

# Financial Statements

## Theo Fennell Limited

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**For the year ended 31 January 2016**



**Registered number: 01955534**

**Theo Fennell Limited**  
**Registered number:01955534**

## Company Information

**Directors**

A T Fennell  
M D Jatania  
R A Shaheen (resigned 1 March 2016)  
A Salam  
S J Moulton (appointed 1 March 2016)

**Company secretary**

D S D Steptoe (resigned 31 May 2016)

**Registered number**

01955534

**Registered office**

2b Pond Place  
London  
SW3 6TF

**Registered auditor**

Grant Thornton UK LLP  
Chartered Accountants & Statutory Auditor  
Grant Thornton House  
Melton Street  
Euston Square  
London  
NW1 2EP

**Bankers**

Barclays Bank PLC  
Level 27  
1 Churchill Place  
London  
E14 5HP

**Solicitors**

Trowers and Hamlin LLP  
3 Bunhill Row  
London  
EC1Y 8Y

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# Strategic report

For the year ended 31 January 2016

## Introduction

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

## Business activities

Theo Fennell is a unique British luxury brand enjoying a strong market position in the UK, offering design led jewellery & silverware with quirk, style and humour, incorporating unusual coloured gems and stone. Made by master British craftsman in England with a story behind each piece that will make the customer feel unique, special and different.

The strategy and focus of the Group are the development of Theo Fennell as Britain's leading jewellery designer.

## Review of the Business

The company made a pre-tax loss of £2.5 million (2015: 4.8 million) on sales of £9.6 million (2015: £9.5 million) for year ended 31st January 2016. The strategy for the year was to significantly reduce the losses incurred in the previous year whilst maintaining the sales. This was in line with the objective of returning the company to profitability by 2018.

There was significant progress in reducing overheads and right sizing the business structure whilst still maintaining sufficient headroom for anticipated growth in the future. We also closed the Burlington Arcade store as it did not fit in with our future strategy.

In the past 12 months management has focused on clearly defining the brand position of Theo Fennell and reaffirming the inherently strong brand equities it has built over the last 20 years. This will form the foundation of future sales growth. The brand has a clear and differentiated position which will allow it to stand out and grow in the fine jewellery and silverware markets.

In the past twelve months the Theo Fennell brand in Selfridges was upgraded to the Wonder Room from the Designer Jewellery room. In Harrods the brand was returned to the prestigious Fine Jewellery room. The sales focus will continue to be in the UK market for the next 12 to 18 months.

The brand will then be expanded to international markets through strategic partners in America, Asia and the Middle East. The Third party brands we represent have benefitted and grown in line with our objective of concentrating our efforts on a small selection of brands with strong growth potential.

We opened a pop up boutique in the Wonder Room in Selfridges and a pop up counter for a new third party brand in Harrods.

The banking relationship with our asset back lenders has worked well for the business and they remain very supportive.

The shareholder invested further shareholder loans of £0.5 million post the balance sheet date.

I would like to thank our customers, suppliers and last but not least our employees for their continued belief, loyalty and support to our business.

We remain confident of further progress in the next financial year.

## Strategic report (continued)

### **Banking**

On 29 January 2015, Theo Fennell secured a £5.5 million senior asset backed Revolving Credit Facility from PNC Business Credit, a trading name of PNC Financial Service UK Ltd. The new facility has been provided for a minimum term of 36 months.

Day to day clearing services, together with the provision of ancillary banking facilities, have been transferred from Clydesdale Bank to Barclays Bank Plc.

### **Financial**

During the year an additional £500k of shareholder loans were provided to the Group to continue to support the operations of the Group including the development of managers and staff and the opening of a new retail outlet.

### **Going concern**

The current economic conditions continue to create uncertainty over the level of demand for the Group's and Company's products and the Board have therefore undertaken detailed forecasting of the Group's and Company's activities through to January 2018.

The Group and Company meet their day to day working capital requirements through a committed revolving credit facility totalling £5.5 million that was finalised on 29 January 2015 and has a minimum term of 36 months. The directors have prepared cash flow projections based on prudent assumptions.

