

DAVID HOWARD (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

TUESDAY



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DAVID HOWARD (UK) LIMITED

COMPANY INFORMATION

Directors	A P Shaw J L Martini C Sweeney I Eberlein T J Frior S P Corcoran P Das (resigned 12 January 2017)
Company secretary	S P Corcoran
Registered number	01368929
Registered office	17-19 Baldock Street Ware Hertfordshire SG12 9DH
Independent auditors	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Euro House 1394 High Road London N20 9YZ

DAVID HOWARD (UK) LIMITED

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DAVID HOWARD (UK) LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2016

Introduction

The directors have pleasure in presenting their strategic report for the year ended 31 August 2016.

Business review

During 2016 the uncertainty over the UK economy and volatile currency rates provided challenging trading conditions.

Our customer portfolio has a good mix of retailers in different sectors and we review our potential customer list carefully before making any approaches. We will continue to plan any future growth in line with the optimum mix.

Although we anticipate 2017 to be a challenging trading year given the continued uncertainty in the UK economy, we are confident of our ability to position our business to cope with these challenges.

Principal risks and uncertainties

The directors regularly review the financial requirements of the company and the risks associated therewith. Company operations are primarily financed from a debt factoring arrangement. The company does not use complicated financial instruments nor does it use derivative financial instruments for trading purposes.

The main financial risks arising from the company's activities are credit risk, interest rate risk, foreign exchange risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date.

The company's policy in respect of credit risk is to require appropriate credit checks on potential customers before sales are made. For foreign exchange risk, payments in HK\$ and US\$ are managed by holding bank accounts in these relevant currencies and by buying currency using forward contracts.

Financial key performance indicators

The key performance indicators presented below detail the performance of the Company in the year to 31st August 2016 compared to 31 August 2015.

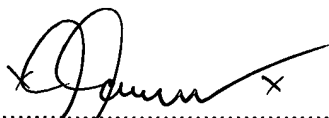
EBIT is a key indicator of financial performance to our stakeholders. EBIT is calculated from Profit before interest and taxation are deducted. EBIT in 2016 is £626,227 and in 2015 was £1,137,771, a significant level to demonstrate that we have the ability to pay financing costs.

Debtor days are a key indicator of our liquidity. Debtor days are calculated by dividing Trade Debtors by Turnover then multiply by the number of days passed in our financial year. Our debtor days at 31 August 2016 are 87 days, increasing from 77 days at 31 August 2015 due to the changing mix of our customers with some of our customers having terms of up to 90 days.

DAVID HOWARD (UK) LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2016

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

A handwritten signature in black ink, appearing to read 'S P Corcoran', with a large loop at the end. The signature is written over a dotted line.

S P Corcoran
Secretary

Date: 06/02/2017

DAVID HOWARD (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 2016

The directors present their report and the financial statements for the year ended 31 August 2016.

Principal activity

The company's principal activity is the design, manufacture and sales of clothing to UK retailers.

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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

Results and dividends

The profit for the year, after taxation, amounted to £460,310 (2015 - £837,402).

Interim dividends of £nil (2015 - £86,136) were paid during the year, together with a final dividend of £212,621 (in 2015 the directors recommend the payment of final dividends of £2,842,555).

Directors

The directors who served during the year were:

A P Shaw
J L Martini
C Sweeney
I Eberlein
T J Prior
S P Corcoran
P Das (resigned 12 January 2017)

DAVID HOWARD (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2016**

Charitable and political contributions

During the year the company made charitable contributions of £10,093 (2015 - £10,423). There were no political contributions in the year, (2015 - £Nil).

Financial instruments

Details of the use of financial instruments by the company are contained in note 21 of the financial statements.

Disclosure of information to auditors

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

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

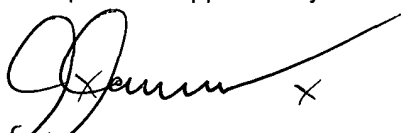
Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditors

The auditors, MHA MacIntyre Hudson, were appointed during the year as auditors by the directors. They offer themselves for reappointment at the annual general meeting.

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



S P Corcoran
Secretary

Date: 06/02/2017

DAVID HOWARD (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DAVID HOWARD (UK) LIMITED

We have audited the financial statements of David Howard (UK) Limited for the year ended 31 August 2016, set out on pages 7 to 27. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic report and the Directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2016 and of its profit or 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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 those financial statements.

