

**RED PADDLE CO LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE PERIOD ENDED 31 AUGUST 2020**

**RED PADDLE CO LIMITED**

**COMPANY INFORMATION**

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<b>DIRECTORS</b>	Mr D Hackford (resigned 31 January 2020) Mr J Hibbard Ms H Shears Mr R Tushingham (resigned 31 January 2020)
<b>REGISTERED NUMBER</b>	01371094
<b>REGISTERED OFFICE</b>	Unit B Halwell Business Park Totnes Devon TQ9 7LQ
<b>INDEPENDENT AUDITORS</b>	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 2nd Floor Stratus House Emperor Way Exeter Business Park Exeter EX1 3QS
<b>BANKERS</b>	Santander Milford House Pynes Hill Exeter Devon EX2 5TH

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**STRATEGIC REPORT  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**INTRODUCTION**

The 18 months to August 2020 was an interesting period for the company. The company got off to a strong start. Sales growth was hampered going into the second half of the period, firstly by an element of overstock in the market, but this was expected to be resolved and sales were looking like picking up quickly come the spring/summer season. Unfortunately Covid-19 hit just as we entered this period causing mass cancellations of orders for a few months. We feel the company bounced back very quickly from this and we resumed full operations by early summer to finish at the end of August 2020 in a strong position with a very positive outlook for the new financial year.

**BUSINESS REVIEW**

On a pro-rata basis compared with the previous year, sales decreased 18%, with an EBITDA decrease of 68%. The sales decrease was due to the global overstock seen in late 2019, followed by the cancellation of orders from March 2020 when Covid-19 lockdowns began. Demand increased dramatically from June 2020, but it was not possible for production to meet that demand in a timely manner. The EBITDA decrease appears more dramatic as we made the decision to not drastically reduce spend over this period as we wanted to maintain investment in the growth to come, rather than making a knee-jerk reaction to a shorter-term sales reduction.

EBITDA was also negatively impacted by investment in our Red Original product range, as budgeted. This investment has shown very positive results towards the end of this 18 month period and since.

Covid-19 lockdowns significantly restricted our ability to operate in the usual way, but the whole team reacted positively in adapting the way we work and the way we communicate with trade customers and end users.

We continued to strengthen our focus on excellent customer service with the ambition of being considered a Customer Service market leader still high on the agenda. The emphasis on service, quality and innovation remains key. Our Head of Production continues to maintain strong links with our suppliers to ensure our required high quality is maintained. This is obviously a more difficult task to carry out remotely, but we have made it work.

The patent for our Compact board received final approval late 2020 which is a real testament to the efforts of our design team.

**Red Original**

Since its launch in March 2018 we have seen huge potential in the market for the Red Original products, with our standard focus on quality and performance. This follows a new route to market for us – in addition to selling via our traditional channels of distributor and retailer, it is sold on our own B2C platform. This 18 month period saw strong growth and the start of some of our investment in this brand being proven out. New products were added to the range as the year progressed, and further development and investment continues.

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE PERIOD ENDED 31 AUGUST 2020**

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**PRINCIPAL RISKS AND UNCERTAINTIES**

Covid-19 has introduced a new level of uncertainty across all industries. After the initial impact of order cancellations, the risk has reduced, although we continue to monitor the situation and ensure our strategy is agile. The impact on freight container and availability from China has the most significant impact, but this is largely allayed for the UK market by a strengthening of GBP against USD.

Exchange rate fluctuations continue to impact and introduce a degree of uncertainty to the business. Our products are purchased in US dollars and sold in US dollars and Sterling. The cash impact of any exchange risk is hedged to a large degree by our trade in multi currencies, but there is still a potential impact when our earnings are translated back into Sterling. Our strategy of building a stockholding to cope with seasonal demand has introduced a risk of its own for Red Paddle Co. We buy and sell in US dollars, so there is no obvious exchange risk, however the timing of the purchases and sales are mismatched, leading to potential transactional exchange differences which can impact our Sterling gross profit margin.