Based on this, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operation existence for the foreseeable future. Accordingly, the accounts have been prepared adopting the going concern basis.

This report was approved by the board on

9/9/16

and signed on its behalf.



**M D Jatania**  
Director

## Directors' report

For the year ended 31 January 2016

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

### 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 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 and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Principal activities

Theo Fennell Limited ("the Company") is a unique British luxury brand enjoying a strong market position in the UK, offering a range of very high quality jewellery, silver objects and gifts.

The Company's principal activity continues to be the design, manufacture and retailing of fine jewellery.

A review of the activities and development of the Company during the year and the prospects for the Company are set out in the Strategic Report on pages 2 and 3.

The strategy and focus of the Company continue to be the development of Theo Fennell as Britain's leading jewellery designer.

### Results and dividends

The loss for the year, after taxation, amounted to £2,465,015 (2015 -loss £4,769,236).

The directors do not recommend the payment of a dividend.

## Directors' report

For the year ended 31 January 2016

### Directors

The directors who served during the year were:

A T Fennell  
M D Jatania  
R A Shaheen (resigned 1 March 2016)  
A Salam

### 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 that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- that 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.

### Post balance sheet events

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

### Auditors

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

9/9/16

and signed on its behalf.



M D Jatania  
Director

## Independent auditor's report to the members of Theo Fennell Limited

We have audited the financial statements of Theo Fennell Limited for the year ended 31 January 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

### **Respective responsibilities of directors and auditor**

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

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.





## Independent auditor's report to the members of Theo Fennell Limited

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Grant Thornton UK LLP*

Marc Summers, FCA (Senior statutory auditor)  
for and on behalf of  
Grant Thornton UK LLP  
Statutory Auditor  
Chartered Accountants  
London

Date: 9/9/16

# Statement of comprehensive income

For the year ended 31 January 2016

	Note	2016 £	2015 £
Turnover		9,558,361	9,459,565
Cost of sales		<u>(5,823,432)</u>	<u>(7,120,741)</u>
<b>Gross profit</b>		<b>3,734,929</b>	<b>2,338,824</b>
Distribution costs		(3,966,543)	(5,469,084)
Administrative expenses		(1,118,269)	(1,143,397)
Exceptional administrative expenses		<u>-</u>	<u>(196,710)</u>
<b>Operating loss</b>		<b>(1,349,883)</b>	<b>(4,470,367)</b>
Interest payable and expenses	6	<u>(1,115,132)</u>	<u>(298,869)</u>
<b>Loss on taxation</b>		<b><u>(2,465,015)</u></b>	<b><u>(4,769,236)</u></b>
<b>Loss for the year</b>		<b><u>(2,465,015)</u></b>	<b><u>(4,769,236)</u></b>
<b>Other comprehensive income for the year</b>			
<b>Total comprehensive income for the year</b>		<b><u>(2,465,015)</u></b>	<b><u>(4,769,236)</u></b>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2016 or 2015 other than those included in the income statement.

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

## Statement of financial position

As at 31 January 2016

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Tangible assets	9	202,051	458,120
		<u>202,051</u>	<u>458,120</u>
<b>Current assets</b>			
Stocks	11	6,887,503	6,053,996
Debtors: amounts falling due within one year	12	1,088,659	767,912
Cash at bank and in hand	13	86,670	209,592
		<u>8,062,832</u>	<u>7,031,500</u>
Creditors: amounts falling due within one year	14	(6,498,252)	(5,341,451)
<b>Net current assets</b>		<u>1,564,580</u>	<u>1,690,049</u>
<b>Total assets less current liabilities</b>		<u>1,766,631</u>	<u>2,148,169</u>
Creditors: amounts falling due after more than one year	15	(5,403,589)	(3,320,112)
<b>Net liabilities</b>		<u>(3,636,958)</u>	<u>(1,171,943)</u>
<b>Capital and reserves</b>			
Called up share capital	17	3,457,952	3,457,952
Share premium account	18	5,741,166	5,741,166
Profit and loss account	18	(12,836,076)	(10,371,061)
<b>Shareholders' (deficit)</b>		<u>(3,636,958)</u>	<u>(1,171,943)</u>

