

DAVID HOWARD (UK) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2017

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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
 New Bridge Street House
 30-34 New Bridge Street
 London
 EC4V 6BJ

Bankers Lloyds Bank Plc
 Endeavour House
 Chivers Way
 Histon
 Cambridge
 CB24 9ZR

DAVID HOWARD (UK) LIMITED

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DAVID HOWARD (UK) LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2017**

Introduction

The directors have pleasure in presenting their Strategic Report for the year ended 31 August 2017.

Business review

During the year ended 31 August 2017 the uncertainty over the UK economy and volatile currency rates provided exceptionally challenging trading conditions.

The UK retail clothing sector has suffered from falling sales in 2017 which has resulted in an 8% reduction in our turnover. This, combined with our costs increasing, due to the rapid fall in the value of the pound against the US Dollar since the EU referendum, has resulted in a retained loss for the year. Although we are disappointed with this result we are confident that we will return our business to profit in 2018.

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. However, the company use non basic financial instruments for foreign exchange contracts.

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 31 August 2017.

EBIT is a key indicator of financial performance to our stakeholders. EBIT is calculated from Profit before interest and taxation are deducted. EBIT in 2017 is £(340,748) and in 2016 was £626,227. EBIT in 2017 has reduced due to the exceptional trading and currency market conditions following the EU referendum.

Debtor days are a key indicator of our liquidity. Debtor days are calculated by dividing Trade Debtors by Turnover then multiplying by the number of days passed in our financial year. Our debtor days at days at 31st August 2017 are 59 days, decreasing from 31st August 2016 at 87 days due to the changing mix of our customers.

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



S P Corcoran
Secretary

Date: 20th MARCH 2018

DAVID HOWARD (UK) LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2017**

The directors present their report and the financial statements for the year ended 31 August 2017.

Principal activity

The company's principal activity is the design, manufacture and sale 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. During the year the company purchased professional indemnity insurance for the directors.

Results and dividends

The loss for the year, after taxation, amounted to £387,021 (2016 - profit £460,310).

The directors recommend the payment of a final dividend of £425,905 (2016 - £212,621).

Directors

The directors who served during the year were:

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

DAVID HOWARD (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2017**

Future developments

Our customer portfolio still 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 2018 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.

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

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



S P Corcoran
Secretary

Date: 20th March 2018

DAVID HOWARD (UK) LIMITED

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

Opinion

We have audited the financial statements of David Howard (UK) Limited for the year ended 31 August 2017, set out on pages 7 to 25. 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council'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.

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 Auditors' Report thereon. Our opinion on the financial statements does not cover the information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

DAVID HOWARD (UK) LIMITED

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

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.

Opinion 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 and 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, 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 on page 2, 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.

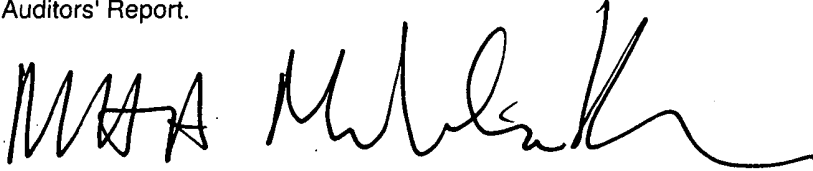
DAVID HOWARD (UK) LIMITED

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

Auditors' 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 Auditors' 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. The description forms part of our Auditors' Report.



Brendan Sharkey FCA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Date:

26 March 2018

DAVID HOWARD (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2017**

	Note	2017 £	2016 £
Turnover	4	22,940,944	24,948,038
Cost of sales		(20,514,850)	(21,385,460)
Gross profit		2,426,094	3,562,578
Administrative expenses		(2,766,842)	(2,936,351)
Operating (loss)/profit	5	(340,748)	626,227
Interest receivable and similar income	9	-	18
Interest payable and expenses	10	(66,786)	(73,563)
(Loss)/profit before tax		(407,534)	552,682
Tax on (loss)/profit	11	20,513	(92,372)
(Loss)/profit for the financial year		(387,021)	460,310

There was no other comprehensive income for 2017 (2016:£NIL).