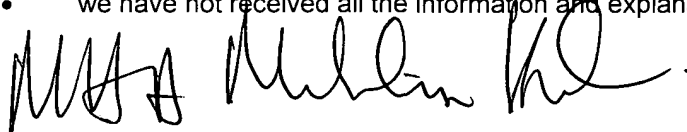
DAVID HOWARD (UK) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DAVID HOWARD (UK) LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

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.



Brendan Sharkey FCA (Senior statutory auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Euro House
1394 High Road
London

N20 9YZ

Date:

16th March 2017

DAVID HOWARD (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2016**

	Note	2016 £	2015 £
Turnover	4	24,948,038	27,706,882
Cost of sales		(21,385,460)	(23,661,451)
Gross profit		3,562,578	4,045,431
Administrative expenses		(2,936,351)	(2,907,660)
Operating profit	5	626,227	1,137,771
Interest receivable and similar income	9	18	-
Interest payable and expenses	10	(73,563)	(84,149)
Profit before tax		552,682	1,053,622
Tax on profit	11	(92,372)	(216,220)
Profit for the year		460,310	837,402
Other comprehensive income for the year			
Unrealised surplus on revaluation of fixed asset investments		-	8,160
Other comprehensive income for the year		-	8,160
Total comprehensive income for the year		460,310	845,562

The notes on pages 10 to 27 form part of these financial statements.

DAVID HOWARD (UK) LIMITED
REGISTERED NUMBER:01368929

BALANCE SHEET
AS AT 31 AUGUST 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	13	261,560	220,549
Investments	14	192,197	185,322
		<u>453,757</u>	<u>405,871</u>
Current assets			
Debtors: amounts falling due within one year	15	8,580,106	9,024,642
Cash at bank and in hand	16	3,814	3,069
		<u>8,583,920</u>	<u>9,027,711</u>
Creditors: amounts falling due within one year	17	(5,295,355)	(5,948,305)
Net current assets		<u>3,288,565</u>	<u>3,079,406</u>
Total assets less current liabilities		<u>3,742,322</u>	<u>3,485,277</u>
Creditors: amounts falling due after more than one year	18	(15,837)	(6,481)
Provisions for liabilities			
Deferred tax	21	(10,726)	(10,726)
		<u>(10,726)</u>	<u>(10,726)</u>
Net assets		<u>3,715,759</u>	<u>3,468,070</u>
Capital and reserves			
Called up share capital	22	11,250	11,250
Share premium account	23	23,750	23,750
Revaluation reserve	23	13,447	13,447
Profit and loss account	23	3,667,312	3,419,623
		<u>3,715,759</u>	<u>3,468,070</u>

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

06/02/2017



A P Shaw
Director

The notes on pages 10 to 27 form part of these financial statements.

DAVID HOWARD (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2016**

	Called up share capital	Share premium account	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 September 2014	11,250	23,750	5,287	5,510,912	5,551,199
Comprehensive income for the year					
Profit for the year	-	-	-	837,402	837,402
Surplus on revaluation of other fixed assets	-	-	8,160	-	8,160
Other comprehensive income for the year	-	-	8,160	-	8,160
Total comprehensive income for the year	-	-	8,160	837,402	845,562
Dividends: Equity capital	-	-	-	(2,928,691)	(2,928,691)
Total transactions with owners	-	-	-	(2,928,691)	(2,928,691)
At 1 September 2015	11,250	23,750	13,447	3,419,623	3,468,070
Comprehensive income for the year					
Profit for the year	-	-	-	460,310	460,310
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	-	460,310	460,310
Dividends: Equity capital	-	-	-	(212,621)	(212,621)
Total transactions with owners	-	-	-	(212,621)	(212,621)
At 31 August 2016	11,250	23,750	13,447	3,667,312	3,715,759

The notes on pages 10 to 27 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

1. General information

The entity is a private limited liability company, limited by shares and incorporated in the UK. The registered office is 17-19 Baldock Street, Ware, Hertfordshire, SG12 9DH. The nature of the company's operations is detailed on page 1.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed asset investments and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The date of transition to FRS 102 is 1 September 2014.