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



M D Jatania

Director

9/9/16

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

## Statement of changes in equity

As at 31 January 2016

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 February 2015	3,457,952	5,741,166	(10,371,061)	(1,171,943)
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(2,465,015)	(2,465,015)
<b>Total comprehensive income for the year</b>	-	-	(2,465,015)	(2,465,015)
<b>Total transactions with owners</b>	-	-	-	-
<b>At 31 January 2016</b>	<b>3,457,952</b>	<b>5,741,166</b>	<b>(12,836,076)</b>	<b>(3,636,958)</b>

## Statement of changes in equity

As at 31 January 2015

	Share capital	Share premium	Retained earnings	Total equity
	£	£	£	£
At 1 February 2014	3,457,952	5,741,166	(5,601,825)	3,597,293
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(4,769,236)	(4,769,236)
<b>Total comprehensive income for the year</b>	-	-	(4,769,236)	(4,769,236)
<b>Total transactions with owners</b>	-	-	-	-
<b>At 31 January 2015</b>	<b>3,457,952</b>	<b>5,741,166</b>	<b>(10,371,061)</b>	<b>(1,171,943)</b>

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

# Notes to the financial statements

For the year ended 31 January 2016

## 1. Accounting policies

### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical costs convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 25.

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 2).

The Company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

### 1.2 Going concern

The current economic conditions continue to create uncertainty over the level of demand for the Group's and Company's products and the Board have therefore undertaken detailed forecasting of the Group's and Company's activities through to January 2018.

The Group and Company meet their day to day working capital requirements through a committed revolving credit facility totalling £5.5 million that was finalised on 29 January 2015 and has a minimum term of 36 months. The directors have prepared cash flow projections based on prudent assumptions.

Based on this, the directors have a reasonable expectation that the Group and Company have adequate resources to continue in operation existence for the foreseeable future. Accordingly, the accounts have been prepared adopting the going concern basis.

# Notes to the financial statements

For the year ended 31 January 2016

## 1. Accounting policies (continued)

### 1.3 Revenue

Turnover, substantially all of which arises in the United Kingdom, relates to the Company's principal activity. Turnover, which is stated excluding VAT and other sales taxes, is the amount receivable for goods supplied (less discounts and allowances). Wholesale sales are recognised when goods are despatched to trade customers. Retail sales and allowances are recorded when the significant risks and rewards of ownership have been transferred to the buyer at point of sale.

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;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### 1.4 Tangible fixed assets

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

# Notes to the financial statements

For the year ended 31 January 2016

## 1. Accounting policies (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. The estimated useful lives range as follows:

The estimated useful lives range as follows:

Moulds & Masters	-	20% per annum
Fixtures and fittings and computer - equipment	-	20% to 50% per annum

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

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

### 1.5 Taxation and deferred taxation

Tax is recognised in the Income statement, except that a change 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 is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted, by the balance sheet date.

### 1.6 Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases. Rentals under operating leases are charged against profits on a straight line basis over the period of the lease.

# Notes to the financial statements

For the year ended 31 January 2016

## 1. Accounting policies (continued)

### 1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of raw materials, cost is the purchase price, including transport and handling costs and less trade discounts, calculated on a weighted average cost basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production and other overheads. Net realisable value is the estimated selling price, less trade discounts and all further costs to be incurred in marketing, selling and distribution.

The Company recognises consignment stock in its balance sheet when there has been a substantial transfer of the risks and rewards of ownership. The related liabilities are included in trade creditors.

### 1.8 Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates is dealt with in the profit and loss account.

Non monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Functional and presentation currency

The company's functional and presentational currency is GBP.

#### Transactions and balances

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

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

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

### 1.9 Defined contribution pension scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the year.



# Notes to the financial statements

For the year ended 31 January 2016

## 1. Accounting policies (continued)

### 1.10 Financial instruments

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

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

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- i) at fair value with changes recognised in the Income statement if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) at cost less impairment for all other investments.

