

SUNSPEL LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 JANUARY 2020



SUNSPEL LIMITED

COMPANY INFORMATION

Directors	N M Brooke C D Hazlehurst (resigned 2 April 2020)
Company secretary	N M Brooke
Registered number	01781094
Registered office	Norman House Friar Gate Derby DE1 1NU
Trading Address	Cavendish House Canal Street Long Eaton Nottingham NG10 4HP
Independent auditor	Cooper Parry Group Limited Chartered Accountants & Statutory Auditor Sky View Argosy Road East Midlands Airport Castle Donington Derby DE74 2SA

SUNSPEL LIMITED

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SUNSPEL LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 JANUARY 2020

Principal activity

The company's principal activity during the year was the retail, wholesale and manufacture of men's and women's luxury clothing and accessories.

Business review

The company performed well during the year, growing turnover from £12.4m to £14.6m (+18%). Growth was spread across all channels with Online +17% on the prior year.

Principal risks and uncertainties

The principal risks and uncertainties for the company include those arising from Brexit, including higher costs due to fluctuating exchange rates, administrative fees for customs paperwork, potential delays to both imports and exports, and reduced consumer spending. The business is in the fortunate position that the vast majority of its products are manufactured in either the EU or the UK, and as such does not face material tariff costs or the need for logistical changes to avoid duties under the trade agreement which came into force on 1st January 2021.

The company benefits from having natural hedges in place through the operation of foreign currency bank accounts and foreign wholesale and online receipts.

Financial key performance indicators

The key performance indicators monitored by the business include:

Turnover – the company achieved an increase of 18% in the year

Stock level – the average stock level for the year was £3m (2019: £2.4m)

Stock turn – remained flat versus last year at 1.9

Profit – the company's EBITDA before exceptionals increased to £1,717k (2019: £1,060k)

Post balance sheet event - Coronavirus

Subsequent to the year end there has been an outbreak of Coronavirus which has developed into a global pandemic. The retail side of the business is classed as a non essential retail and post year end has at times been forced to close as part of the measures enforced by the government to manage the spread of the virus in the UK.

The company has continued to trade through its online platform during this time and through safe working practices has continued to operate both the factory and the warehouse throughout the pandemic. The company has accessed support made available by the government in the form of grants connected to retail properties, business rates holidays and payments in respect of employees who were furloughed. The directors are pleased with the performance of the business through this period of uncertainty and forecasts show a continuation of strong EBITDA generation.

As with most businesses there will be short term practical difficulties which the directors are managing closely. Further details of the potential impacts have been discussed in note 1.2 to these financial statements.

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

DocuSigned by:

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N M Brooke
Director

Date: 29 January 2021

SUNSPEL LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2020

The directors present their report and the financial statements for the year ended 31 January 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 judgements 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 £1,103,655 (2019: £167,667).

No dividends were paid during the current or prior year.

Directors

The directors who served during the year are noted on the company information page.

SUNSPEL LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2020**

Coronavirus

At the date of signing these financial statements the country is in the midst of a global pandemic. The directors have considered the effect of the Coronavirus pandemic on the company with the information available to it and do not believe that it will affect its ability to continue as a going concern for the foreseeable future. As with most businesses there will be short term practical difficulties which the directors are managing closely. Further details of the potential impacts have been discussed in note 1.2 to these financial statements.

Disclosure of information to auditor

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

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

DocuSigned by:
Nicholas Brooke
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N M Brooke
Director

Date: 29 January 2021

SUNSPEL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNSPEL LIMITED

Opinion

We have audited the financial statements of Sunspel Limited (the 'company') for the year ended 31 January 2020, which comprise the profit and loss account, the balance sheet 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 January 2020 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 auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

SUNPEL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNPEL LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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.

