

RED PADDLE CO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2021

RED PADDLE CO LIMITED

COMPANY INFORMATION

DIRECTORS	Mr J Hibbard Ms H Shears
REGISTERED NUMBER	01371094
REGISTERED OFFICE	Unit B Halwell Business Park Totnes Devon TQ9 7LQ
INDEPENDENT AUDITORS	Bishop Fleming LLP Chartered Accountants & Statutory Auditors 2nd Floor Stratus House Emperor Way Exeter Business Park Exeter EX1 3QS
BANKERS	Santander Milford House Pynes Hill Exeter Devon EX2 5TH

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**STRATEGIC REPORT
FOR THE YEAR ENDED 31 AUGUST 2021**

INTRODUCTION

Last years report summarised that 'after a difficult period navigating the impact of Covid-19, we feel the whole group finished at the end of August 2020 in a strong position with a very positive outlook for the new financial year commencing 1st September 2020'. That was certainly the case for 2021. The group has had a very strong year, both in terms of finances and also the Red brand's position in the market. We have recovered strongly from the Covid-19 impact, and are exceeding performance levels anticipated in previous long term plans.

BUSINESS REVIEW

On a pro-rata basis compared with the previous 18 month period, sales increased by 58%. The large percentage increase was partly due to coming from a Covid-19 impacted period, but also in a significant part due to a renewed positivity and demand for products across all regions and channels – global distributors, UK and Australian retailers, and D2C.

The Red Original range of products made a strong contribution to the sales and profit uplift, and has gained significant traction in its target markets. Our product development and investment in this brand continues.

Gross profit remained at 29% despite significant increases in shipping costs incurred, meaning our underlying product margin increased.

Again on a pro rata basis compared to the previous 18 month period, operating profit increased 245%. This is due to our strategy of resisting any dramatic cuts to overheads through the Covid-19 impacted period, so that the group was ready to take advantage of the subsequent uplift. Also Red Original moving from an investment phase into a profit contribution phase .

The Covid-19 restrictions continued to restrict 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 from the start. This has now resulted in some new working practices that in many parts will be adopted into standard processes going forward.

We continued to strengthen our focus on excellent customer service across the group, 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.

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

PRINCIPAL RISKS AND UNCERTAINTIES

Covid-19 introduced a new level of uncertainty across all industries. After the initial impact in March – August 2020, the level of risk to us has fallen significantly. The main impact in this year and ongoing is the increased cost of freight containers and the availability of shipping from China. From a margin point of view this impact was partly offset by a strengthened GBP vs USD. We continue to monitor the situation and ensure our approach to trading is agile.

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 within the wider group. 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. Internationally, we buy and sell in US dollar, so there is no obvious exchange risk, however the timing of the purchases and sales can be mis-matched, leading to potential transactional exchange differences which can impact our Sterling gross profit margin. The improved system of forecasting and pre-ordering by distributors has allowed us to plan production in a way that stock holding is minimised, thus reducing any impact.

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 considerable confidence. Our strategy continues to be to produce high quality products that offer excellent performance and value for money backed up by great service.

FINANCIAL KEY PERFORMANCE INDICATORS

Sales have increased significantly and margins remained constant, despite significant import carriage increases. Board numbers sales increased in quantity, as did sales of our Red Original key product – the Pro Change robe.

Warranty rates remained low and well within our target.

This report was approved by the board on 12 November 2021 and signed on its behalf.

Mr J Hibbard
Director

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 AUGUST 2021**

The directors present their report and the financial statements for the year ended 31 August 2021.

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 year, after taxation, amounted to £1,246,512 (2020:£679,048).

DIRECTORS

The directors who served during the year were:

Mr J Hibbard
Ms H Shears

FUTURE DEVELOPMENTS

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

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.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021**

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: 12 November 2021

Unit B
Halwell Business Park
Totnes
Devon
TQ9 7LQ

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

OPINION

We have audited the financial statements of Red Paddle Co Limited (the 'Company') for the year ended 31 August 2021, 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 2021 and of its profit 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 MEMBERS OF RED PADDLE CO LIMITED (CONTINUED)

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 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 set out 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance;
- the results of our enquiries of management and the directors about their own identification and assessment of the risk of irregularities;
- any matters we identified having obtained and reviewed the Company's documentation of its policies and procedures relating to:
 - o identifying, evaluating, and complying with laws and regulations and whether management were aware of any instances of non-compliance;
 - o detecting and responding to the risk of fraud and whether management had knowledge of actual, suspected, or alleged fraud; and
 - o the internal controls established to mitigate the risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud, which included incorrect recognition of revenue, management override of controls using manual journal entries, and these were identified as the greatest potential area for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Financial Reporting Standard 102, UK tax legislation and overseas tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company ability to operate or to avoid a material penalty. These included data protection regulations, health and safety regulations, environmental legislations and employment legislation.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- reviewing the financial statement disclosures and testing to supporting documentation to assess the recognition of revenue;
- enquiring of management and the directors concerning actual and potential litigation claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement or fraud;

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

- reading minutes of meetings of management and directors and reviewing correspondence with external parties;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.
- communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from an error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

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

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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.