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 Income statement.

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

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

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

# Notes to the financial statements

For the year ended 31 January 2016

## 1. Accounting policies (continued)

### 1.11 Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid.

Investments in unlisted company shares, which have been classified as fixed asset investments as the Company intends to hold them on a continuing basis are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

Investments in listed company shares are remeasured to market value at each Statement of financial position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

### 1.12 Cash flow

The Company has taken advantage of the exemption allowed under Financial Reporting Standard No 1 "Cash flow statements" not to prepare a cash flow statement as it is a wholly owned subsidiary of a parent company, which prepares a cash flow statement.

### 1.13 Debtors

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

### 1.14 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.

### 1.15 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.

### 1.16 Finance costs

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

### 1.17 Borrowing costs

All borrowing costs are recognised in the Income statement in the year in which they are incurred.

# Notes to the financial statements

For the year ended 31 January 2016

## 1. Accounting policies (continued)

### 1.18 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.

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

The only material judgments or estimates in preparation of these financial statements was in relation to stock and the stock provisioning.

## 3. Turnover

All revenue is earned from principal activities..

A geographical analysis of turnover is as follows:

	2016 £	2015 £
United Kingdom	9,516,347	9,082,958
Rest of the world	42,014	376,607
	<u>9,558,361</u>	<u>9,459,565</u>

## 4. Operating loss

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

	2016 £	2015 £
Depreciation of tangible fixed assets	238,887	304,321
Fees payable to the Company's auditor and its associates for the audit of the company's annual accounts	40,000	41,000
Auditor's remuneration - non audit	-	577
Difference on foreign exchange	(58,693)	(136,820)
Operating lease rentals on land and buildings	<u>478,624</u>	<u>598,625</u>

# Notes to the financial statements

For the year ended 31 January 2016

## 5. Exceptional items

	2016 £	2015 £
Write off Harrods Boutique fixed assets	-	155,888
Write off The Original Design Partnership Ltd fixed assets	-	40,822
	<u>-</u>	<u>196,710</u>

## 6. Interest payable and similar charges

	2016 £	2015 £
Bank interest payable	747,971	122,334
Shareholder loan interest	367,161	176,535
	<u>1,115,132</u>	<u>298,869</u>

## 7. Taxation

### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 -lower than) the standard rate of corporation tax in the UK of 20.16% (2015 -21.32%). The differences are explained below:

	2016 £	2015 £
Loss on ordinary activities before tax	<u>(2,465,015)</u>	<u>(4,769,236)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.16% (2015 -21.32%)	(496,947)	(1,016,801)

### Effects of:

Depreciation in excess of capital allowances	44,764	94,253
Other short term timing differences	(5,217)	(12,004)
Expenses not deductible for tax purposes	(91,586)	39,781
Tax losses arising in year	442,420	782,074
Adjustment to tax charge in respect of previous periods	106,566	112,697
<b>Total tax charge for the year</b>	<u>-</u>	<u>-</u>

# Notes to the financial statements

For the year ended 31 January 2016

## 7. Taxation (continued)

### Factors that may affect future tax charges

Unrelieved tax losses remain available to offset against future taxable profits. These losses have not been recognised as deferred tax assets within the financial statements due to the uncertainty of the recoverability of the asset. Losses carried forward in the UK total £14,677,542 (2015: £11,755,337) – tax effect is £2,641,958 (2015: £2,351,067).

## 8. Employees

Staff costs were as follows:

	2016 £	2015 £
Wages and salaries	2,812,113	3,230,228
Social security costs	311,938	334,717
Other pension costs	96,298	89,829
	<u>3,220,349</u>	<u>3,654,774</u>

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

	2016 No.	2015 No.
Sales	23	28
Manufacturing	9	9
Design, marketing and administration	34	28
	<u>66</u>	<u>65</u>

	2016 £	2015 £
<b>Director's remuneration</b>		
Emoluments	275,000	351,603
Pension contributions to money purchase schemes	40,000	50,000
	<u>315,000</u>	<u>401,603</u>

During the year, one director (2015: two directors) participated in money purchase pension schemes.