SUNPEL LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SUNPEL LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

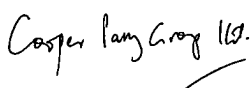
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Alison Fovargue (Senior statutory auditor)

for and on behalf of
Cooper Parry Group Limited

Chartered Accountants
Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA

Date: 29 January 2021

SUNSPEL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JANUARY 2020**

	Note	2020 £	2019 £
Turnover	3	14,637,239	12,385,278
Cost of sales		(5,573,103)	(4,915,043)
Gross profit		<u>9,064,136</u>	<u>7,470,235</u>
Administrative expenses		(6,456,687)	(5,687,572)
Exceptional administrative expenses	4	(18,500)	(437,785)
Total administrative expenses		<u>(6,475,187)</u>	<u>(6,125,357)</u>
Distribution costs		(1,227,068)	(1,089,759)
Operating profit	5	1,361,881	255,119
Interest receivable and similar income		217	-
Interest payable and similar charges		(1,052)	(835)
Profit on ordinary activities before taxation		1,361,046	254,284
Taxation on profit on ordinary activities	8	(257,391)	(86,617)
Profit for the year		<u><u>1,103,655</u></u>	<u><u>167,667</u></u>
Retained earnings at the beginning of the year		3,561,099	3,393,432
Profit for the year		1,103,655	167,667
Retained earnings at the end of the year		<u><u>4,664,754</u></u>	<u><u>3,561,099</u></u>

There were no recognised gains and losses for 2020 or 2019 other than those included in the profit and loss account.

The notes on pages 9 to 24 form part of these financial statements.

SUNSPEL LIMITED
REGISTERED NUMBER: 01781094

BALANCE SHEET
AS AT 31 JANUARY 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	9	875,039	874,014
Investments	10	57,139	57,139
		<u>932,178</u>	<u>931,153</u>
Current assets			
Stocks	11	3,333,877	2,931,645
Debtors: amounts falling due after more than one year	12	1,157,809	909,359
Debtors: amounts falling due within one year	12	1,403,264	954,035
Cash at bank and in hand		1,043,329	759,429
		<u>6,938,279</u>	<u>5,554,468</u>
Creditors: amounts falling due within one year	13	<u>(2,810,330)</u>	<u>(2,496,911)</u>
Net current assets		<u>4,127,949</u>	<u>3,057,557</u>
Total assets less current liabilities		<u>5,060,127</u>	<u>3,988,710</u>
Creditors: amounts falling due after more than one year	14	(47,584)	(57,128)
Provisions for liabilities			
Deferred tax		(67,713)	(90,407)
Net assets		<u><u>4,944,830</u></u>	<u><u>3,841,175</u></u>
Capital and reserves			
Called up share capital	17	20,727	20,727
Share premium account	18	259,349	259,349
Profit and loss account	18	4,664,754	3,561,099
Shareholders' funds		<u><u>4,944,830</u></u>	<u><u>3,841,175</u></u>

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

DocuSigned by:

Nicholas Brooke

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N M Brooke
 Director

Date: 29 January 2021

The notes on pages 9 to 24 form part of these financial statements.

SUNSPEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

1. Accounting policies

Sunspel Limited (the 'company') is a limited liability company incorporated and domiciled in the United Kingdom. The address of its registered office is disclosed on the company information page.

These financial statements are prepared in Sterling (£), which is the functional currency of the company. The financial statements are for the year ended 31 January 2020 (2019: year ended 31 January 2019).

1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with Financial Reporting Standard (FRS) 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are discussed in note 2.

The following principal accounting policies have been applied:

1.2 Going concern

At the balance sheet date the company has a cash balance of £1,043k (2019: £759k), net current assets of £4,128k (2019: £3,058k) and net assets of £4,945k (2019: £3,842k). At the time of signing these accounts, the directors have considered the effect of COVID-19 on the going concern position, and consider that the company will continue to trade for a period of at least 12 months from the date of signing these accounts.

The company has continued to trade post year end through the various UK lockdowns and retail sales have been impacted by the enforced closure of all non essential retail shops at various times. The company has continued to trade well using its online and wholesale platforms. The company has accessed support available in the form of grants and business rates holidays.

The directors have produced forecasts for the company. These forecasts demonstrate that the company will continue to be able to operate within the banking facilities available to it for a period of at least 12 months from the date of signing these accounts.

On that basis, the directors have prepared these financial statements on a going concern basis.

1.3 Exemptions

As permitted by FRS 102 section 1.12, the company has taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement and the aggregate remuneration of key management personnel. Where required, equivalent disclosures are given in the group accounts of Thomas A. Hill Limited. The group accounts of Thomas A. Hill Limited are available to the public and can be obtained as set out in note 22.

