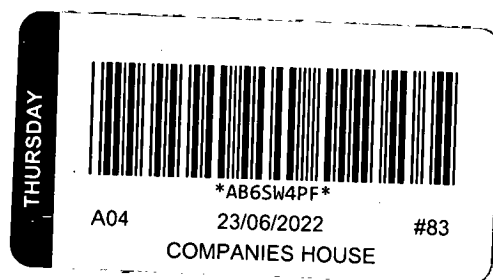


Finisterre UK Limited
Annual Report and Financial Statements
Year Ended 31 December 2021
Registration number: 04444480



Finisterre UK Limited

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Finisterre UK Limited

Company Information

| | |
|--------------------------|--|
| Directors | T C Kay |
| | A Hughes |
| | W L Sheane |
| Registered office | Unit 6 Wheal Kitty Workshops St. Agnes Cornwall TR5 0RD |
| Auditors | PKF Francis Clark Statutory Auditor North Quay House Sutton Harbour Plymouth Devon PL4 0RA |

Finisterre UK Limited

Strategic Report for the Year Ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is that of the design and sale of Finisterre branded, sustainable clothing and accessories.

Finisterre is a pioneering, direct-to-consumer outdoor brand, built to inspire a love of the sea and anchored in exceptional product. The innovative product range includes technical jackets, knitwear, shirts, swimwear and accessories. Finisterre is a B Corp certified business selling around the world through its website (www.finisterre.com) and 9 UK retail stores.

Finisterre's core values are Product, Environment and People.

Fair review of the business

The turnover for the year ended 31 December 2021 was £17,111,443 (2020: £10,906,198) and the profit for the year, after taxation, was £452,365 (2020: £205,812).

The coronavirus pandemic continued to impact businesses globally in 2021. It has impacted our global suppliers and, within the UK, lockdown restrictions impacted our bricks and mortar retail stores, which were forced to close again at the start of 2021. Our online channel has continued to grow as a result of an increase in online demand during the pandemic and a strong product offering which was particularly suited for outdoor activities. The company has taken advantage of the grants and other financial schemes that the UK government has introduced to support business during this time. This has led to 57% growth in sales in 2021. The increased sales meant that our existing warehouse no longer had the capacity for our requirements. Despite a long search for a larger location in Cornwall we were unable to find suitable premises and therefore we made the decision to partner with a third-party logistics provider for our warehousing and fulfilment services. This move will allow us to scale the business as required and will future proof our logistics operations working with a leader in the field. The move took place in October 2021 and following the transition we successfully delivered our peak sales.

We use a number of financial and non-financial key performance indicators to monitor the health of the company. These are reported daily, weekly, and monthly.

The company's key financial and other performance indicators during the year were as follows:

| | Unit | 2021 | 2020 |
|-------------------------|------|--------|--------|
| Turnover | £k | 17,111 | 10,906 |
| Gross Profit Margin | % | 53 | 55 |
| Operating profit/(loss) | £k | 580 | 255 |
| Profit/(Loss) after tax | £k | 452 | 206 |

Finisterre UK Limited

Strategic Report for the Year Ended 31 December 2021

Principal risks and uncertainties

The principal risks to the business are; financial risk (financial market risk and liquidity risk) and operational risk (economic risk, systems and business continuity risk, reputational risk and cyber risk)

Finisterre designs clothing from its workshop in Wheal Kitty, Cornwall. We work with factories around the globe sourcing sustainable products, and we place orders up to 6 months before payment is required. This leaves us exposed to foreign exchange risk on these contracts. We enter into forward contracts to reduce our exposure to fluctuations in exchange rates on stock purchases.

The company has significant working capital requirements at key times in the year. We ensure that we have sufficient resources to meet our obligations as they fall due. We manage this with detailed cash flow forecasts and working with banks and other lenders to ensure that we have sufficient working capital when required.

Finisterre is affected by the health of the economies in the territories in which it operates. During 2021 the majority of revenue was generated in the UK and so we are affected by the health of the UK economy. The expansion of the business to new markets as we scale internationally will help reduce this risk.

Our finished goods are purchased from factories around the world and delivered by third party logistic companies. Any problems throughout the supply chain would impact our ability to deliver product and result in lost revenue. Our team are in close contact with all suppliers and if, at any stage, we identify problems in the supply chain we will look at alternative methods to get our products to market or amend our offerings, both in-store and online to manage the impact of delivery delays.

Finisterre is committed to make better and more sustainable products and is committed to making informed decisions about our impact on the environment. We ensure that the products we purchase and the suppliers we work with align with the standards we set for ourselves. We audit our suppliers to ensure that they follow best practice, and we ensure that we are always striving to improve our standards.

