
Disposals	-	(46,955)	(46,955)
At 27 June 2020	2,828,567	2,629,043	5,457,610
Net book value			
At 27 June 2020	448,011	8,803,789	9,251,800
At 29 June 2019	304,197	8,717,739	9,021,936

12 Tangible fixed assets

	Short leasehold land and buildings £	Motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 29 June 2019	150,077	384,340	25,856,336	26,390,753
Additions	-	-	261,572	261,572
Disposals	-	-	(4,681,258)	(4,681,258)
At 27 June 2020	150,077	384,340	21,436,650	21,971,067
Depreciation				
At 29 June 2019	150,077	277,678	19,955,252	20,383,007
Charge for the period	-	94,373	1,684,572	1,778,945
Impairment (see note 4)	-	-	471,509	471,509
Eliminated on disposal	-	-	(4,435,112)	(4,435,112)
At 27 June 2020	150,077	372,051	17,676,221	18,198,349
Net book value				
At 27 June 2020	-	12,289	3,760,429	3,772,718
At 29 June 2019	-	106,662	5,901,084	6,007,746

13 Fixed asset investments

	Investments in subsidiary companies
	£
At 29 June 2019 and 27 June 2020	2,639

Subsidiary undertakings, associated undertakings and other investments

Name	Country of registration or incorporation	Proportion of voting rights and ordinary share capital held	Nature of Business
Subsidiary undertakings			
Ann Summers (Ireland) Limited	Republic of Ireland	100%	Direct selling
Ann Summers Ireland (Retail) Ltd	Republic of Ireland	100%	Retail
Ann Summers S.L.	Spain	100%	Non-trading

The registered office for Ann Summers (Ireland) Limited and Ann Summers Ireland (Retail) Ltd is 38 Upper Mount Street, Dublin 2, Ireland.

The registered office for Ann Summers S.L is Madrid, Paseo de la Castellana num. 35, Spain.

Since the year end, GGI Holdings Limited, the immediate and ultimate parent undertaking at 30 June 2020, has completed a group reorganisation. As part of this, the company has distributed its investment in Ann Summers Ireland (Retail) Limited by way of a dividend in specie to GGIH Holdings Limited (see note 25).

14 Stocks

	2020	2019
	£	£
Finished goods and goods for resale	10,500,597	13,782,706

15 Debtors

	2020	2019
	£	£
Trade debtors	668,831	673,517
Amounts owed by group undertakings	29,756,047	26,750,310
Other debtors	682,462	625,759
Prepayments and accrued income	1,731,133	7,963,969
Corporation tax	-	223,388
Deferred tax asset (note 16)	1,103,679	1,319,047
	33,942,152	37,555,990

All amounts shown under debtors fall due within one year except the deferred tax asset and the amounts owed by group undertakings.

Included within other debtors at 29 June 2019 (2020: £nil) are amounts due from directors (see note 24).

In the 52 weeks ended 27 June 2020, £26.1 million of the amount owed by group undertakings was converted into a loan. The earliest repayment date was 31 December 2024 with the borrower, Gold Group International Limited, having the option to extend this until 31 December 2030 at its sole discretion. Interest accrued on the loan at 5% per annum and was payable on the repayment date. Since the year end, the outstanding loan, including accrued interest, was settled for cash consideration of £5.5 million (see note 25).

16 Deferred tax asset

	2020	2019
	£	£
At 29 June 2019	1,319,047	1,065,731
(Charged)/Credited to statement of comprehensive income	(215,368)	253,316
At 27 June 2020	1,103,679	1,319,047

The deferred tax asset is made up as follows:

	2020	2019
Accelerated capital allowances	1,069,804	1,306,783
Other timing differences	33,875	12,264
Accelerated capital allowances	1,103,679	1,319,047

The net reversal of deferred tax assets expected in 2021 is £nil. This is expected because depreciation is anticipated to be higher than the available capital allowances. However, other reversals or increases may arise as a result of other timing differences.

17 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	6,750,065	15,620,052
Social security and other taxes	4,932,660	2,047,559
Other creditors	4,971,777	1,028,749
Accruals and deferred income	7,900,576	3,892,802
Corporation tax	1,067	-
Loans due in one year	967,451	1,775,899
	25,523,596	24,365,061

Included within other creditors at 27 June 2020 (2019: £nil) are amounts due to directors (see note 24).

Loans are secured against certain assets of the company. The loans are repayable in monthly instalments over the period until May 2022 and have an effective interest rate of 9.8%. Since the year end, monthly repayments have been made against the other outstanding loans in accordance with the agreed repayment schedule, totalling £0.4 million (see note 25).