The worldwide SUP market continues to be negatively impacted by the number of cheap, lower quality boards available as the barriers to entry at the bottom end of the market are low. However, our constant push for innovation and product improvement; and sharing that message with consumers who increasingly ask for our brand means we are able to look to the future with confidence.

**FINANCIAL KEY PERFORMANCE INDICATORS**

Despite the decrease in sales for the period, margin was improved from the previous year. Overhead costs remained fairly consistent – the board made the decision not to make large overhead cuts in response to the Covid-19 impact on sales as the desire is to continue to invest in people, systems and marketing for the longer term. This is already proving to have been the right decision.

**OTHER KEY PERFORMANCE INDICATORS**

Red Paddle Co's marketing continues to evolve to ensure we are targeting the most relevant consumer base and ultimately converting them to purchase. A focus on the analytics and website user journey is driving a constant web development program. Social Media is a key focus and traffic driven to the website from social media pages has increased by over 200% in the past year. Warranty rates on boards continue to fall year on year which relates to our continuing efforts with design; and working closely with our factories.

This report was approved by the board on 29 March 2021 and signed on its behalf.

**Ms H Shears**  
Director

**DIRECTORS' REPORT  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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The directors present their report and the financial statements for the period ended 31 August 2020.

**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;
- 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.

**RESULTS AND DIVIDENDS**

The profit for the period, after taxation, amounted to £679,048 (2019: £931,180).

No dividends have been proposed since the year end.

**DIRECTORS**

The directors who served during the period were:

Mr D Hackford (resigned 31 January 2020)  
Mr J Hibbard  
Ms H Shears  
Mr R Tushingham (resigned 31 January 2020)

**FUTURE DEVELOPMENTS**

The directors believe the future of the Company's business is that of the principal activity.

**DIRECTORS' REPORT (CONTINUED)  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**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, Bishop Fleming LLP, 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.

**Ms H Shears**

Director

Date: 29 March 2021

Unit B  
Halwell Business Park  
Totnes  
Devon  
TQ9 7LQ

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RED PADDLE CO LIMITED

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**OPINION**

We have audited the financial statements of Red Paddle Co Limited (the 'Company') for the period ended 31 August 2020, which comprise the Statement of income and retained earnings, the Statement of financial position, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 August 2020 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**BASIS FOR OPINION**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 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 and Financial Statements, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.



**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF RED PADDLE CO LIMITED (CONTINUED)**

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

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

- adequate accounting records have not been kept, 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 3, 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.

**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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

USE OF OUR REPORT

This report is made solely to the Company's shareholders 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 shareholders 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 shareholders for our audit work, for this report, or for the opinions we have formed.

Fleur Lewis FCA (Senior statutory auditor)

for and on behalf of

**Bishop Fleming LLP**

Chartered Accountants

Statutory Auditors

2nd Floor Stratus House

Emperor Way

Exeter Business Park

Exeter

EX1 3QS

31 March 2021

**STATEMENT OF INCOME AND RETAINED EARNINGS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

	<b>Note</b>	<b>18 months to 2020 £</b>	<b>2019 £</b>
Turnover	4	<b>14,326,349</b>	11,649,460
Cost of sales		<b>(10,216,818)</b>	(8,172,930)
<b>GROSS PROFIT</b>		<b>4,109,531</b>	3,476,530
Administrative expenses		<b>(3,179,949)</b>	(2,364,911)
<b>OPERATING PROFIT</b>	5	<b>929,582</b>	1,111,619
Interest receivable and similar income	9	<b>22,899</b>	13,535
Interest payable and expenses	10	<b>(187,588)</b>	(122,700)
<b>PROFIT BEFORE TAX</b>		<b>764,893</b>	1,002,454
Tax on profit	11	<b>(85,845)</b>	(71,274)
<b>PROFIT AFTER TAX</b>		<b>679,048</b>	931,180
Retained earnings at the beginning of the period		<b>5,074,766</b>	4,143,586
Profit for the period		<b>679,048</b>	931,180
Dividends declared and paid		<b>(2,500,000)</b>	-
<b>RETAINED EARNINGS AT THE END OF THE PERIOD</b>		<b>3,253,814</b>	5,074,766