The company has taken advantage of the FRS 102 Section 33.1A exemption from disclosing transactions with wholly owned group companies.

SUNSPEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

1. Accounting policies (continued)

1.4 Turnover

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

Sale of goods

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

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

SUNSPEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020****1. Accounting policies (continued)****1.5 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.

Repairs and maintenance are charged to the profit and loss account during the period in which they relate to. 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:

Freehold property	- 2% straight line
Plant and machinery	- 15% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 15% straight line
Computer equipment	- 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 profit and loss account.

At each balance sheet date, the company reviews the carrying amounts of its tangible fixed assets to determine whether there is any indication that any items have suffered an impairment loss. If any such indication exists, the recoverable amount of an asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of the asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense immediately.

1.6 Valuation of investments

Investments are initially valued at cost and reviewed annually for signs of impairment. If an impairment loss is identified this is recognised immediately in the profit and loss account and the value of the investment is reduced accordingly.

1.7 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 first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet 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 the profit and loss account.

SUNSPEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

1. Accounting policies (continued)

1.8 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks, other third parties and loans with related parties.

All financial assets and liabilities are initially measured at transaction price and subsequently measured at amortised cost.

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 amount that the company would receive for the asset if it were to be sold at the balance sheet date.

1.9 Operating leases

Rentals paid under operating leases are charged to the profit and loss account 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.

1.10 Foreign currency translation

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

1.11 Finance leases and hire purchase

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.12 Pensions

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 payments obligations.

The contributions are recognised as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet.

SUNSPEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

1. Accounting policies (continued)

1.13 Provisions for liabilities

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

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

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

1.14 Current and deferred taxation

The tax charge for the year comprises of current and deferred tax.

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

1.15 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

SUNSPEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2020

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

The company makes estimates and assumptions concerning the future. The directors are also required to exercise judgement in the process of applying the company's accounting policies. 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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of non-current assets

The company assesses the impairment of tangible fixed assets subject to depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of the use of the acquired assets or the strategy for the overall business; and
- Significant negative industry or economic trends.

Depreciation and residual values

The directors have reviewed the asset lives and associated residual values of all tangible fixed asset classes and have concluded that the asset lives and residual values are appropriate.

The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Carrying value of stocks

The directors review the market value of and demand for its stocks on a periodic basis to ensure stock is recorded in the financial statements at the lower of cost and net realisable value. Any provision for impairment is recorded against the carrying value of stocks. The directors use their knowledge of market conditions, historical experiences and estimates of future events to assess future demand for the company's products and achievable selling prices.

Recoverability of trade debtors

Trade and other debtors are recognised to the extent that they are judged recoverable. The directors' reviews are performed to estimate the level of reserves required for irrecoverable debt. Provisions are made specifically against invoices where recoverability is uncertain.

The directors make allowances for doubtful debts based on an assessment of the recoverability of debtors. Allowances are applied to debtors where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The directors specifically analyse historical bad debts, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the provision for doubtful debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of debtors and the charge in the profit and loss account.

SUNSPEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020****2. Judgements in applying accounting policies (continued)****Provisions**

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Leasing

The directors determine whether leases entered into are an operating lease or a finance lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the company on a lease by lease basis based on an evaluation of the terms and conditions of the arrangements, and accordingly whether the lease requires an asset and a liability to be recognised in the balance sheet.

Taxation

There are many transactions and calculations for which the ultimate tax determination is uncertain. The company takes professional advice on its tax affairs and recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due.

Management estimation is required to determine the amount of any deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits.

3. Turnover

The whole of the turnover is attributable to the company's principal activity and originated in the United Kingdom.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	8,183,264	7,129,676
Rest of Europe	2,144,695	1,861,484
Rest of the World	4,309,280	3,394,118
	<u>14,637,239</u>	<u>12,385,278</u>

SUNSPEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020****4. Exceptional items**

	2020 £	2019 £
Redundancy costs	17,500	34,252
Professional fees	-	12,500
Provision against intercompany debts	-	364,733
Other exceptional costs	1,000	26,300
	<u>18,500</u>	<u>437,785</u>