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

19 November 2021

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 AUGUST 2021**

	Note	2021 £	18 months to 31 August 2020 £
Turnover		15,161,441	14,326,349
Cost of sales		(10,727,730)	(10,082,918)
Gross profit		4,433,711	4,243,431
Administrative expenses		(2,915,612)	(3,313,849)
Operating profit		1,518,099	929,582
Interest receivable and similar income		1,229	22,899
Interest payable and similar expenses		(22,664)	(187,588)
Profit before tax		1,496,664	764,893
Tax on profit		(250,152)	(85,845)
Profit after tax		1,246,512	679,048
Retained earnings at the beginning of the year		3,253,814	5,074,766
		3,253,814	5,074,766
Profit for the year		1,246,512	679,048
Dividends declared and paid		-	(2,500,000)
Retained earnings at the end of the year		4,500,326	3,253,814

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2021

	Note	2021 £	2020 £
Fixed assets			
Intangible assets	13	111,093	20,925
Tangible assets	14	196,923	245,718
		<u>308,016</u>	<u>266,643</u>
Current assets			
Stocks	15	3,225,736	1,069,392
Debtors: amounts falling due within one year	16	2,237,636	513,884
Cash at bank and in hand	17	1,071,985	4,702,164
		<u>6,535,357</u>	<u>6,285,440</u>
Creditors: amounts falling due within one year	18	(2,319,944)	(3,275,168)
Net current assets		<u>4,215,413</u>	<u>3,010,272</u>
Total assets less current liabilities		<u>4,523,429</u>	<u>3,276,915</u>
Creditors: amounts falling due after more than one year	19	-	(3,047)
Provisions for liabilities			
Deferred tax	21	(8,003)	(19,954)
Other provisions	22	(15,000)	-
		<u>(23,003)</u>	<u>(19,954)</u>
Net assets		<u><u>4,500,426</u></u>	<u><u>3,253,914</u></u>
Capital and reserves			
Called up share capital	23	100	100
Profit and loss account	24	4,500,326	3,253,814
		<u><u>4,500,426</u></u>	<u><u>3,253,914</u></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: 12 November 2021

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 AUGUST 2021**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 March 2019	100	5,074,766	5,074,866
Comprehensive income for the year			
Profit for the year	-	679,048	679,048
Dividends: Equity capital	-	(2,500,000)	(2,500,000)
At 1 September 2020	100	3,253,814	3,253,914
Comprehensive income for the year			
Profit for the year	-	1,246,512	1,246,512
At 31 August 2021	100	4,500,326	4,500,426

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2021

	2021 £	2020 £
Cash flows from operating activities		
Profit for the financial year	1,246,512	679,048
Adjustments for:		
Amortisation of intangible assets	11,705	-
Depreciation of tangible assets	65,340	91,143
Loss on disposal of tangible assets	19,050	2,279
Interest paid	22,664	187,588
Interest received	(1,229)	(22,899)
Taxation charge	250,152	85,845
(Increase)/decrease in stocks	(2,156,344)	2,701,334
(Increase)/decrease in debtors	(449,549)	305,711
(Increase)/decrease in amounts owed by groups	(1,274,203)	1,389,818
Increase in creditors	1,406,869	153,087
(Decrease)/increase in amounts owed to groups	(2,532,842)	1,291,095
Increase in provisions	15,000	-
Corporation tax (paid)	(86,074)	(69,345)
Net cash generated from operating activities	(3,462,949)	6,794,704
Cash flows from investing activities		
Purchase of intangible fixed assets	(114,047)	(15,372)
Purchase of tangible fixed assets	(23,475)	(81,055)
Sale of tangible fixed assets	-	7,045
Interest received	1,229	22,899
Net cash from investing activities	(136,293)	(66,483)
Cash flows from financing activities		
Repayment of/new finance leases	(8,273)	(3,353)
Dividends paid	-	(2,500,000)
Interest paid	(22,664)	(187,588)
Net cash used in financing activities	(30,937)	(2,690,941)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2021

	2021 £	2020 £
Net (decrease)/increase in cash and cash equivalents	(3,630,179)	4,037,280
Cash and cash equivalents at beginning of year	4,702,164	664,884
Cash and cash equivalents at the end of year	<u>1,071,985</u>	<u>4,702,164</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,071,985	4,702,164
	<u>1,071,985</u>	<u>4,702,164</u>

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

**ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 AUGUST 2021**

	At 1 September 2020 £	Cash flows £	At 31 August 2021 £
Cash at bank and in hand	4,702,164	(3,630,179)	1,071,985
Finance leases	(15,623)	8,273	(7,350)
	<u>4,686,541</u>	<u>(3,621,906)</u>	<u>1,064,635</u>

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

1. 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.