Information on the impact of first-time adoption of FRS 102 is given in note 28.

The financial statements have been prepared on a going concern basis. The directors have considered the level of income and expenditure for 12 months from the date of approval of the financial statements. The budgeted figures indicate that there are sufficient resources to enable the company to continue as a going concern.

The company has taken advantage of the disclosure exemption within FRS 102 and the requirement to prepare a Statement of Cash Flows as this information is included in the consolidated financial statements of its parent company, David Howard (UK) Holdco Limited. The financial statements of that company may be obtained from Companies House.

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

The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £1.

The following principal accounting policies have been applied:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.2 Revenue recognition

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, including discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Turnover from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably;
- and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.3 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Motor vehicles	-	25% per annum
Fixtures and fittings	-	20% per annum

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

2. Accounting policies (continued)

2.4 Valuation of investments

Investments in life assurance policies are revalued at the balance sheet date. Gains and losses on valuations are recognised in the Statement of Changes in Equity.

2.5 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.

2.6 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.

2.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.7 Financial instruments (continued)

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

2.8 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.

2.9 Hedge accounting

The company uses variable to fixed interest rate swaps to manage its exposure to fair value risk on its purchases. These derivatives are measured at fair value at each balance sheet date.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

2.10 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.11 Finance costs

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

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.13 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

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

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard on 01 September 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.14 Pensions

Defined contribution pension plan

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

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

2.15 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

2.16 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

2. Accounting policies (continued)

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

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

The directors consider that the critical accounting policies where judgements and estimations have been applied related to the stock valuation, the recoverability of debtors and tangible asset lives; in particular the useful economic life and residual values. The directors have concluded that the stock valuations, debtors recoverability, tangible asset valuations and useful economic life estimations of these assets are appropriate.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

4. Turnover

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

Analysis of turnover by country of destination:

	2016 £	2015 £
United Kingdom	<u>24,948,038</u>	<u>27,706,882</u>
	<u>24,948,038</u>	<u>27,706,882</u>

5. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	95,909	93,633
Profit on sale of tangible assets	(17,482)	(3,542)
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	21,000	22,500
Exchange differences	25,120	(128,010)
Debt factoring charges	13,878	23,764
Other operating lease rentals	64,125	62,667
Defined contribution pension cost	<u>34,656</u>	<u>44,523</u>

6. Auditors' remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	<u>21,000</u>	<u>22,500</u>
	<u>21,000</u>	<u>22,500</u>
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	-	3,450
	<u>-</u>	<u>3,450</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

7. Employees

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

	2016 £	2015 £
Wages and salaries	2,415,235	2,838,196
Social security costs	251,222	299,978
Cost of defined contribution scheme	34,656	44,523
	<u>2,701,113</u>	<u>3,182,697</u>

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

	2016 No.	2015 No.
Office and management	21	23
Sales and design	53	60
	<u>74</u>	<u>83</u>

8. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	556,787	655,833
Company contributions to defined contribution pension schemes	2,570	5,011
	<u>559,357</u>	<u>660,844</u>

During the year retirement benefits were accruing to 7 directors (2015 - 8) in respect of defined contribution pension schemes.

9. Interest receivable

	2016 £	2015 £
Other interest receivable	18	-
	<u>18</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

10. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	26,805	47,108
Other loan interest payable	45,526	36,088
Finance leases and hire purchase contracts	1,232	953
	<u>73,563</u>	<u>84,149</u>

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	110,536	226,258
Adjustments in respect of previous periods	(18,164)	(10,038)
Taxation on profit on ordinary activities	<u>92,372</u>	<u>216,220</u>

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.58%). The differences are explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	<u>552,682</u>	<u>1,053,622</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.58%)	110,536	216,835
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	(615)	4,506
Capital allowances for year in excess of depreciation	4,000	1,309
Adjustments to tax charge in respect of prior periods	(18,164)	(10,038)
Short term timing difference leading to an increase (decrease) in taxation	(3,385)	18,210
Group relief	-	(14,602)
Total tax charge for the year	<u>92,372</u>	<u>216,220</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

12. Dividends

	2016 £	2015 £
Ordinary A		
Ordinary A shares	212,621	2,890,939
Ordinary B		
Ordinary B shares	-	37,752
	<u>212,621</u>	<u>2,928,691</u>

13. Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 September 2015	127,165	396,835	524,000
Additions	130,053	25,086	155,139
Disposals	(96,702)	-	(96,702)
At 31 August 2016	<u>160,516</u>	<u>421,921</u>	<u>582,437</u>
Depreciation			
At 1 September 2015	74,023	229,428	303,451
Charge for the period on owned assets	17,753	59,388	77,141
Charge for the period on financed assets	18,768	-	18,768
Disposals	(78,484)	-	(78,484)
At 31 August 2016	<u>32,060</u>	<u>288,816</u>	<u>320,876</u>
Net book value			
At 31 August 2016	<u>128,456</u>	<u>133,105</u>	<u>261,561</u>
At 31 August 2015	<u>53,142</u>	<u>167,407</u>	<u>220,549</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

13. Tangible fixed assets (continued)

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

	2016 £	2015 £
Motor vehicles	60,234	21,579
	<u>60,234</u>	<u>21,579</u>

The related depreciation charge on these assets for the year £18,765 (2015 - £7,616).

14. Fixed asset investments

	Other fixed asset investments £
Cost or valuation	
At 1 September 2015	185,322
Additions	6,875
At 31 August 2016	<u>192,197</u>
Net book value	
At 31 August 2016	<u>192,197</u>
At 31 August 2015	<u>185,322</u>

The above investment relates to a life assurance policy and has been valued by Phoenix Life Limited, the insurance company with which the policy is held.

The basis of valuation is the net surrender value at 31 August 2016.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

15. Debtors

	2016 £	2015 £
Trade debtors	5,923,081	5,877,907
Other debtors	5,130	8,597
Prepayments and accrued income	169,600	179,166
Amounts recoverable on long term contracts	2,220,281	2,866,256
Financial instruments	262,014	92,716
	<u>8,580,106</u>	<u>9,024,642</u>

16. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	3,814	3,069
Less: bank overdrafts	(2,660,642)	(2,698,352)
	<u>(2,656,828)</u>	<u>(2,695,283)</u>

17. Creditors: Amounts falling due within one year

	2016 £	2015 £
Bank overdrafts	2,660,642	2,698,352
Trade creditors	1,805,854	2,115,278
Corporation tax	110,536	226,258
Taxation and social security	315,573	566,275
Obligations under finance lease and hire purchase contracts	16,539	6,595
Other creditors	3,095	2,969
Accruals and deferred income	121,102	239,862
Financial instruments	262,014	92,716
	<u>5,295,355</u>	<u>5,948,305</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

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

	2016 £	2015 £
Net obligations under finance leases and hire purchase contracts	<u>15,837</u>	<u>6,481</u>
	<u><u>15,837</u></u>	<u><u>6,481</u></u>

Secured loans

Net obligations under finance leases and hire purchase contracts of £15,837 (2015 - £6,481) are secured on the assets of the company.

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2016 £	2015 £
Within one year	16,539	6,595
Between 1-2 years	4,043	6,481
Between 2-5 years	11,794	-
	<u><u>32,376</u></u>	<u><u>13,076</u></u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

20. Financial instruments

	2016 £	2015 £
Financial assets		
Financial assets measured at fair value through profit or loss	265,828	95,785
Financial assets that are debt instruments measured at amortised cost	5,928,210	5,886,503
	<u>6,194,038</u>	<u>5,982,288</u>
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	(262,014)	(92,716)
Financial liabilities measured at amortised cost	(4,590,693)	(5,056,461)
	<u>(4,852,707)</u>	<u>(5,149,177)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and the fair value of forward foreign exchange contracts.

Financial assets measured at amortised cost comprise trade and other debtors.

Derivative financial liabilities measured at fair value through profit or loss comprise the committed fair value of hedged liabilities.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accruals.

21. Deferred taxation

	2016 £
At beginning of year	(10,726)
At end of year	<u>(10,726)</u>

The provision for deferred taxation is made up as follows:

	2016 £
Accelerated capital allowances	10,726
	<u>10,726</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016

22. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
9,233 Ordinary A shares of £1 each	9,233	9,233
563 Ordinary B shares of £1 each	563	563
940 Ordinary C shares of £1 each	940	940
101 Ordinary D shares of £1 each	101	101
413 Ordinary E shares of £1 each	413	413
	<hr/>	<hr/>
	11,250	11,250
	<hr/>	<hr/>

23. Reserves

Share premium

The share premium is a non distributable reserve representing excess funds received by the company over the par value of the issued shares.

