

Incorporatewear Limited

Report and Financial Statements

Period ended

24 June 2020

Company number: 03240384



Incorporatewear Limited

Annual report and financial statements for the period ended 24 June 2020

Contents

Page:

1	Strategic report
4	Report of the director
6	Independent auditor's report
9	Income statement
10	Statement of changes in equity
11	Balance sheet
12	Notes forming part of the financial statements

Director

E Grigg

Registered office

Hams Hall National Distribution Park, Edison Road, Coleshill, Warwickshire, United Kingdom, B46 1DA

Company Secretary

A G Secretarial Ltd

Company number

03240384

Auditor

Ernst & Young LLP, No.1 Colmore Square, Birmingham B4 6HQ, United Kingdom

Bankers

HSBC Bank plc, 120 Edmund Street, Birmingham, B3 2QZ

Incorporatewear Limited

Strategic report for the period ended 24 June 2020

Principal activity and business review

The principal activity of the Company is the design, supply and management of corporate clothing for business use.

During the year Incorporatewear has continued to respond and react to the global economic and social pressures, including but not limited to the fall out of Covid-19. Whilst Incorporatewear has proudly stayed operational through the UK lockdown providing our customers' key workers in the healthcare, transport, banking and security sectors with the uniforms they require; the impact of Covid-19 has been significant on our customers in the airline, tourism and retail sectors which in turn has led to a significant reduction in our sales in the last quarter of the financial year and continuing into the new financial year.

Whilst the Company had traded profitably during the first nine months of the financial year, the impact of the last three months has been profound. As with many companies, Incorporatewear has made use of the UK Government's Coronavirus Job Retention Scheme and has furloughed a number of employees across all departments within the business both in order to maintain our employees' livelihood and mitigate costs for the Company. Unfortunately, due to the continuing negative impact on sales into the forthcoming financial year, the Coronavirus Job Retention Scheme has not stopped Incorporatewear making the difficult decision to reduce headcount in the business and right-size the cost base for the forthcoming year; the costs of which are included within the financial results for the year.

Sales showed a decline of 17.3% from the previous year, with Q4 being 54.6% lower than the corresponding period in the previous period. It is anticipated that whilst sales will pick up from the lows of Q4 in the current year, sales for the next financial are highly uncertain but are likely to be significantly below that of the current financial year. Whilst the gross margin has shown a decline in the year to 21.5%, which is reflective of the mix of products sold and the foreign exchange rates experienced, product development and a close relationship with our supply chain is more vital than ever in order to mitigate these risks. Administrative expenses includes several large one off exceptional costs comprising £318,000 of UK redundancy costs and £460,740 of impairment charges related to an ERP system. These exceptional costs have resulted in an operating loss for the year of £357,010.

The business continues to embrace the ownership by Workwear Group and the continuous improvement in principals, policies, processes and ethical controls required by any publicly owned company. Shared best practice and resource sharing also continue to develop to keep pace with the ever-changing world economy. The business has continued to focus on improving offshore manufacturing costs to mitigate inflationary pressures.

During the year the Company's subsidiary, Incorporatewear Unipessoal Lda in Portugal ceased trading with the formal liquidation process commencing shortly after the year end. This process was completed in November 2020. A dividend in specie of £2,580,376 was received from Incorporatewear Unipessoal Lda pre liquidation.

With continued uncertainty around the economy following Covid-19, the Director remain cautious about future growth and customer behaviour. Whilst Britain's departure from the European Union has been settled, the Company is investigating the impacts of the 'Country of Origin' rules and the impact of potential double duty which may be incurred on the export of certain goods into the EU. This coupled with increased paperwork requirements will have implications in the short term, mainly associated with the smoothness of trade, however plans are in place to ensure the Company's supply chain continues as normal and adapts to these challenges faced.