18 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Amounts owed to group undertakings	3,020,565	3,090,769
Other creditors	1,379,813	1,790,942
Loans due in more one year	172,348	1,100,555
Shareholder Loan	2,797,332	-
	7,370,058	5,982,266

Loans are secured against certain assets of the company. The loans are repayable in monthly instalments over the period until May 2022 and have an effective interest rate of 9.8%. Since the year end, monthly repayments have been made against the other outstanding loans in accordance with the agreed repayment schedule, totalling £0.2 million.

During the 52 week period ended 27 June 2020, the shareholders of the ultimate parent company, GGI Holdings Limited, loaned the company £4.7 million. In addition, repayments of £2.0 million were made during the year such that the balance outstanding at 27 June 2020 was £2.8m including accrued interest. The loan is repayable in February 2023 and interest is accrued at 5% per annum and is payable on a quarterly basis or on repayment of the loan. Since the year end, the outstanding balance of £2.8 million has been repaid (see note 25).

19 Provisions for liabilities

	Dilapidations	Onerous leases	Total
	£	£	£
At 29 June 2019	2,157,720	989,581	3,147,301
Charged to statement of comprehensive income	71,527	1,431.983	1,503,510
Utilised in the period	-	-	-
At 27 June 2020	2,229,247	2,421,564	4,650,811

20 Share capital

	2020	2019
	£	£
Authorised		
500,010 – ordinary shares of £1 each	500,010	500,010
Allotted, called up and fully paid		
500,000 – ordinary shares of £1 each	500,000	500,000

21 Commitments under operating leases

At 27 June 2020 the company had minimum lease payments under non-cancellable operating leases as follows:

	2020	2019
	£	£
Not later than 1 year	9,752,981	13,366,474
Later than 1 year and not later than 5 years	27,170,624	37,037,810
Later than 5 years	14,759,216	22,600,369
	51,682,821	73,004,653

The above table has been prepared based on lease commitments as at 27 June 2020.

As explained in note 25, since the year end the company has implemented a CVA which compromised rent payments, moved many of the company's leases onto turnover rents and included additional break options for both the company and landlords. As a consequence the values presented above, do not represent the company's operating lease commitments as at the date of approval of the financial statements which would be significantly lower than those shown in the table above.

22 Ultimate parent undertaking and controlling party

At 27 June 2020, the company's immediate and ultimate parent undertaking was GGI Holdings Limited, a company registered in England and Wales, which was the smallest and largest group to consolidate the company's financial statements. Copies of the group financial statements of GGI Holdings Limited are available from Gold Group House, Godstone Road, Whyteleafe, Surrey, CR3 0GG.

Since the year end, a newly incorporated company, GGIH Holdings Limited, has been inserted above the previous ultimate parent undertaking, GGI Holdings Limited, and has completed a demerger of some of its subsidiaries. As at the date of approval of the financial statements, the company's immediate an ultimate parent undertaking is Ann Summers (UK) Holdings Limited, a newly incorporated company registered in England and Wales.

At both 27 June 2020 and the date of approval of these financial statements, the company's ultimate controlling party is D Gold, by virtue of his beneficial interest in the entire issued share capital of the ultimate parent undertaking.

23 Contingent liabilities

The company has given a cross guarantee to secure the bank overdraft arrangements of the group. The group benefits from an overdraft facility such that individual company accounts may be overdrawn so long as the group position is in funds. At the balance sheet date, the group's indebtedness to its bankers under these arrangements was £nil (2019: £nil).

The company has given a cross guarantee to secure the loan arrangements of a fellow group company, York Place Investments Limited. At the balance sheet date York Place Investment Limited's indebtedness to its bankers under these arrangements was £1.3 million.

24 Related Party transactions

At 27 June 2020, the company was a wholly owned subsidiary of GGI Holdings Limited and utilises the exemption contained in FRS 102 not to disclose any transactions with entities which are part of the GGI Holdings group. The address at which the consolidated financial statements are publicly available is Gold Group House, Godstone Road, Whyteleafe, Surrey, CR3 0GG.

Included within creditors at 27 June 2020 are amounts due to directors. As at 27 June 2020, £927 was owed by the company to V Gold and £5,284 was owed by the company to J Gold (see note 17).

Included within debtors at 29 June 2019 are amounts due from directors. As at 29 June 2019, £3,048 was owed to the company by V Gold and £5,964 was owed to the company by J Gold (see note 15).