Cyber risk is the risk of a cyber-attack leading to damage to our reputation and trading performance. The risk is mitigated by controls and safeguards put in place by our technology team, along with cyber risk insurance, if we are unable to prevent a cyber event.

Finisterre performed and continues to perform in line with the directors' expectations and we are confident that this will continue.

Approved by the Board on 17/06/2022 and signed on its behalf by:



W L Sheane
Director

Finisterre UK Limited

Directors' Report for the Year Ended 31 December 2021

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

Directors of the company

The directors who held office during the year were as follows:

T C Kay

D M Luffman (ceased 16 December 2021)

H F Blackman (ceased 5 February 2021)

A Hughes

W L Sheane (appointed 1 February 2021)

Financial instruments

Purchases of stock is done on a seasonal basis with orders placed months in advance of the product being supplied. To mitigate the risk of fluctuations in exchange rates on foreign currency stock purchases Finisterre take out forward contracts locking in the exchange rates for the future season's purchases.

Future developments

Finisterre will continue to invest in innovative sustainable fabrics and manufacturing processes to ensure that Finisterre is a leader in sustainable fashion and the circular economy. The focus of the company will be to continue to grow its online business in the UK, to target key international markets and grow its online customer base while providing experiential retail experiences through its retail estate.

Going concern

The directors have prepared the financial statements on a going concern basis, on the understanding that Fitzroy Apparel Limited (the company's immediate parent) will continue to provide financial support if, and when it is required and, accordingly, the financial statements do not include any adjustments that would result if this support were not forthcoming. The company was profitable and cash-generative in 2021 and at year end held £4.8m in cash. For further details please see the strategic report.

Post the financial year end there have been several factors affecting the UK economy including the cost of living crisis and the war in Ukraine. The Board acknowledges this represents some risk to trade in 2022 and continues to conduct rigorous sensitivity analyses for budgeting and managing working capital throughout the year. The directors ensure that the company has sufficient resources to meet its obligations as they fall due by working with banks and other lenders to ensure that the company has sufficient working capital when required.

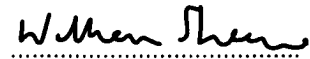
Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Finisterre UK Limited

Directors' Report for the Year Ended 31 December 2021

Approved by the Board on 17/06/2022 and signed on its behalf by:



W L Sheane
Director

Finisterre UK Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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 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.

Finisterre UK Limited

Independent Auditor's Report to the Members of Finisterre UK Limited

Opinion

We have audited the financial statements of Finisterre UK Limited (the 'company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Finisterre UK Limited

Independent Auditor's Report to the Members of Finisterre UK Limited

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 and the Directors' Report.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to acts by the company which were contrary to applicable laws and regulations, including fraud.

Finisterre UK Limited

Independent Auditor's Report to the Members of Finisterre UK Limited

We considered those laws and regulations that have a direct impact on the preparation of the financial statements, including, but not limited to the reporting framework (FRS 102 and Companies Act 2006) and the relevant tax compliance regulations in the UK.

As part of our planning procedures, we assessed the risk of any non-compliance with laws and regulations on the entity's ability to continue operating and the risk of material misstatement to the accounts. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved the following:

- Reviewing legal and professional costs to identify legal costs in respect of non compliance;
- Making enquiries with management whether there have been any known instances, allegations or suspicions of fraud or non-compliance with laws and regulations;
- Reviewing board minutes or correspondence with regulators where available.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to fraudulent financial reporting. Our procedures involved the following;

- Reviewing nominal journal entries for reasonableness;
- Reviewing significant accounting estimates for bias;
- Reviewing completeness of the sales return provision.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements. This risk increases the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements as we are less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment, collusion, omission or misrepresentation.

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

Use of our report

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



.....
Duncan Leslie FCA (Senior Statutory Auditor)
PKF Francis Clark, Statutory Auditor