Key performance indicators

The Key Performance Indicators ("KPIs") used to monitor business performance were as follows:

KPI:	2020	2019
Gross margin	21.5%	22.5%
Return on capital employed	38.9%	(35.6%)

Incorporatewear Limited
Strategic report
for the period ended 24 June 2020 (continued)

Key performance indicators (continued)

In light of the significant impact of closing a subsidiary and Covid-19, the director is satisfied with the KPIs during the year.

Gross margin is calculated from gross profit divided by turnover for the period. Gross margin has decreased due to customer mix.

Return on capital employed is calculated from profit on ordinary activities after tax divided by net assets at the period end.

Principal risks and uncertainties

The significant risks and uncertainties are set out below.

The global impact of Covid has led to unprecedented uncertainties around future demand from our customers, particularly in the airline and tourism and retail sectors. The Company is mitigating these uncertainties where possible by utilising our long established customer relationships to provide as much insight into future demand as possible. The Company is also actively working with customers to manage stock levels.

The price of many raw materials is dependent upon movements in commodity prices. In order to reduce this risk, the Company sources from various suppliers across the world enabling sources of supply to be switched.

The majority of the Company's purchases are denominated in foreign currency, particularly Euro and US Dollars. In order to reduce the Company's exposure to currency fluctuations the Company uses the Treasury facilities offered by the wider Group structure to minimise risk where possible. However, the company does not hedge directly.

The Company trades only with recognised, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant

In common with other industrial businesses the Company is subject to risks associated with the environment. The Company manages these risks by continual review of its processes to identify opportunities for improvement, whilst ensuring that the supply chain standards are met or exceeded at all times.

Incorporatewear Limited

Strategic report for the period ended 24 June 2020 (continued)

Section 172 statement

The following disclosure describes how the director has had regard to the matters set out in section 172(1a) to (f) and forms the director statement required under section 414CZA of the Companies Act 2006.

Stakeholder	Strategic issue	Engagement	Outcome	Principal decision
Our people	Workforce engagement; organisational culture.	Regular all-employee communications.	Established employee benefits committee	Introduction of salary sacrifice scheme
Clients and customers	Customer satisfaction	Quarterly Business Reviews with customers	Enhanced web development	Automation of returns process and move to self serve web portal
Suppliers and partners	Ethical sourcing	Membership of Sedex; Wesfarmers	Strengthening ethical practices	Ethical Sourcing Policy rolled out to largest suppliers
Investors	Value creation	Monthly formal reviews with parent; bi-annual management visits	Diversification of offering; structural review	Increased supply of PPE; closure of Portuguese subsidiary
Society and environment	Operating responsibly	Employees; local community groups; charitable organisations	Increased recycling; reduced carbon emissions	Charitable fundraising events held; reduced travel- increase remote meetings

The Company recognises the contribution made by good governance to the Company's success and the importance of embedding the right structures with the right people to deliver the Company's strategy.

In addition to his statutory duty, the director must ensure that the Senior Leadership Team, which comprises all the Heads of Department and the director, focuses effectively on all its accountabilities.

Section 172 of the Companies Act 2006 requires director to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of shareholders as a whole. In doing so, the director must have regard (among other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster business relationships with suppliers, clients and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly towards all shareholders of the Company.

The Senior Leadership Team determines the strategic objectives and policies of the Company to best support the delivery of long-term value, providing overall strategic direction within an appropriate framework of rewards, incentives and controls. The director has final approval of this strategy. The Senior Leadership Team is collectively responsible for the success of the Company. Following a disciplined process of review and challenge by the Senior Leadership Team, clear decisions on policy or strategy are adopted, and those decisions are implemented. Stakeholder interests and the matters listed above are factored into all Senior Leadership Team discussions and decisions.

On behalf of the board



E Grigg
Director

15 February 2021

Incorporatewear Limited

Report of the Director for the period ended 24 June 2020

The Director presents his report together with the audited financial statements for the period ended 24 June 2020.

Results and dividends

The profit for the period after taxation amounted to £2,153,294 (2019 – loss of £1,206,869). The director recommended and paid an interim dividend of £nil (2019 - £nil).