The notes on pages 15 to 29 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 AUGUST 2020**

		31 August 2020 £	28 February 2019 £
	Note		
<b>FIXED ASSETS</b>			
Intangible assets	13	20,925	15,647
Tangible assets	14	245,718	255,036
		<u>266,643</u>	<u>270,683</u>
<b>CURRENT ASSETS</b>			
Stocks	15	1,069,392	3,770,726
Debtors: amounts falling due within one year	16	513,884	2,209,413
Cash at bank and in hand	17	4,702,164	664,884
		<u>6,285,440</u>	<u>6,645,023</u>
Creditors: amounts falling due within one year	18	(3,275,168)	(1,811,701)
		<u>3,010,272</u>	<u>4,833,322</u>
<b>NET CURRENT ASSETS</b>			
		<u>3,276,915</u>	<u>5,104,005</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
Creditors: amounts falling due after more than one year	19	(3,047)	(10,802)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred tax	21	(19,954)	(18,337)
		<u>(19,954)</u>	<u>(18,337)</u>
<b>NET ASSETS</b>			
		<u>3,253,914</u>	<u>5,074,866</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	22	100	100
Profit and loss account	23	3,253,814	5,074,766
		<u>3,253,914</u>	<u>5,074,866</u>

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

**Ms H Shears**  
 Director

Date: 29 March 2021

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 AUGUST 2020**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 March 2019	100	5,074,766	5,074,866
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>			
Profit for the period	-	679,048	679,048
Dividends: Equity capital	-	(2,500,000)	(2,500,000)
<b>TOTAL TRANSACTIONS WITH OWNERS</b>	-	(2,500,000)	(2,500,000)
<b>AT 31 AUGUST 2020</b>	<b>100</b>	<b>3,253,814</b>	<b>3,253,914</b>

The notes on pages 15 to 29 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 28 FEBRUARY 2019**

	<b>Called up share capital</b>	<b>Profit and loss account</b>	<b>Total equity</b>
	<b>£</b>	<b>£</b>	<b>£</b>
At 1 March 2018	100	4,143,586	4,143,686
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>			
Profit for the year	-	931,180	931,180
<b>AT 28 FEBRUARY 2019</b>	<b>100</b>	<b>5,074,766</b>	<b>5,074,866</b>

The notes on pages 15 to 29 form part of these financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 AUGUST 2020**

	<b>31 August 2020 £</b>	<b>28 February 2019 £</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year	<b>679,048</b>	931,180
<b>ADJUSTMENTS FOR:</b>		
Depreciation of tangible assets	<b>91,143</b>	45,927
Loss on disposal of tangible assets	<b>2,279</b>	-
Interest paid	<b>187,588</b>	122,700
Interest received	<b>(22,899)</b>	(13,535)
Taxation charge	<b>85,845</b>	71,274
Decrease/(increase) in stocks	<b>2,701,334</b>	(208,269)
Decrease in debtors	<b>305,711</b>	157,484
Decrease in amounts owed by groups	<b>1,389,818</b>	218,072
Increase/(decrease) in creditors	<b>153,087</b>	(1,047,857)
Increase in amounts owed to groups	<b>1,291,095</b>	40,324
Corporation tax (paid)	<b>(69,345)</b>	(69,690)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>6,794,704</b>	247,610
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of intangible fixed assets	<b>(15,372)</b>	(13,127)
Purchase of tangible fixed assets	<b>(81,055)</b>	(48,870)
Sale of tangible fixed assets	<b>7,045</b>	-
Interest received	<b>22,899</b>	13,535
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>(66,483)</b>	(48,462)

**STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE PERIOD ENDED 31 AUGUST 2020**

	<b>31 August 2020 £</b>	28 February 2019 £
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of/new finance leases	(3,353)	18,976
Dividends paid	(2,500,000)	-
Interest paid	(187,588)	(122,700)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(2,690,941)</b>	<b>(103,724)</b>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,037,280</b>	<b>95,424</b>
Cash and cash equivalents at beginning of period	<b>664,884</b>	569,460
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD</b>	<b><u>4,702,164</u></b>	<b><u>664,884</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF PERIOD COMPRISE:</b>		
Cash at bank and in hand	<b>4,702,164</b>	664,884
	<b><u>4,702,164</u></b>	<b><u>664,884</u></b>



**ANALYSIS OF NET DEBT  
FOR THE PERIOD ENDED 31 AUGUST 2020**


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	At 1 March 2019 £	Cash flows £	New finance leases £	At 31 August 2020 £
Cash at bank and in hand	664,884	4,037,280	-	4,702,164
Finance leases	(18,976)	-	3,353	(15,623)
	<u>645,908</u>	<u>4,037,280</u>	<u>3,353</u>	<u>4,686,541</u>

The notes on pages 15 to 29 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**1. ACCOUNTING POLICIES**

**1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

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

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

The following principal accounting policies have been applied:

**1.2 REVENUE**

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

**Sale of goods**

Revenue 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 revenue 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.

**1.3 INTANGIBLE ASSETS**

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

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

The estimated useful lives range as follows:

Website	-	4	years
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**1.4 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**1. ACCOUNTING POLICIES (continued)**

**1.4 TANGIBLE FIXED ASSETS (CONTINUED)**

Depreciation is provided on the following basis:

Short-term leasehold property	-	10%	Straight line
Plant and machinery	-	25%	Straight line
Motor vehicles	-	25%	Straight line
Fixtures and fittings	-	20%	- 25% Straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'administrative expenses' in the Statement of Income and Retained Earnings.

**1.5 OPERATING LEASES: THE COMPANY AS LESSEE**

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

**1.6 STOCKS**

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

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

**1.7 DEBTORS**

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

**1.8 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.

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

**1.9 FINANCIAL INSTRUMENTS**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in 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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**1. ACCOUNTING POLICIES (continued)**

**1.9 FINANCIAL INSTRUMENTS (CONTINUED)**

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 in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

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 income and retained earnings.

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 reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position 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.

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.

**1.10 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020

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1. ACCOUNTING POLICIES (continued)

1.11 FOREIGN CURRENCY TRANSLATION

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss 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 income and retained earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

1.12 FINANCE COSTS

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

1.13 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.

1.14 PENSIONS

**DEFINED CONTRIBUTION PENSION PLAN**

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

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

1.15 INTEREST INCOME

Interest income is recognised in profit or loss using the effective interest method.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**1. ACCOUNTING POLICIES (continued)**

**1.16 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 profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position 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 Statement of financial position.

**1.17 CURRENT AND DEFERRED TAXATION**

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

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

**1.18 RESEARCH AND DEVELOPMENT**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**2. GENERAL INFORMATION**

The company is limited by shares, incorporated in England within the United Kingdom. The address of the registered office is given in the company information page of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

3.

**JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Key Accounting Estimates and Assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management do not consider there to be estimates or assumptions that pose a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. **TURNOVER**

The whole of the turnover is attributable to the design, production and sale of stand up paddle boards and associated goods.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	3,586,055	3,717,161
Rest of the world	10,740,294	7,932,299
	<u>14,326,349</u>	<u>11,649,460</u>

5. **OPERATING PROFIT**

The operating profit is stated after charging:

	2020 £	2019 £
Research & development charged as an expense	70,220	51,333
Depreciation of tangible fixed assets	80,955	42,975
Amortisation of intangible assets, including goodwill	10,094	2,952
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	8,650	8,375
Exchange differences	62,821	29,988
Operating lease rentals	57,783	38,467
Defined contribution pension cost	<u>38,768</u>	<u>23,739</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

**6. AUDITORS' REMUNERATION**

	2020 £	2019 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>8,650</u>	<u>8,375</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

**7. EMPLOYEES**

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

	2020 £	2019 £
Wages and salaries	1,131,542	745,197
Social security costs	150,592	75,019
Cost of defined contribution scheme	38,768	23,739
	<u>1,320,902</u>	<u>843,955</u>

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

	2020 No.	2019 No.
Employees	<u>23</u>	<u>21</u>

**8. DIRECTORS' REMUNERATION**

	2020 £	2019 £
Directors' emoluments	404,210	206,408
Company contributions to defined contribution pension schemes	16,159	8,144
	<u>420,369</u>	<u>214,552</u>

During the period retirement benefits were accruing to 2 directors (2019: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £235,527 (2019: £147,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,930 (2019: £772).