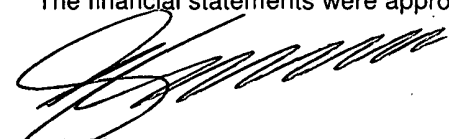
The notes on pages 10 to 25 form part of these financial statements.

DAVID HOWARD (UK) LIMITED
REGISTERED NUMBER:01368929

BALANCE SHEET
AS AT 31 AUGUST 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	13	196,807	261,561
Investments	14	199,072	192,197
		<u>395,879</u>	<u>453,758</u>
Current assets			
Debtors: amounts falling due within one year	15	5,343,743	8,580,105
Cash at bank and in hand	16	3,702	3,813
		<u>5,347,445</u>	<u>8,583,918</u>
Creditors: amounts falling due within one year	17	(2,813,345)	(5,295,355)
Net current assets		<u>2,534,100</u>	<u>3,288,563</u>
Total assets less current liabilities		<u>2,929,979</u>	<u>3,742,321</u>
Creditors: amounts falling due after more than one year	18	(12,281)	(15,837)
Provisions for liabilities			
Deferred tax	20	(14,866)	(10,726)
		<u>(14,866)</u>	<u>(10,726)</u>
Net assets		<u>2,902,832</u>	<u>3,715,758</u>
Capital and reserves			
Called up share capital	21	11,250	11,250
Share premium account	22	23,750	23,750
Revaluation reserve	22	13,447	13,447
Profit and loss account	22	2,854,385	3,667,311
		<u>2,902,832</u>	<u>3,715,758</u>

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


A.P. Shaw
 Director

Date: 20th MARCH 2018

The notes on pages 10 to 25 form part of these financial statements.

DAVID HOWARD (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2017**

	Called up share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total equity £
At 1 September 2015	11,250	23,750	13,447	3,419,622	3,468,069
Comprehensive income for the year					
Profit for the year	-	-	-	460,310	460,310
Dividends: Equity capital	-	-	-	(212,621)	(212,621)
At 1 September 2016	11,250	23,750	13,447	3,667,311	3,715,758
Comprehensive income for the year					
Loss for the year	-	-	-	(387,021)	(387,021)
Dividends: Equity capital	-	-	-	(425,905)	(425,905)
At 31 August 2017	11,250	23,750	13,447	2,854,385	2,902,832

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

1. General information

The entity is a private limited liability company, limited by shares and incorporated in England. The registered office is 17-19 Baldock Street, Ware, Hertfordshire, SG12 9DH.

2. Accounting policies**2.1 Basis of preparation of financial statements**

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

The financial statements are prepared in £ sterling, the functional currency, rounded to the nearest £1.

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The company is a wholly owned subsidiary of David Howard (UK) Holdco Limited.

This information is included in the consolidated financial statements of David Howard (UK) Holdco Limited as at 31 August 2017 and these financial statements may be obtained from Companies House.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

2. Accounting policies (continued)

2.3 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 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.
- specifically, revenue from the sale of goods is recognised on receipt of a purchase order which has been fulfilled. Amounts recoverable on such contracts are included in debtors as 'amounts recoverable on contract'.

2.4 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.

2.5 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.

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

2. Accounting policies (continued)

2.7 Debt factoring

The company is party to a finance agreement whereby the company receives advance financing in respect of the company's trade debtor and amounts recoverable on contract. Gross debtors less provisions are included within current assets. Finance received in respect of these debts is recognised in creditors. Interest and charges in respect of providing finance is charged to the Profit and Loss account.

2.8 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.

2.9 Financial instruments

The company 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 of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

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 2017**

2. Accounting policies (continued)

2.9 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 does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.10 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.

2.11 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.

2.12 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'.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

2. Accounting policies (continued)**2.13 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.

2.14 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.

2.15 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.

2.16 Finance leases: the company as lessee

Assets held by the company under leases that transfer to the company substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognised as assets of the company at their fair value at inception of the lease, with the corresponding liability included in creditors as a finance lease obligation.

2.17 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.