No final dividend (2019 - £nil) is recommended.

Director

The director who served the company during the period and to the current date are as follows:
E Grigg

Director's liability

The company has granted an indemnity to its director against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the director's report.

Going concern

The financial statements have been prepared on a going concern basis. The Company recognised a profit in the year of £2,153,294 (2019 - £1,206,869 loss). Subsequent to the year-end, all related party liabilities have been repaid leaving the Company with cash of c£1m at the end of January 2021 and no borrowings, internal or external.

The director is required to consider the application of the going concern concept when approving the financial statements. In the absence of external borrowing facilities, the principal consideration of the directors is maintaining sufficient liquidity to continue to settle liabilities as they fall due for a period of at least twelve months subsequent to the date of approving the accounts. The director initially considered a base case cash flow forecast for the period to June 2022 reflecting expected activity with both continuing and new customers. This base case indicates the availability of the sufficient liquidity throughout this period.

We note that as a result of the Covid-19 pandemic, there is an increased uncertainty regarding the potential impact that this may have on the future cash flows due to the industries the company's customers operate in, specifically airline and retail. Sensitivity analysis performed on the cash flows, indicate that if certain assumptions are changed these could significantly impact cash flows requiring additional funding to be available. For example, if total revenue were to fall by 10% and a similar fall in cost of sales, with other assumptions regarding costs remaining constant, additional funding would be required in the next twelve months. Or if new unconfirmed sales forecast did not materialise, it would also necessitate additional funding to be required in May 2021. If indirect costs, including potential non-recoverability of debts were to increase by c10%, again additional funding would be required by the end of the period assessed.

The director considers that the sensitivity of results to revenue and costs related to the potential further disruption to customers relating to Covid-19 constitutes a material uncertainty that casts doubt on the Company's ability to continue as a going concern. Despite this, the director considers that the current forecasts have been prepared on a conservative level and costs can continued to be flexed if required to enable funds to remain available.

Incorporatewear Limited

Report of the Director for the period ended 24 June 2020 (continued)

Going concern *continued*

If additional funding is required, and if the company remains part of the Workwear group, it is expected that funding would be made available from them. Alternatively, the directors are confident that finance could be sourced externally. However, such additional financing is not currently secured. In the event that the company was acquired, the terms of any acquisition and the future plans of the new owners are currently not known but may impact the Company's future prospects, the director considers that this represents an additional material uncertainty

The director believes the Company is able to withstand the impact of Covid-19 on its business over the forecast period. Accordingly, the director believes that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

Statement of Director' responsibilities

The Director is responsible for preparing the Strategic Report, the Report of the Director and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director 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 those financial statements, the director is required to:

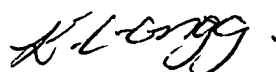
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The director is responsible for keeping proper 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. He is 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.

Disclosure of information to the auditors

So far as the director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of management and the group's auditor, the director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the board



**E Grigg
Director**

15 February 2021

Independent auditor's report to the members of Incorporatewear Limited

Opinion

We have audited the financial statements of Incorporatewear Limited for the period ended 24 June 2020 which comprise the Income Statement, the Statement of Changes in Equity, the Balance Sheet, and the related notes 1 to 19, 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 FRS 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 company's affairs as at 24 June 2020 and of its profit for the period 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 below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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.

Material Uncertainty related to going concern

We draw attention to Note 2 of the financial statements, which details the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These material uncertainties arise as reasonably possible negative changes in management's forecasts of revenue or indirect costs during the period of assessment could result in a liquidity shortfall and in the event that the company is acquired, the terms of any acquisition and the future plans of the new owners are currently not known but may impact the Company's future prospects. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Incorporatewear Limited (*continued*)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions 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 director report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and director 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 director 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 director' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of director

As explained more fully in the director' responsibilities statement set out on page 4, the director 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 director 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 director is 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 director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of Incorporatewear Limited (*continued*)

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 <https://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.