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020

9. INTEREST RECEIVABLE

	2020 £	2019 £
Other interest receivable	22,899	13,535
	<u>22,899</u>	<u>13,535</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £	2019 £
Loans from group undertakings	187,588	122,700
	<u>187,588</u>	<u>122,700</u>

11. TAXATION

	2020 £	2019 £
<b>CORPORATION TAX</b>		
Current tax on profits for the year	84,228	71,250
<b>TOTAL CURRENT TAX</b>	<u>84,228</u>	<u>71,250</u>
<b>DEFERRED TAX</b>		
Origination and reversal of timing differences	1,617	24
<b>TOTAL DEFERRED TAX</b>	<u>1,617</u>	<u>24</u>
<b>TAXATION ON PROFIT ON ORDINARY ACTIVITIES</b>	<u>85,845</u>	<u>71,274</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

**11. TAXATION (CONTINUED)**

**FACTORS AFFECTING TAX CHARGE FOR THE PERIOD/YEAR**

The tax assessed for the period is lower than (2019: lower than) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	<u><b>764,893</b></u>	<u>1,002,454</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	<b>145,330</b>	190,466
<b>EFFECTS OF:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>5,176</b>	531
Capital allowances for period/year in excess of depreciation	-	(42,510)
Patent box additional deduction	<b>(17,137)</b>	(20,456)
Fixed asset differences	<b>2,533</b>	2,731
Additional deduction for R&D expenditure	<b>(47,140)</b>	-
Adjustments to tax charge in respect of prior periods	<b>(1,900)</b>	-
Adjust opening deferred tax to average rate	<b>2,157</b>	2,155
Adjusting closing deferred tax to average rate	-	(2,157)
Group relief	<b>(3,174)</b>	(59,486)
<b>TOTAL TAX CHARGE FOR THE PERIOD/YEAR</b>	<u><b>85,845</b></u>	<u>71,274</u>

**12. DIVIDENDS**

	<b>31 August</b>	<b>28 February</b>
	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Dividends paid	<b>2,500,000</b>	-
	<u><b>2,500,000</b></u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020

13. INTANGIBLE ASSETS

	Website costs £
<b>COST</b>	
At 1 March 2019	18,599
Additions	15,372
	<hr/>
At 31 August 2020	33,971
	<hr/>
<b>AMORTISATION</b>	
At 1 March 2019	2,952
Charge for the period on owned assets	10,094
	<hr/>
At 31 August 2020	13,046
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 August 2020	<u>20,925</u>
At 28 February 2019	<u>15,647</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020

## 14. TANGIBLE FIXED ASSETS

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>COST OR VALUATION</b>					
At 1 March 2019	216,503	20,223	27,848	74,404	338,978
Additions	10,979	32,994	13,027	24,055	81,055
Disposals	(3,905)	-	-	(5,513)	(9,418)
At 31 August 2020	223,577	53,217	40,875	92,946	410,615
<b>DEPRECIATION</b>					
At 1 March 2019	39,682	13,277	4,641	26,342	83,942
Charge for the period on owned assets	32,793	4,627	-	32,787	70,207
Charge for the period on financed assets	-	-	12,075	-	12,075
Disposals	(417)	-	-	(910)	(1,327)
At 31 August 2020	72,058	17,904	16,716	58,219	164,897
<b>NET BOOK VALUE</b>					
At 31 August 2020	<u>151,519</u>	<u>35,313</u>	<u>24,159</u>	<u>34,727</u>	<u>245,718</u>
At 28 February 2019	<u>176,821</u>	<u>6,946</u>	<u>23,207</u>	<u>48,062</u>	<u>255,036</u>