Revaluation reserve

The revaluation reserve of £13,447 (2015 - £13,447) reflects the upward revaluation of the fixed asset investment.

Profit and loss account

The Profit and Loss Account is represented by retained earnings. Changes in reserves are set out in the Statement of Changes in Equity.

24. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted £34,656 (2015 - £44,523). Contributions totalling £Nil (2015 - £Nil) were payable to the fund at the balance sheet date and are included in creditors.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2016**

25. Commitments under operating leases

At 31 August 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £	2015 £
Not later than 1 year	64,000	64,000
Later than 1 year and not later than 5 years	32,000	80,000
	<u>96,000</u>	<u>144,000</u>

26. Related party transactions

Related parties include the directors, David Howard (UK) Holdco Limited, the immediate parent company, and Reactor Limited, a company under the common control of the directors.

Amounts due from/(to) related parties at the balance sheet date and transaction during the year are as follows:

	2016 £	2015 £
Amounts due to/(from) the company from/(to) related parties:		
Reactor Limited	(429,698)	(143,651)
Transactions during the year:		
Goods acquired from Reactor Limited	<u>1,167,434</u>	<u>1,394,180</u>

The company is a wholly owned subsidiary of David Howard (UK) Holdco Limited and is included in the consolidated group accounts of the parent company. The company has taken advantage of exemptions available under FRS102 from disclosing transactions entered into between wholly owned members of a group.

27. Controlling party

The immediate and ultimate parent company is David Howard (UK) Holdco Limited due to interest in the company's share capital.

The largest and smallest group in which the results of the company are included are the consolidated financial statements of David Howard (UK) Holdco Limited. These are available to the public and may be obtained from Companies House.

DAVID HOWARD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

28. First time adoption of FRS 102

The company transitioned to FRS 102 from previously extant UK GAAP as at 1 September 2014. The impact of the transition to FRS 102 is as follows:

	As previously stated 1 September 2014	Effect of transition 1 September 2014	FRS 102 (as restated) 1 September 2014	As previously stated 31 August 2015	Effect of transition 31 August 2015	FRS 102 (as restated) 31 August 2015
Note	£	£	£	£	£	£
Fixed assets	454,728	-	454,728	405,872	-	405,872
Current assets	1 9,051,030	187,831	9,238,861	8,934,994	92,716	9,027,710
Creditors: amounts falling due within one year	1 (3,930,757)	(187,831)	(4,118,588)	(5,855,589)	(92,716)	(5,948,305)
Net current assets	5,120,273	-	5,120,273	3,079,405	-	3,079,405
Total assets less current liabilities	5,575,001	-	5,575,001	3,485,277	-	3,485,277
Creditors: amounts falling due after more than one year	(13,077)	-	(13,077)	(6,481)	-	(6,481)
Provisions for liabilities	(10,726)	-	(10,726)	(10,726)	-	(10,726)
Net assets	5,551,198	-	5,551,198	3,468,070	-	3,468,070
Capital and reserves	5,551,198	-	5,551,198	3,468,070	-	3,468,070

DAVID HOWARD (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2016

28. First time adoption of FRS 102 (continued)

	As previously stated 31 August 2015	Effect of transition 31 August 2015	FRS 102 (as restated) 31 August 2015
Note	£	£	£
Turnover	27,706,882	-	27,706,882
Cost of sales	(23,661,451)	-	(23,661,451)
	<u>4,045,431</u>	<u>-</u>	<u>4,045,431</u>
Administrative expenses	(2,907,660)	-	(2,907,660)
	<u>1,137,771</u>	<u>-</u>	<u>1,137,771</u>
Operating profit	1,137,771	-	1,137,771
Interest payable and similar charges	(84,149)	-	(84,149)
Taxation	(216,220)	-	(216,220)
	<u>(216,220)</u>	<u>-</u>	<u>(216,220)</u>
Profit on ordinary activities after taxation and for the financial year	837,402	-	837,402

Explanation of changes to previously reported profit and equity:

- 1 Recognition of derivatives associated with forward foreign exchange contracts.