Ernst & Young LLP

Lorna McNeil (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

15 February 2021

Incorporatewear Limited

Income statement for the period ended 24 June 2020

	Note	2020 £	2019 £
Turnover	3	18,586,977	22,471,229
Cost of sales		(14,582,290)	(17,412,357)
		<hr/>	<hr/>
Gross profit		4,004,687	5,058,872
Distribution costs		(226,032)	(648,185)
Administrative expenses		(4,135,665)	(3,631,977)
		<hr/>	<hr/>
Operating (loss)/ profit	4	(357,010)	778,710
Income from subsidiaries		2,580,376	-
Impairment of investment		-	(1,577,550)
Interest payable	5	(171,316)	(294,202)
		<hr/>	<hr/>
Profit/ (loss) on ordinary activities before taxation		2,052,050	(1,093,042)
Tax on profit/ (loss) on ordinary activities	7	101,244	(113,827)
		<hr/>	<hr/>
Profit/ (loss) for the financial period		2,153,294	(1,206,869)
		<hr/>	<hr/>

There is no comprehensive income in addition to the amounts disclosed in the income statement above and therefore no separate statement has been presented.

The notes on pages 12 to 23 form part of these financial statements

Incorporatewear Limited

Statement of changes in equity for the period ended 24 June 2020

	Share capital	Share premium account	Capital redemption reserve	Retained earnings	Attributable to equity holders of the company
	£	£	£	£	£
Balance at 1 July 2018	996,416	853,721	12,000	2,732,623	4,594,760
Loss for the period	-	-	-	(1,206,869)	(1,206,869)
Total comprehensive income	-	-	-	(1,206,869)	(1,206,869)
Balance at 24 June 2019	996,416	853,721	12,000	1,525,754	3,387,891
Profit for the period	-	-	-	2,153,294	2,153,294
Total comprehensive income	-	-	-	2,153,294	2,153,294
Balance at 24 June 2020	996,416	853,721	12,000	3,679,048	5,541,185

Share capital

Represents the nominal value of shares that have been issued.

Share premium account

The share premium account represents the proceeds that were above the nominal value from issuance of the Company's equity share capital comprising £1 shares.

Capital redemption reserve

The capital redemption reserve has arisen on the cancellation of previously issued shares and represents the nominal value of those shares cancelled.

Retained earnings

Retained earnings include the accumulated profits arising from the income statement and items from the statement of comprehensive income attributable to equity shareholders, less distributions to shareholders.

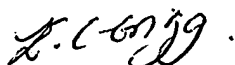
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Incorporatewear Limited

Balance sheet for the period ended 24 June 2020

Company no: 03240384			
	Note	2020 £	2019 £
Fixed assets			
Intangible assets	8	9,086	487,193
Tangible assets	9	370,331	420,159
Investments	10	-	-
		379,417	907,352
Current assets			
Stocks	11	4,855,079	4,758,049
Debtors due less than one year	12	2,591,192	3,868,301
Cash at bank and in hand		4,679,486	8,402,663
		12,125,757	17,029,013
Creditors: amounts falling due within one year	13	(6,963,989)	(14,548,474)
Net current assets		5,161,768	2,480,539
Net assets		5,541,185	3,387,891
Capital and reserves			
Share capital	15	996,416	996,416
Share premium account		853,721	853,721
Capital redemption reserve		12,000	12,000
Profit and loss account		3,679,048	1,525,754
Shareholders' funds		5,541,185	3,387,891

The accounts were approved by the Board of Director on 15 February 2021.



E Grigg
Director

The notes on pages 12 to 23 form part of these financial statements.

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020

1 Statement of compliance

Incorporatewear Limited ("the Company") is a limited company incorporated and domiciled in England and Wales. These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 102 – 'The Financial reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and the requirements of the Companies Act 2006. The principal accounting policies adopted in the preparation of these financial statements are set out below in note 2. These policies have all been applied consistently throughout the period unless otherwise stated.