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

	31 August 2020 £	28 February 2019 £
Motor vehicles	24,159	23,207
	<u>24,159</u>	<u>23,207</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

**15. STOCKS**

	<b>31 August 2020 £</b>	28 February 2019 £
Finished goods and goods for resale	1,069,392	3,770,726
	<u>1,069,392</u>	<u>3,770,726</u>

**16. DEBTORS**

	<b>31 August 2020 £</b>	28 February 2019 £
Trade debtors	170,393	394,607
Amounts owed by group undertakings	277,502	1,667,320
Other debtors	-	85,748
Prepayments and accrued income	65,989	61,738
	<u>513,884</u>	<u>2,209,413</u>

**17. CASH AND CASH EQUIVALENTS**

	<b>31 August 2020 £</b>	28 February 2019 £
Cash at bank and in hand	4,702,164	664,884
	<u>4,702,164</u>	<u>664,884</u>

**18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>31 August 2020 £</b>	28 February 2019 £
Trade creditors	304,495	98,190
Amounts owed to group undertakings	2,532,842	1,241,747
Corporation tax	86,133	71,250
Other taxation and social security	67,470	29,597
Obligations under finance lease and hire purchase contracts	12,576	8,174
Other creditors	195,914	130,474
Accruals and deferred income	75,738	232,269
	<u>3,275,168</u>	<u>1,811,701</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>31 August 2020 £</b>	28 February 2019 £
Net obligations under finance leases and hire purchase contracts	<b>3,047</b>	10,802
	<u><b>3,047</b></u>	<u>10,802</u>

**20. HIRE PURCHASE AND FINANCE LEASES**

Minimum lease payments under hire purchase fall due as follows:

	<b>31 August 2020 £</b>	28 February 2019 £
Within one year	<b>12,576</b>	8,174
Between 1-5 years	<b>3,047</b>	10,802
	<u><b>15,623</b></u>	<u>18,976</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020

**21. DEFERRED TAXATION**

	<b>2020</b> <b>£</b>
At beginning of year	(18,337)
Charged to the profit or loss	(1,617)
	<u>          </u>
<b>AT END OF YEAR</b>	<b><u>          </u></b> <b><u>(19,954)</u></b>

The provision for deferred taxation is made up as follows:

	<b>31 August</b> <b>2020</b> <b>£</b>	28 February 2019 £
Accelerated capital allowances	(19,954)	(18,337)
	<u>          </u>	<u>          </u>
	<b><u>(19,954)</u></b>	<b><u>(18,337)</u></b>

**22. SHARE CAPITAL**

	<b>31 August</b> <b>2020</b> <b>£</b>	28 February 2019 £
<b>ALLOTTED, CALLED UP AND FULLY PAID</b>		
100 (2019: 100) Ordinary shares of £1.00 each	<u>          </u> <b>100</b>	<u>          </u> <b>100</b>

**23. RESERVES****Profit and loss account**

Includes all current and prior period retained profits and losses.

**24. PENSION COMMITMENTS**

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £38,768 (2019: £23,739).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 AUGUST 2020**

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**25. COMMITMENTS UNDER OPERATING LEASES**

At 31 August 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>31 August 2020 £</b>	28 February 2019 £
Not later than 1 year	<b>37,800</b>	37,800
Later than 1 year and not later than 5 years	<b>22,050</b>	78,750
	<u><b>59,850</b></u>	<u>116,550</u>

**26. RELATED PARTY TRANSACTIONS**

During the year a close family member of a director of the parent company was employed by the company. Remuneration in the range of £35,000 - £40,000 was paid through payroll in the year.

**Key Management Personnel**

The Company directors are the key management personnel. Their remuneration has been disclosed in note 6.

**27. CONTROLLING PARTY**

The company is controlled by Vian Marketing Limited, which is the only company in which the results of the company are consolidated. Consolidated financial statements are available to the public and may be obtained from the Registrar of Companies, Crown Way, Maindy, Cardiff.



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