2.18 Interest income

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

2.19 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

2. Accounting policies (continued)**2.20 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.

2.21 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 valuation of amounts recoverable on contracts included in debtors, the recoverability of debtors, financial instruments for foreign exchange contracts and tangible asset lives; in particular the useful economic life and residual values. The directors have concluded that the 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 2017**

4. Turnover

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

Analysis of turnover by country of destination:

	2017 £	2016 £
United Kingdom	22,940,944	24,948,038
	<u>22,940,944</u>	<u>24,948,038</u>

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	94,633	95,909
Loss/(profit) on sale of tangible assets	95	(17,482)
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	20,000	21,000
Exchange differences	331,769	25,120
Debt factoring charges	13,878	13,878
Other operating lease rentals	62,633	64,125
Defined contribution pension cost	37,313	34,279
	<u> </u>	<u> </u>

6. Auditors' remuneration

	2017 £	2016 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	20,000	21,000
	<u>20,000</u>	<u>21,000</u>
Fees payable to the company's auditor and its associates in respect of:		
Other services relating to taxation	3,500	3,500
	<u>3,500</u>	<u>3,500</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

7. Employees

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

	2017 £	2016 £
Wages and salaries	2,129,166	2,415,686
Social security costs	211,935	251,219
Cost of defined contribution scheme	37,313	34,279
	<u>2,378,414</u>	<u>2,701,184</u>

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

	2017 No.	2016 No.
Office and management	20	21
Sales and design	55	53
	<u>75</u>	<u>74</u>

8. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	134,622	556,787
Company contributions to defined contribution pension schemes	566	2,570
	<u>135,188</u>	<u>559,357</u>

During the year retirement benefits were accruing to 2 directors (2016 - 7) in respect of defined contribution pension schemes.

9. Interest receivable

	2017 £	2016 £
Other interest receivable	-	18
	<u>-</u>	<u>18</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

10. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	22,656	26,805
Other loan interest payable	42,977	45,526
Finance leases and hire purchase contracts	1,153	1,232
	<u>66,786</u>	<u>73,563</u>

11. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	(28,409)	110,536
Adjustments in respect of previous periods	3,756	(18,164)
Origination and reversal of timing differences	4,140	-
Taxation on (loss)/profit on ordinary activities	<u>(20,513)</u>	<u>92,372</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - lower than) the standard rate of corporation tax in the UK of 19.58% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>(407,534)</u>	<u>552,682</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.58% (2016 - 20%)	(79,799)	110,536
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	2,151	(615)
Capital allowances for year in excess of depreciation	-	4,000
Adjustments to tax charge in respect of prior periods	3,756	(18,164)
Short term timing difference leading to an increase (decrease) in taxation	12,512	(3,385)
Group relief	40,867	-
Total tax charge for the year	<u>(20,513)</u>	<u>92,372</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

12. Dividends

	2017 £	2016 £
Ordinary A shares dividends payable	425,905	212,621
	<u>425,905</u>	<u>212,621</u>

13. Tangible fixed assets

	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 September 2016	160,516	421,921	582,437
Additions	-	30,174	30,174
Disposals	-	(933)	(933)
At 31 August 2017	<u>160,516</u>	<u>451,162</u>	<u>611,678</u>
Depreciation			
At 1 September 2016	32,060	288,816	320,876
Charge for the year on owned assets	19,138	54,504	73,642
Charge for the year on financed assets	20,991	-	20,991
Disposals	-	(638)	(638)
At 31 August 2017	<u>72,189</u>	<u>342,682</u>	<u>414,871</u>
Net book value			
At 31 August 2017	<u>88,327</u>	<u>, 108,480</u>	<u>196,807</u>
At 31 August 2016	<u>128,456</u>	<u>133,105</u>	<u>261,561</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

13. Tangible fixed assets (continued)

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

	2017 £	2016 £
Motor vehicles	39,243	60,234
	<u>39,243</u>	<u>60,234</u>

14. Fixed asset investments

	Other fixed asset investments £
Cost or valuation	
At 1 September 2016	192,197
Additions	6,875
At 31 August 2017	<u>199,072</u>
Net book value	
At 31 August 2017	<u>199,072</u>
At 31 August 2016	<u>192,197</u>

The above investment relates to a life assurance policy and has been valued at 31 August 2017 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 2017.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

15. Debtors

	2017 £	2016 £
Trade debtors (factored debts)	3,728,923	5,923,081
Other debtors	30,386	5,130
Prepayments and accrued income	153,409	169,600
Amounts recoverable on contracts	1,420,363	2,220,280
Financial instruments - foreign exchange contracts	10,662	262,014
	<u>5,343,743</u>	<u>8,580,105</u>

The company is party to a debt factoring agreement with Lloyds Bank Plc ("Lloyds").