As permitted by the Companies Act the accounts for the Company have been prepared for the period up to 24 June 2020 reflective of the wider Group's month end (PY – period up to 24 June 2019).

The financial statements have been prepared on a historical cost basis and on a going concern basis. The financial statements are presented in Sterling (£).

2 Summary of significant accounting policies

Going concern

The financial statements have been prepared on a going concern basis. The Company recognised a profit in the year of £2,153,294 (2019 - £1,206,869 loss). Subsequent to the year-end, all related party liabilities have been repaid leaving the Company with cash of c£1m at the end of January 2021 and no borrowings, internal or external.

The director is required to consider the application of the going concern concept when approving the financial statements. In the absence of external borrowing facilities, the principal consideration of the directors is maintaining sufficient liquidity to continue to settle liabilities as they fall due for a period of at least twelve months subsequent to the date of approving the accounts. The director initially considered a base case cash flow forecast for the period to June 2022 reflecting expected activity with both continuing and new customers. This base case indicates the availability of the sufficient liquidity throughout this period.

We note that as a result of the Covid-19 pandemic, there is an increased uncertainty regarding the potential impact that this may have on the future cash flows due to the industries the company's customers operate in, specifically airline and retail. Sensitivity analysis performed on the cash flows, indicate that if certain assumptions are changed these could significantly impact cash flows requiring additional funding to be available. For example, if total revenue were to fall by 10% and a similar fall in cost of sales, with other assumptions regarding costs remaining constant, additional funding would be required in the next twelve months. Or if new unconfirmed sales forecast did not materialise, it would also necessitate additional funding to be required in May 2021. If indirect costs, including potential non-recoverability of debts were to increase by c10%, again additional funding would be required by the end of the period assessed.

The director considers that the sensitivity of results to revenue and costs related to the potential further disruption to customers relating to Covid-19 constitutes a material uncertainty that casts doubt on the Company's ability to continue as a going concern. Despite this, the director considers that the current forecasts have been prepared on a conservative level and costs can continued to be flexed if required to enable funds to remain available.

If additional funding is required, and if the company remains part of the Workwear group, it is expected that funding would be made available from them. Alternatively, the directors are confident that finance could be sourced externally. However, such additional financing is not currently secured. In the event that the company was acquired, the terms of any acquisition and the future plans of the new owners are currently not known but may impact the Company's future prospects, the director considers that this represents an additional material uncertainty.

The director believes the Company is able to withstand the impact of Covid-19 on its business over the forecast period. Accordingly, the director believes that it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not contain the adjustments that would result if the Company was unable to continue as a going concern.

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (*continued*)

2 Accounting policies (*Continued*)

Parent Company

The Company is a wholly owned subsidiary of Wesfarmers Limited, based at Level 14, Brookfield Place Tower 2, 123 St Georges Terrace, Perth 6000, Western Australia, which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Wesfarmers Limited for the year ended 30 June 2020. Copies of these financial statements may be obtained directly from Wesfarmers website. The company has taken advantage of the exemption under s400 of the Companies Act not to prepare consolidated accounts. These financial statements present information about the company as an individual entity not about the group.

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 102. Therefore, these statements do not include:

- A statement of cash flows and related notes
- Section 33 related party disclosures to disclose related party transactions entered in to between two or more members of the Group as they are wholly owned within the Group and key management personnel compensation
- Section 4 - Reconciliation of the number of shares outstanding at the beginning and at the end of the period
- Section 11 & Section - disclosures in respect of financial instruments & fair value measurements which are given in the consolidated accounts

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer. The Group has two distinct points where these risk and rewards are passed, on receipt of goods into the Company warehouse and on despatch to customers. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales tax and duty.

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

- the significant risks and rewards of ownership are transferred to the buyer;
- the Group 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 Group 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.