5. Operating profit

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

	2020 £	2019 £
Depreciation of tangible fixed assets- owned	315,190	292,705
Depreciation of tangible fixed assets- held on HP	21,950	21,950
Fees payable to the company's auditor	18,250	17,500
Exchange differences	(20,779)	(85,014)
Other operating lease rentals	648,505	584,259
	<u>648,505</u>	<u>584,259</u>

6. Employees

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

	2020 £	2019 £
Wages and salaries	2,922,396	2,503,304
Social security costs	230,603	201,508
Pension costs	78,838	113,740
	<u>3,231,837</u>	<u>2,818,552</u>

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

	2020 No.	2019 No.
Production	38	32
Administration and sales	75	77
	<u>113</u>	<u>109</u>

SUNSPEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020****7. Directors' remuneration**

	2020	2019
	£	£
Directors' emoluments	180,072	173,265
Company contributions to defined contribution pension schemes	13,175	7,875
	<u>193,247</u>	<u>181,140</u>

During the year retirement benefits were accruing to 1 director (2019: 1) in respect of defined contribution pension schemes.

8. Taxation

	2020	2019
	£	£
Corporation tax		
Current tax on profits for the year	279,540	147,930
Adjustments in respect of previous periods	545	(37,456)
	<u>280,085</u>	<u>110,474</u>
Deferred tax		
Origination and reversal of timing differences	(23,175)	(52,121)
Adjustments in respect of previous periods	481	28,264
Total deferred tax	<u>(22,694)</u>	<u>(23,857)</u>
Taxation on profit on ordinary activities	<u>257,391</u>	<u>86,617</u>

SUNPEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

8. Taxation (continued)

Factors affecting tax charge for the year

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

	2020 £	2019 £
Profit on ordinary activities before tax	1,361,046	254,284
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	258,599	48,314
Effects of:		
Fixed asset differences	424	(14,327)
Expenses not deductible for tax purposes	1,827	70,832
Adjustments to tax charge in respect of prior periods	545	(37,456)
Adjustments to tax charge in respect of prior periods - deferred tax	481	28,264
Adjustment to deferred tax rate	2,692	6,132
Income not taxable for tax purposes	(3,736)	-
Group relief claimed	(3,441)	(15,142)
Total tax charge for the year	257,391	86,617

Factors that may affect future tax charges

As at 31 January 2020 the substantively enacted rate for deferred tax calculation purposes was 17% and deferred tax has been calculated at this rate.

On 11 March 2020 the Chancellor of the Exchequer announced that the tax rate deduction from 19% to 17% was no longer going to be implemented.

SUNSPEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020****9. Tangible fixed assets**

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 February 2019	71,732	32,848	89,243	1,725,497	99,923	2,019,243
Additions	-	-	-	327,966	10,199	338,165
At 31 January 2020	<u>71,732</u>	<u>32,848</u>	<u>89,243</u>	<u>2,053,463</u>	<u>110,122</u>	<u>2,357,408</u>
Depreciation						
At 1 February 2019	40,938	20,900	24,110	1,013,912	45,369	1,145,229
Charge for the year	1,365	4,546	22,311	291,890	17,028	337,140
At 31 January 2020	<u>42,303</u>	<u>25,446</u>	<u>46,421</u>	<u>1,305,802</u>	<u>62,397</u>	<u>1,482,369</u>
Net book value						
At 31 January 2020	<u>29,429</u>	<u>7,402</u>	<u>42,822</u>	<u>747,661</u>	<u>47,725</u>	<u>875,039</u>
At 31 January 2019	<u>30,794</u>	<u>11,948</u>	<u>65,133</u>	<u>711,585</u>	<u>54,554</u>	<u>874,014</u>

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

	2020 £	2019 £
Motor vehicles	<u>42,070</u>	<u>64,019</u>

SUNSPEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

10. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 February 2019 and 31 January 2020	172,883
Impairment	
At 1 February 2019 and 31 January 2020	115,744
Net book value	
At 31 January 2019 and 31 January 2020	57,139

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of shares	Holding
Sunspel GmbH	Non- trading	Ordinary	100%
Sunspel US, Inc.	Wholesale of men and womenswear in USA	Ordinary	100%
Sunspel-Boxer Limited	Dormant	Ordinary	100%
Kane & Raymond Limited*	Dormant	Ordinary	100%
Yammerton Grange Limited*	Dormant	Ordinary	100%
Sunspel (Services) Limited*	Dormant	Ordinary	100%
Sunspel Mercer St LLC*	Retail sales of men and womenswear in USA	LLC	100%

* Indirectly owned subsidiary undertakings

Name	Registered office
Sunspel GmbH	Alte Schönhauser Straße 41, 10178 Berlin
Sunspel US, Inc.	326 Stockholm St. #1L, Brooklyn, NY 11237
Sunspel Mercer St LLC	1981 Marcus Avenue Suite E117, Lake Success, NY 11042

All other subsidiaries have the same registered office as Sunspel Limited, as shown on the company information page.