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 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 GOING CONCERN

The Directors have considered the risks in relation to the COVID-19 pandemic as detailed in the Strategic Report. The business has sufficient financial reserves to withstand a short-term closure and the associated losses that this might reasonably be expected to result in. Red Paddle Co has, thus far, maintained operations throughout the pandemic with minimal disruptions to supply and has actually increased sale distribution during this period. On this basis the directors do not consider the COVID-19 have an impact on the going concern status of the Company.

The Directors have prepared forecasts that show that the company will be able to met its debts as they fall due over the next 12 months. On this basis, the Directors have prepared the accounts on the going concern basis.

2.3 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

2. ACCOUNTING POLICIES (continued)

2.4 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.

2.5 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.

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.

2.6 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.

2.7 INTEREST INCOME

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

2.8 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

2. ACCOUNTING POLICIES (continued)

2.9 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.

2.10 CURRENT AND DEFERRED TAXATION

The tax expense for the year 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.

2.11 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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2.12 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 YEAR ENDED 31 AUGUST 2021**

2. ACCOUNTING POLICIES (continued)

2.12 TANGIBLE FIXED ASSETS (CONTINUED)

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:

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 in profit or loss.

2.13 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.

2.14 DEBTORS

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

2.15 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.

2.16 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 YEAR ENDED 31 AUGUST 2021

2. ACCOUNTING POLICIES (continued)

2.17 PROVISIONS FOR LIABILITIES

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

Provisions are charged as an expense to 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.

2.18 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.

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.

2.19 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.

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.

Stock

The carrying amounts of the Company's stock is reviewed for impairment where events or changes in circumstances indicate that the carrying amount of the stock may not be recoverable. Judgement is applied to identify any indications of impairment. If any such indication exists, the stock recoverable amount is estimated. An impairment or write-off loss is recognised in the profit and loss account. At the year-end a % of stock is provided against on this basis and this is determined by historical information available.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

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:

	2021 £	2020 £
United Kingdom	4,383,811	3,586,055
Rest of the world	10,777,630	10,740,294
	<u>15,161,441</u>	<u>14,326,349</u>

5. OPERATING PROFIT

The operating profit is stated after charging:

	2021 £	2020 £
Exchange differences	(217,664)	62,821
Other operating lease rentals	38,574	57,783
Depreciation of tangible fixed assets	49,631	80,955
Amortisation of intangible assets, including goodwill	11,705	10,094
Defined contribution pension cost	<u>37,724</u>	<u>38,768</u>

6. AUDITORS' REMUNERATION

	2021 £	2020 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>9,995</u>	<u>8,650</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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

7. EMPLOYEES

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

	2021 £	2020 £
Wages and salaries	1,249,902	1,130,135
Social security costs	161,869	150,592
Cost of defined contribution scheme	37,724	38,768
	<u>1,449,495</u>	<u>1,319,495</u>

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

	2021 No.	2020 No.
	<u>27</u>	<u>23</u>
Employees		

8. DIRECTORS' REMUNERATION

	2021 £	2020 £
Directors' emoluments	460,838	402,803
Company contributions to defined contribution pension schemes	18,466	16,159
	<u>479,304</u>	<u>418,962</u>

During the year retirement benefits were accruing to 2 directors (2020: 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £245,419 (2020:£235,527).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £1,316 (2020:£1,930).

9. INTEREST RECEIVABLE

	2021 £	2020 £
Other interest receivable	1,229	22,899
	<u>1,229</u>	<u>22,899</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2021 £	2020 £
Loans from group undertakings	22,664	187,588
	<u>22,664</u>	<u>187,588</u>

11. TAXATION

	2021 £	2020 £
CORPORATION TAX		
Current tax on profits for the year	259,688	84,228
Adjustments in respect of previous periods	2,415	-
	<u>262,103</u>	<u>84,228</u>
TOTAL CURRENT TAX	<u>262,103</u>	<u>84,228</u>
DEFERRED TAX		
Origination and reversal of timing differences	(18,252)	(540)
Changes to tax rates	6,301	2,157
TOTAL DEFERRED TAX	<u>(11,951)</u>	<u>1,617</u>
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>250,152</u>	<u>85,845</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2020: lower than) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>1,496,664</u>	<u>764,893</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	284,366	145,330
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	738	5,176
Fixed asset differences	2,084	2,533
Patent box additional deduction	(13,353)	(17,137)
Adjustments to tax charge in respect of prior periods	2,415	(1,900)
Additional deduction for R&D expenditure	(28,020)	(47,140)
Adjust opening deferred tax to average rate	1,922	2,157
Group relief	-	(3,174)
TOTAL TAX CHARGE FOR THE YEAR	<u>250,152</u>	<u>85,845</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

In the Spring 2021 Budget the government announced that companies with a profit of greater than £250k would be subject to corporation tax rate of 25% from April 2023, companies with profits less than £50k would still be subject to the 19% rate. This change forms part of the Finance Bill and was substantively

enacted in March 2021.