Intangible fixed assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Computer software and other intangible assets are amortised over their useful lives on a straight line basis with the amortisation charge included within other operating expenses.

Estimated useful life is the shorter of legal duration and economic useful life, which represents the director's best estimate of the period over which the asset may be used to generate significant economic benefits to the

Fixed asset investments

Investments in subsidiaries are stated at cost, less impairment, and dividends from subsidiaries are taken to profit or loss when the right to receive payment is established.

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (continued)

2 Accounting policies (Continued)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Plant and equipment	- 10 - 20% straight line
Fixtures and fittings	- 10 - 33% straight line
Leasehold improvements	- 10% straight line
Leasehold land & buildings	- 5 - 20% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Stock

Stocks are valued at the lower of cost and net realisable value, which is arrived at as follows:

Raw materials	- purchase cost on a first-in, first-out basis.
Work in progress and finished goods	- actual cost of direct materials and labour plus attributable overheads based on a normal level of activity but excluding borrowing costs.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Cash and cash equivalents

Cash comprise cash on hand and demand deposits which is presented as cash at bank and in hand in the balance sheet.

Operating leases

Where the Company is a lessee, payments made under an operating lease agreement are recognised as an expense on a straight-line basis over the lease term. Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains on disposal of property, plant and equipment that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (*continued*)

2 Accounting policies (*Continued*)

- Deferred tax assets are recognised only to the extent that the director consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Current tax

Current tax assets/ liabilities are measured at the amount expected to be recovered from/ paid to the tax authorities, based on tax rates/ laws that are enacted or substantively enacted by the balance sheet date.

Income tax is charged or credited directly to other comprehensive income or equity if it relates to items that are credited or charged to other comprehensive income or to equity respectively. Otherwise income tax is recognised in the consolidated income statement.

Foreign currency translation

The functional and presentation currency of the Company is sterling (£). Transactions in foreign currencies are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Any resulting exchange differences are taken to the consolidated income statement.

Pension costs

The company operates a defined contribution pension scheme for employees. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to offset the recognised amounts and there is no intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Use of accounting estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the reported amount of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates and judgements. Where appropriate, details of estimates and assumptions used are set out in the relevant notes to the accounts.

The key figures in the accounts that are most sensitive to such estimates and assumptions are:

- Stock provision – the Group makes provision against those stock items in which recoverability is uncertain. In assessing stock provisions the Group takes account of the number of units despatched over a 12 month period as compared to the number of units held in stock with a provision made against those items in excess of 12 months stock.

Impairment of property, plant and equipment – the Company performs an impairment review when indications of impairment exist. Impairment testing requires an estimate of future cash flows and the application of a suitable discount rate.

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (continued)

3 Turnover

The turnover and profit before tax are attributable to the one principal activity of the Company.

An analysis of turnover by geographical market is given below:

	2020 £	2019 £
United Kingdom	18,586,977	22,471,229
	<u>18,586,977</u>	<u>22,471,229</u>

4 Operating profit

This is stated after charging/ (crediting) the following:

	2020 £	2019 £
Foreign currency (gain)/ loss	(79,906)	112,060
Auditors' remuneration – as auditors of the company	41,000	50,000
Depreciation of owned tangible fixed assets	78,789	83,127
Amortisation of intangible assets	38,777	17,568
Impairment of intangible assets	460,740	-
Operating leases – land and buildings	383,649	357,523
Operating leases – other	89,662	79,784
Cost of stocks recognised as an expense	13,349,806	15,836,084
Operating exceptional costs disclosed within administrative expenses	318,000	--
Grant income received netted against payroll costs	(234,009)	-
	<u></u>	<u></u>

Operating exceptional costs of £318,000 relate to redundancy costs that have been incurred from restructuring undertaken during the current period.