SUNSPEL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020

11. Stocks

	2020 £	2019 £
Raw materials and consumables	232,757	266,646
Work in progress	102,808	103,230
Finished goods	2,998,312	2,561,769
	<u>3,333,877</u>	<u>2,931,645</u>

Stock recognised in cost of sales during the year as an expense was £4,965,418 (2019: £4,282,630).

An impairment gain of £38,796 (2019: loss £68,942) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

12. Debtors

	2020 £	2019 £
Due after more than one year		
Amounts owed by group undertakings	<u>1,157,809</u>	<u>909,359</u>
	2020 £	2019 £
Due within one year		
Trade debtors	896,924	422,547
Other debtors	185,793	232,219
Prepayments and accrued income	320,547	299,269
	<u>1,403,264</u>	<u>954,035</u>

An impairment loss of £21,705 (2019: £34,714) was recognised in administrative expenses against trade debtors during the year due to bad and doubtful debts.

SUNSPEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020****13. Creditors: Amounts falling due within one year**

	2020	2019
	£	£
Trade creditors	723,027	1,344,361
Amounts owed to group undertakings	128,539	25,086
Corporation tax	280,084	110,474
Other taxation and social security	508,746	316,914
Obligations under finance lease and hire purchase contracts	10,253	10,770
Other creditors	33,642	179,141
Accruals and deferred income	1,126,039	510,165
	<u>2,810,330</u>	<u>2,496,911</u>

Net obligations under hire purchase contracts are secured on the assets to which they relate.

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

	2020	2019
	£	£
Net obligations under finance leases and hire purchase contracts	<u>47,584</u>	<u>57,128</u>

Net obligations under hire purchase contracts are secured on the assets to which they relate.

15. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2020	2019
	£	£
Within one year	10,253	10,253
Between 1-5 years	47,584	57,128
	<u>57,837</u>	<u>67,381</u>

16. Deferred taxation

	2020	2019
	£	£
At beginning of year	90,407	114,264
Charged to profit or loss	(22,694)	(23,857)
At end of year	<u>67,713</u>	<u>90,407</u>

SUNSPEL LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020****16. Deferred taxation (continued)**

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	96,294	95,804
Short term timing differences	(28,581)	(5,397)
	<u>67,713</u>	<u>90,407</u>

17. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
20,727 Ordinary shares of £1 each	<u>20,727</u>	<u>20,727</u>

18. Reserves**Share premium account**

The share premium account includes any premiums received on the issue of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Profit and loss account

This reserve represents all current and prior period accumulated profit and losses, less dividends paid.

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £78,838 (2019: £113,740). Contributions totalling £32,625 (2019: £24,964) were payable to the fund at the balance sheet date and are included in creditors.

20. Commitments under operating leases

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

	2020 £	2019 £
Not later than 1 year	604,978	379,507
Later than 1 year and not later than 5 years	1,987,708	1,682,445
	<u>2,592,686</u>	<u>2,061,952</u>

SUNSPEL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 2020**

21. Post balance sheet events

Subsequent to the year end, COVID-19 has developed into a global pandemic. The directors are continually assessing the impact this may have on the company and although there is a high level of uncertainty about the extent and the timeframe of the virus on the global economy, they believe the company is strongly positioned to handle any downturn that may occur in the sector the company operates in.

22. Controlling party

Sunspel Limited is a wholly owned subsidiary of Thomas A. Hill Limited, the immediate and ultimate parent company, and is registered in England and Wales. The consolidated financial statements of Thomas A. Hill Limited, in which the results of the company are included, are available from Companies House, Cardiff, CF14 3UZ.

In the opinion of the directors the ultimate controlling party is N M Brooke.