# Notes to the financial statements

For the year ended 31 January 2016

## 9. Tangible fixed assets

	Moulds and Tooling £	Fixtures, fittings and computer equipment £	Total £
<b>Cost or valuation</b>			
At 1 February 2015	628,532	5,078,248	5,706,780
Additions	-	52,401	52,401
Disposals	-	(250,847)	(250,847)
<b>At 31 January 2016</b>	<b>628,532</b>	<b>4,879,802</b>	<b>5,508,334</b>
<b>Depreciation</b>			
At 1 February 2015	624,657	4,624,003	5,248,660
Charge for the period	3,874	235,013	238,887
Disposals	-	(181,264)	(181,264)
<b>At 31 January 2016</b>	<b>628,531</b>	<b>4,677,752</b>	<b>5,306,283</b>
<b>Net book value</b>			
<b>At 31 January 2016</b>	<b>1</b>	<b>202,050</b>	<b>202,051</b>
At 31 January 2015	3,875	454,245	458,120

## 10. Fixed asset investments

	Investments in subsidiary companies £
Additions	182,000
Amounts written off	(182,000)
<b>At 31 January 2016</b>	<b>-</b>
<b>At 31 January 2016</b>	<b>-</b>
At 31 January 2015	-

# Notes to the financial statements

For the year ended 31 January 2016

## 10. Fixed asset investments (continued)

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country	Holding
The Original Design Partnership Limited	United Kingdom	100 %

For the year ended 31 January 2016 The Original Design Partnership made a profit before tax of £22,526 (2015: £125,728) and the total capital and reserves were a surplus of £32,915 (2015: £10,389).

## 11. Stocks

	2016 £	2015 £
Raw materials	424,267	718,905
Finished goods and goods for resale	6,463,236	5,335,091
	<u>6,887,503</u>	<u>6,053,996</u>

The Company held £4,863,056 of stock on consignment as at 31 January 2016 (2015: £4,338,381) which is not recorded on the balance sheet. The principal terms of the consignment agreements, which can generally be terminated by either side, are such that the Company can return any or all of the stock to the relevant suppliers without financial and commercial penalties and the supplier can vary stock prices.

## 12. Debtors

	2016 £	2015 £
Trade debtors	607,731	419,639
Amounts owed by group undertakings	130,091	-
Other debtors	80,331	164,472
Prepayments and accrued income	270,506	183,801
	<u>1,088,659</u>	<u>767,912</u>

# Notes to the financial statements

For the year ended 31 January 2016

## 13. Cash and cash equivalents

	2016 £	2015 £
Cash at bank and in hand	86,670	209,592

## 14. Creditors: Amounts falling due within one year

	2016 £	2015 £
Other loans	45,000	-
Trade creditors	1,823,377	1,225,869
Amounts owed to group undertakings	4,085,247	3,425,656
Taxation and social security	350,375	145,263
Other creditors	44,891	216,283
Accruals and deferred income	149,362	328,380
	<u>6,498,252</u>	<u>5,341,451</u>

The bank loans are secured by a debenture over the assets and undertakings of the Company. The Company's committed revolving credit facility matures on 29 January 2018.

## 15. Creditors: Amounts falling due after more than one year

	2016 £	2015 £
Bank loans	4,293,589	3,320,112
Other loans	1,110,000	-
	<u>5,403,589</u>	<u>3,320,112</u>

### Secured loans

The bank loans are secured by a debenture over the assets and undertakings of the Company.



# Notes to the financial statements

For the year ended 31 January 2016

## 16. Loans

Analysis of the maturity of loans is given below:

	2016 £	2015 £
<b>Amounts falling due within one year</b>		
Other loans	45,000	-
	<u>45,000</u>	<u>-</u>
<b>Amounts falling due 2-5 years</b>		
Bank loans	4,293,589	3,320,112
Other loans	1,110,000	-
	<u>5,403,589</u>	<u>3,320,112</u>

## 17. Share capital

	2016 £	2015 £
<b>Allotted, called up and fully paid</b>		
69,159,030 Ordinary shares of £0.05 each	3,457,952	3,457,952
	<u>3,457,952</u>	<u>3,457,952</u>

## 18. Reserves

### Share premium

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

### Profit & loss account

Includes all current and prior period retained profit and losses.