Incorporatewear Limited
Notes to the financial statements
for the period ended 24 June 2020 (continued)

5 Interest

	2020 £	2019 £
Group loan interest	134,349	262,023
Finance charges	36,967	32,179
	<u>171,316</u>	<u>294,202</u>

6 Staff costs

	2020 £	2019 £
Wages and salaries	2,889,943	2,878,064
Social security costs	264,041	277,524
Pension	110,372	47,973
	<u>3,264,356</u>	<u>3,203,561</u>

The above figures are net of £234,009 received from the UK Government's Coronavirus Job Retention Scheme.

The average monthly number of persons employed by the company, including Director during the period was:

	2020 Number	2019 Number
Distribution	35	34
Administration	69	75
	<u>104</u>	<u>109</u>

Director remuneration

	2020 £	2019 £
Director remuneration	141,689	9,450
Company contribution to pension scheme	5,698	375
	<u>147,387</u>	<u>9,825</u>
Number of directors, who are members of the company's defined contribution schemes	<u>1</u>	<u>1</u>

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (continued)

7 Taxation

	2020 £	2019 £
Current tax:		
Current tax on profit for the period	-	86,828
Adjustment in respect of prior years	(17,665)	19,870
	<u>(17,665)</u>	<u>106,698</u>
Deferred tax:		
Movement in the period	(76,917)	9,207
Adjustment in respect of prior years	470	(1,109)
Effects of change in corporation tax rates	(7,132)	(969)
	<u>(83,579)</u>	<u>7,129</u>
Tax (credit)/ expense reported in the income statement	<u>(101,244)</u>	<u>113,827</u>

Adjustment in respect of prior years' relates to an adjustment for tax losses carried back to previous years.

Reconciliation of total tax charge

The tax assessed for the period is lower than that resulting from applying the standard rate of corporation tax in the UK: 19% (2019: 19%).

The differences are explained below:

	2020 £	2019 £
Profit/ (loss) on ordinary activities before tax	<u>2,052,050</u>	<u>(1,093,042)</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	<u>389,890</u>	<u>(207,678)</u>
Effects of:		
(Income) / expenses not deductible for tax purposes	(490,270)	303,714
Change in tax rate	(1,091)	(970)
Adjustment to corporation tax charges in respect of previous periods	(17,195)	18,761
Losses carried back	17,422	-
	<u>(101,244)</u>	<u>113,827</u>
Tax expense reported in the income statement	<u>(101,244)</u>	<u>113,827</u>

Income not deductible for tax purposes relates to dividend in specie received during the period.

Incorporatewear Limited
Notes to the financial statements
for the period ended 24 June 2020 (continued)

8 Intangible fixed assets

	Computer software £
Cost:	
As at 25 June 2019	963,769
Additions	21,410
	<hr/>
At 24 June 2020	985,179
	<hr/>
Depreciation:	
As at 25 June 2019	476,576
Charge for the period	38,777
Impairment	460,740
	<hr/>
At 24 June 2020	976,093
	<hr/>
Net book value:	
At 24 June 2020	9,086
	<hr/>
At 24 June 2019	487,193
	<hr/>

9 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Total £
Cost:			
As at 25 June 2019	779,679	197,707	977,386
Additions	27,797	1,164	28,961
	<hr/>	<hr/>	<hr/>
At 24 June 2020	807,476	198,871	1,006,347
	<hr/>	<hr/>	<hr/>
Depreciation:			
As at 25 June 2019	361,344	195,883	557,227
Charge for the period	76,953	1,836	78,789
	<hr/>	<hr/>	<hr/>
At 24 June 2020	438,297	197,719	636,016
	<hr/>	<hr/>	<hr/>
Net book value:			
At 24 June 2020	369,179	1,152	370,331
	<hr/>	<hr/>	<hr/>
At 24 June 2019	418,335	1,824	420,159
	<hr/>	<hr/>	<hr/>

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (continued)

10 Fixed asset investments

	2020 £	2019 £
Shares in subsidiary undertakings		
Cost	1,577,550	1,577,550
Impairment	(1,577,550)	(1,577,550)
Valuation as at 24 June	-	-