Under this factoring agreement, the risks of unpaid debts remain with the company and therefore, all trade debts are included in debtors, net of provisions for bad and doubtful debts.

Proceeds of factored debts are a result of advances from Lloyds and are included in note 17. Proceeds of factored debts also included advances from Lloyds in respect of Amounts recoverable on contract.

16. Cash and cash equivalents

	2017 £	2016 £
Cash at bank and in hand	3,702	3,814
Less: bank overdrafts (note 17)	(408,089)	(186,976)
	<u>(404,387)</u>	<u>(183,162)</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

17. Creditors: Amounts falling due within one year

	2017 £	2016 £
Bank overdrafts (note 16)	408,089	186,976
Trade creditors	612,556	1,805,854
Corporation tax	-	110,536
Other taxation and social security	256,690	315,573
Obligations under finance lease and hire purchase contracts	3,546	16,539
Proceeds of factored debts	1,440,035	2,473,666
Other creditors	6,507	3,095
Accruals and deferred income	75,260	121,102
Financial instruments - foreign exchange contracts	10,662	262,014
	<u>2,813,345</u>	<u>5,295,355</u>

Secured loans

Net obligations under finance leases and hire purchase contracts of £3,546 (2016 - £16,539) are secured on the assets of the company.

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

	2017 £	2016 £
Net obligations under finance leases and hire purchase contracts	12,281	15,837
	<u>12,281</u>	<u>15,837</u>

Secured loans

Net obligations under finance leases and hire purchase contracts of £12,281 (2016 - £15,837) are secured on the assets of the company.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2017 £	2016 £
Within one year	3,546	16,539
Between 1-2 years	3,612	4,043
Between 2-5 years	8,669	11,794
	<u>15,827</u>	<u>32,376</u>

Net obligations under finance leases and hire purchase contracts of £15,827 (2016 - £32,376) are secured on the assets of the company.

20. Deferred taxation

	2017 £	2016 £
At beginning of year	(10,726)	(10,726)
Charged to profit or loss	(4,140)	-
At end of year	<u>(14,866)</u>	<u>(10,726)</u>

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	14,866	10,726
	<u>14,866</u>	<u>10,726</u>

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

21. Share capital

	2017 £	2016 £
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/> 11,250 <hr/>	<hr/> 11,250 <hr/>

The holders of the ordinary shares are entitled to receive dividends and to vote at meetings of the company. All ordinary shares rank equally with regard to the company's residual assets.

22. Reserves**Share premium account**

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 (2016 - £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.

23. 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 in the year represents contributions payable by the company to the fund and amounted £37,313 (2016 - £34,279). No contributions were payable to the fund at either balance sheet date.

DAVID HOWARD (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2017**

24. Commitments under operating leases

At 31 August 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	38,300	64,000
Later than 1 year and not later than 5 years	-	32,000
	<u>38,300</u>	<u>96,000</u>

Since the balance sheet date, the company renewed an existing operating lease commitment, giving rise to new commitments due not later than one year of £24,667, later than 1 year but not later than 5 years of £296,000 and later than 5 years of £197,333. These commitments are not included in the table above.

25. 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.

	2017 £	2016 £
Amounts due to/(from) the company from/(to) related parties:		
Reactor Limited	(309,322)	(429,698)
Transactions during the year:		
Goods acquired from Reactor Limited	<u>1,105,033</u>	<u>1,167,434</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.

26. Controlling party

The immediate and ultimate parent company is David Howard (UK) Holdco Limited due to the ownership of 100% of 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.