## 19. Capital commitments

The Company had committed to capital expenditure of £Nil at 31 January 2016 (2015: £Nil).

# Notes to the financial statements

For the year ended 31 January 2016

## 20. Pension commitments

The Company operates defined contribution pension schemes for the benefit of employees and directors. The assets of the executive scheme are administered by trustees in a fund independent from the assets of the Company. In addition the Company operates a separate group personal pension scheme for employees.

## 21. Commitments under operating leases

The Company had commitments as at 31 January 2016 to make annual payments under non-cancellable operating leases of £2,450,721 (2015: £598,625) in respect of land and buildings. The leases to which these payments relate expire after more than five years other than the lease of Unit 4, The Courtyard, Royal Exchange, London EC3, which expires on 28 September 2016 (annual rental: £86,625).

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

	2016 £	2015 £
Within one year	86,264	-
Between one and five years	12,457	-
More than five years	<u>2,352,000</u>	<u>598,625</u>

## 22. Financial instruments

	2016 £	2015 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>818,153</u>	<u>584,111</u>
	1900 £	1900 £
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(11,752,479)</u>	<u>(8,333,183)</u>

# Notes to the financial statements

For the year ended 31 January 2016

## **Financial instruments (continued)**

The Company's financial instruments comprise borrowings, cash, and various items, such as trade debtors, trade creditors etc, that arise directly from its operations. The Company has applied the exemption allowed under FRS 13 'Derivatives and other financial instruments: disclosures' in making no disclosures on short term debtors and creditors. The main purpose of these financial instruments is to raise finance for the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

At the year end there was a concentration of credit risk with a balance of £104,355 (2015: £169,175) due from one entity.

### **Credit risk**

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the Finance Director on a regular basis in conjunction with debt ageing and collection history.

### **Interest rate risk**

The Company finances its operations through a mixture of bank loan and overdraft. The Company borrows at a floating interest rate of 4% above its Bank's base rate. The effects of interest rate fluctuations are not considered a significant risk at the current borrowing levels.

### **Liquidity risk**

The Company ensures short term flexibility through the use of its revolving credit facility.

The Company's policy is not to fix interest rates in respect of its borrowings.

### **Currency risk**

The Company's exposure to exchange rate fluctuations is small and it is therefore the Company's policy not to hedge against foreign currency transactions.

### **Financial assets and liabilities**

The Company has no financial assets, other than debtors.

The balance sheet values for financial assets and liabilities are not considered materially different to the fair values.

# Notes to the financial statements

For the year ended 31 January 2016

## 23. Related party transactions

In accordance with section 3(c) of Financial Reporting Standard 8, Related Party Disclosure, transactions made between 100% subsidiary undertakings of Theo Fennell Holdings Limited (previously Mirfield 1964 PLC) have not been disclosed.

## 24. Ultimate parent undertaking and controlling party

The ultimate parent company is Theo Fennell Holdings Limited (previously Mirfield 1964 PLC), a company registered in England and Wales. Copies of the group accounts of Theo Fennell Holdings Limited can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ. The controlling parties are M D Jatania, K Mills and J P Moulton by virtue of their ownership of the majority of the issued share capital of Theo Fennell Holdings Limited, the ultimate parent company.

## 25. First time adoption of FRS 102

The company has adopted FRS 102 for the period ended 31 January 2016 and has restated the comparative prior year amounts.

In addition, the directors believe it is more appropriate to present their 36 month revolving credit facility within creditors greater than one year and as such the 2015 comparative has been amended accordingly.

	£
Reserves per 2015 signed accounts	(9,842,461)
Reduction in stock overheads recognised	(528,600)
Revised reserves brought forward	<u>(10,371,061)</u>