12. DIVIDENDS

	2021 £	2020 £
Dividends paid	-	2,500,000
	<u>-</u>	<u>2,500,000</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

13. INTANGIBLE ASSETS

	Website £
COST	
At 1 September 2020	33,971
Additions	114,047
Disposals	(24,480)
	<hr/>
At 31 August 2021	123,538
	<hr/>
AMORTISATION	
At 1 September 2020	13,046
Charge for the year on owned assets	11,705
On disposals	(12,306)
	<hr/>
At 31 August 2021	12,445
	<hr/>
NET BOOK VALUE	
At 31 August 2021	<u>111,093</u>
At 31 August 2020	<u>20,925</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021

14. TANGIBLE FIXED ASSETS

	Short-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
COST OR VALUATION					
At 1 September 2020	223,577	53,217	40,875	92,946	410,615
Additions	3,785	-	-	19,690	23,475
Disposals	-	(2,296)	-	(14,200)	(16,496)
At 31 August 2021	227,362	50,921	40,875	98,436	417,594
DEPRECIATION					
At 1 September 2020	72,058	17,904	16,716	58,219	164,897
Charge for the year on owned assets	23,248	15,866	-	20,254	59,368
Charge for the year on financed assets	-	-	8,761	-	8,761
Disposals	-	(338)	-	(12,017)	(12,355)
At 31 August 2021	95,306	33,432	25,477	66,456	220,671
NET BOOK VALUE					
At 31 August 2021	132,056	17,489	15,398	31,980	196,923
At 31 August 2020	151,519	35,313	24,159	34,727	245,718

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

	2021 £	2020 £
Motor vehicles	15,398	24,159
	<u>15,398</u>	<u>24,159</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

15. STOCKS

	2021 £	2020 £
Finished goods and goods for resale	3,225,736	1,069,392
	<u>3,225,736</u>	<u>1,069,392</u>

16. DEBTORS

	2021 £	2020 £
Trade debtors	120,708	71,986
Amounts owed by group undertakings	1,551,705	277,502
Other debtors	291	-
Prepayments and accrued income	564,932	164,396
	<u>2,237,636</u>	<u>513,884</u>

17. CASH AND CASH EQUIVALENTS

	2021 £	2020 £
Cash at bank and in hand	1,071,985	4,702,164
	<u>1,071,985</u>	<u>4,702,164</u>

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021 £	2020 £
Trade creditors	787,353	304,495
Amounts owed to group undertakings	-	2,532,842
Corporation tax	262,108	86,133
Other taxation and social security	456,761	67,470
Obligations under finance lease and hire purchase contracts	7,350	12,576
Other creditors	394,296	195,914
Accruals and deferred income	412,076	75,738
	<u>2,319,944</u>	<u>3,275,168</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

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

	2021 £	2020 £
Net obligations under finance leases and hire purchase contracts	-	3,047
	<u>-</u>	<u>3,047</u>

20. HIRE PURCHASE AND FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	2021 £	2020 £
Within one year	7,350	12,576
Between 1-5 years	-	3,047
	<u>7,350</u>	<u>15,623</u>

21. DEFERRED TAXATION

	2021 £
At beginning of year	(19,954)
Charged to profit or loss	11,951
AT END OF YEAR	<u>(8,003)</u>

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	(8,003)	(19,954)
	<u>(8,003)</u>	<u>(19,954)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

22. PROVISIONS

	Warranty provision £
Charged to profit or loss	15,000
AT 31 AUGUST 2021	15,000

23. SHARE CAPITAL

	2021 £	2020 £
ALLOTTED, CALLED UP AND FULLY PAID		
100 (2020:100) Ordinary shares of £1.00 each	100	100

24. RESERVES

Profit and loss account

Includes all current and prior period retained profits and losses.

25. 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 £37,724 (2020: £38,768). Contributions totalling £13,548 (2020: £4,530) were payable to the fund at the reporting date and are included in creditors.

26. COMMITMENTS UNDER OPERATING LEASES

At 31 August 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	22,050	37,800
Later than 1 year and not later than 5 years	-	22,050
	22,050	59,850

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2021**

27. 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 £65,000 - £70,000 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 7.

28. POST BALANCE SHEET EVENTS

On 1 September 2021 Tushingham Sales Limited transferred trade and assets to Red Paddle Co Limited for a consideration of £170,940. The trade transferred represents the distribution of the Red brand products to the UK market.

29. 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.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.