Details of the company's subsidiary undertakings in which the company owns 100% of the issued share capital as at 24 June 2020 are as follows:

Name of undertaking	Registered office	Nature of business
Incorporatewear Unipessoal Lda	Travessa Coracao de Jesus, no. 92, Porto, Portugal	Ceased trading February 2020 and liquidated post period end

11 Stock

	2020 £	2019 £
Work in progress	6,232	14,386
Finished goods	4,848,847	4,743,663
	<u>4,855,079</u>	<u>4,758,049</u>

The replacement cost of stock is not materially different from the amount shown above. The expense recognised in the period is detailed in note 4.

12 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,106,983	3,496,057
Prepayments and accrued income	276,732	212,669
Amounts due from group undertakings	-	32,720
Corporation tax	17,422	-
Other debtors	94,686	115,065
	<u>2,495,823</u>	<u>3,856,511</u>
Amounts falling due after more one year:		
Deferred tax (note 14)	95,369	11,790
Total debtors	<u>2,591,192</u>	<u>3,868,241</u>

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (continued)

13 Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	1,476,632	2,238,341
Corporation tax	-	86,311
Other taxation & social security	194,391	75,200
Other creditors	116,673	87,439
Amounts due to group undertakings	4,157,577	11,758,286
Accruals and deferred income	1,018,716	302,897
	<u>6,963,989</u>	<u>14,548,474</u>

Trade creditors are non-interest bearing and are normally on terms of 30 to 60 days.

Amounts due to group undertakings are interest bearing and repayable on demand by agreement with the parent company.

14 Deferred tax

The asset for deferred taxation consists of the following:

	2020 £	2019 £
Temporary differences relating to capital allowances	(7,864)	(11,790)
Short term timing differences	(1,669)	-
Losses	(85,836)	-
	<u>(95,369)</u>	<u>(11,790)</u>

Deferred tax has been calculated at the rate expected to apply at the time at which timing differences are forecast to reverse, based on tax rates which have been substantively enacted at the balance sheet date.

The movement in the deferred taxation provision during the period was:

	2020 £	2019 £
Balance brought forward	(11,790)	(18,919)
Movement arising during the period	(76,917)	9,207
Adjustment in respect of prior years	470	(1,109)
Effects of change in corporation tax rates	(7,132)	(969)
	<u>(95,369)</u>	<u>(11,790)</u>

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (*continued*)

15 Share capital

	2020 £	2019 £
<i>Allotted, called up and fully paid</i>		
996,416 ordinary shares of £1.00 each	<u>996,416</u>	<u>996,416</u>

All paid up share capital rank *pari passu* for all purposes.

16 Pensions

The company participates in an ongoing defined contribution scheme, in which assets are held independently.

Amounts unpaid to the defined contribution scheme at period end was £9,898 (2019 - £10,917).

17 Financial commitments

Lease commitments

The Company had total outstanding commitments under operating leases as follows:

	2020 £	2019 £
Not later than one year	429,623	425,108
After one year but not more than five years	<u>177,479</u>	<u>547,771</u>
	<u>607,102</u>	<u>978,879</u>

Incorporatewear Limited

Notes to the financial statements for the period ended 24 June 2020 (*continued*)

18 Related party transactions

The Company has taken advantage of the exemption in FRS 102 as a wholly owned subsidiary of Wesfarmers Ltd not to disclose details of related party transactions with other wholly owned companies of Wesfarmers Ltd (the "Group"). There were no other related party transactions requiring disclosure under FRS 102.

19 Ultimate parent company

The Company is a wholly owned subsidiary of The Workwear Group Holding Pty Ltd. The ultimate holding and controlling company is Wesfarmers Limited, a company incorporated in Australia. The results of Incorporatewear Limited and its fellow subsidiaries have been consolidated within the financial statements of Wesfarmers Limited. Copies of these financial statements may be obtained directly from the Wesfarmers website.