24 Related Party transactions (continued)

During the 52 week period ended 27 June 2020, the shareholders of the ultimate parent company, GGI Holdings Limited, loaned the company £4.7 million. In addition, repayments of £2.0 million were made during the year such that the balance outstanding at 27 June 2020 was £2.8 million including accrued interest. The loan is repayable in February 2023 and interest is accrued at 5% per annum and is payable on a quarterly basis or on repayment of the loan. Since the year end, the outstanding balance has been repaid (see note 18).

25 Post balance sheet events

Financing

During the year ended 27 June 2020, the shareholders of the former ultimate parent company, GGI Holdings Limited, loaned the company £4.7 million and repayments of £2.0 million have been made, such that the balance outstanding at 27 June 2020 was £2.8 million including accrued interest. Since the year end the loan has been repaid (see note 18).

In addition, following the successful implementation of the CVA (see below), the shareholders have agreed to make a further £4.0 million loan available to the company. This loan would attract interest of 5% and would be repayable in February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

In addition to the above, Gold Group International Limited, a company under common control, has agreed to make a loan facility of £6.0 million available to the company if required. The loan can be drawn at any time prior to 23 February 2023. As at the date of approval of these financial statements, no amounts have been drawn against this facility.

Since the year end, monthly repayments have been made against the other outstanding loans, totalling £0.6 million, in accordance with the agreed repayment schedule (see notes 17 and 18).

During the year ended 27 June 2020, £26.1 million of the amount owed by group undertakings was converted into a loan. The earliest repayment date was 31 December 2024 with the borrower, Gold Group International Limited, having the option to extend this until 31 December 2030 at its sole discretion. Interest accrued on the loan at 5% per annum and was payable on the repayment date. Since the year end, this loan has been settled in full for cash consideration of £5.5 million (see note 15).

COVID-19

Since the year end, the outbreak of the COVID-19 virus has continued to give rise to material economic and financial uncertainties. In complying with COVID-19 restrictions, the company was required to once again close all its stores across the U.K. in October and November 2020 respectively in light of the second national lockdown implemented by the Government and again from January to April 2021 under third national lockdown. In addition to the national lockdowns, the company has also been impacted by a number of local lockdowns.

25 Post balance sheet events (continued)

COVID-19 (continued)

During the period when the company's stores were trading between lockdowns, there were significant operating restrictions in place. These include increased health and safety measures, social distancing measures limiting the number of customers who can be in stores at any given time, localised lock-downs, as well as fitting room limitations making it more difficult for customers to try and buy products. Since the end of the most recent lockdown, stores have been able to trade more freely however, footfall remains below pre-pandemic levels. Despite this, the stores overall have traded better than originally expected by management.

To mitigate the overall COVID-19 Impact, the company took certain immediate and proactive management actions to support sales and reduce costs. This included measures to maximise online sales and to facilitate the continued growth of the party plan business. The company's efforts and investment in developing its online business and infrastructure has enabled it to benefit from increased online sales during lockdown periods.

The Directors also halted all discretionary spend, utilised Government support where possible (including furloughing employees, business rates relief and small store grants), implemented pay-cuts for non-furloughed staff and deferred certain taxes.

Despite these measures, the company believes COVID-19 could have a continuing impact on the business, the overall impact of which remains uncertain. In the longer-term, the pandemic is likely to affect consumer confidence and result in a negative wider economic impact.

The directors have assessed the potential impact on the future performance of the company and believe the most likely impacts to be on the sales revenue and profitability of retail stores, the carrying value of tangible fixed assets and stock, the provision required for onerous leases and the recoverability of amounts owed by group undertakings.

The directors will continue to monitor developments and to address any impact on the company's operations.

CVA

On 23 December 2020, the company successfully implemented a Creditors Voluntary Arrangement ("CVA") which resulted in the compromise of certain liabilities including rent, rates and dilapidations payments, as well as the rescheduling of certain payments in respect of these liabilities. The CVA will generate significant savings in rent and rates charges during the CVA period to February 2023 as well as other cashflow benefits from the timing of payments in respect of these costs.

25 Post balance sheet events (continued)

Group reorganisation

Since the year end, a newly incorporated company, GGIH Holdings Limited, has been inserted above the previous ultimate parent undertaking, GGI Holdings Limited, and has completed a demerger of some of its subsidiaries. As at the date of approval of the financial statements, the company's immediate an ultimate parent undertaking is Ann Summers (UK) Holdings Limited, a newly incorporated company registered in England and Wales.

In addition, as part of the group reorganisation, the company has distributed its investment in Ann Summers Ireland (Retail) Limited by way of a dividend in specie to GGIH Holdings Limited (see note 13).

All of the above post balance sheet events are considered to be non-adjusting post balance sheet events for the company.