North Quay House
Sutton Harbour
Plymouth
Devon
PL4 0RA

Date: 20/06/2022

Finisterre UK Limited

Profit and Loss Account

Year Ended 31 December 2021

| | Note | 2021 £ | 2020 £ |
|--|------|--------------------|--------------------|
| Turnover | 3 | 17,111,443 | 10,906,198 |
| Cost of sales | | <u>(8,080,009)</u> | <u>(4,936,640)</u> |
| Gross profit | | 9,031,434 | 5,969,558 |
| Administrative expenses | | (8,757,195) | (6,065,177) |
| Other operating income | 4 | <u>306,197</u> | <u>350,926</u> |
| Operating profit | 5 | <u>580,436</u> | <u>255,307</u> |
| Other interest receivable and similar income | | - | 4,412 |
| Interest payable and similar expenses | 9 | <u>(77,862)</u> | <u>(108,342)</u> |
| | | <u>(77,862)</u> | <u>(103,930)</u> |
| Profit before tax | | 502,574 | 151,377 |
| Tax on profit | 10 | <u>(50,209)</u> | <u>54,435</u> |
| Profit for the financial year | | <u>452,365</u> | <u>205,812</u> |

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

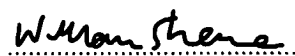
Finisterre UK Limited

Balance Sheet

31 December 2021

| | Note | 2021 £ | 2020 £ |
|---|------|--------------------|--------------------|
| Fixed assets | | | |
| Intangible assets | 11 | 215,362 | 13,190 |
| Tangible assets | 12 | <u>355,761</u> | <u>457,063</u> |
| | | <u>571,123</u> | <u>470,253</u> |
| Current assets | | | |
| Stocks | 13 | 4,164,046 | 1,060,821 |
| Debtors | 14 | 916,197 | 975,592 |
| Cash at bank and in hand | | <u>4,791,731</u> | <u>5,712,424</u> |
| | | 9,871,974 | 7,748,837 |
| Creditors: Amounts falling due within one year | 16 | <u>(4,923,397)</u> | <u>(3,425,920)</u> |
| Net current assets | | <u>4,948,577</u> | <u>4,322,917</u> |
| Total assets less current liabilities | | 5,519,700 | 4,793,170 |
| Provisions for liabilities | 19 | <u>(426,375)</u> | <u>(201,761)</u> |
| Net assets | | <u>5,093,325</u> | <u>4,591,409</u> |
| Capital and reserves | | | |
| Called up share capital | | 5,057,452 | 5,057,452 |
| Share premium reserve | | 179,952 | 179,952 |
| Capital contribution reserve | | 52,212 | 6,959,490 |
| Profit and loss account | | <u>(196,291)</u> | <u>(7,605,485)</u> |
| Shareholders' funds | | <u>5,093,325</u> | <u>4,591,409</u> |

Approved and authorised by the Board on 20/06/2022 and signed on its behalf by:



W L Sheane
Director

Company Registration Number: 04444480

Finisterre UK Limited

Statement of Changes in Equity

Year Ended 31 December 2021

| | Share capital £ | Share premium £ | Capital contribution reserve £ | Profit and loss account £ | Total £ |
|----------------------------------|-----------------------|-----------------------|---|------------------------------------|------------------|
| At 1 January 2021 | 5,057,452 | 179,952 | 6,959,490 | (7,605,485) | 4,591,409 |
| Profit for the year | - | - | - | 452,365 | 452,365 |
| Total comprehensive income | - | - | - | 452,365 | 452,365 |
| Share based payment transactions | - | - | 49,551 | - | 49,551 |
| Transfers | - | - | (6,956,829) | 6,956,829 | - |
| At 31 December 2021 | <u>5,057,452</u> | <u>179,952</u> | <u>52,212</u> | <u>(196,291)</u> | <u>5,093,325</u> |

| | Share capital £ | Share premium £ | Capital contribution reserve £ | Profit and loss account £ | Total £ |
|----------------------------------|-----------------------|-----------------------|---|------------------------------------|------------------|
| At 1 January 2020 | 5,057,452 | 179,952 | - | (7,811,297) | (2,573,893) |
| Profit for the year | - | - | - | 205,812 | 205,812 |
| Total comprehensive income | - | - | - | 205,812 | 205,812 |
| Waiver of debt due to parent | - | - | 6,956,829 | - | 6,956,829 |
| Share based payment transactions | - | - | 2,661 | - | 2,661 |
| At 31 December 2020 | <u>5,057,452</u> | <u>179,952</u> | <u>6,959,490</u> | <u>(7,605,485)</u> | <u>4,591,409</u> |

£6,956,829 of the Profit and Loss account arose as a result of a capital contribution from the parent company, Fitzroy Apparel Limited. In the opinion of the directors this element constitutes realised profit and has therefore been transferred from the capital contribution reserve during the 2021 financial year.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Unit 6 Wheal Kitty Workshops

St. Agnes

Cornwall

TR5 0RD

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

FRS 102 grants a qualifying entity exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements as the company is deemed to be a qualifying entity.

The company has been taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a Statement of Cash Flows on the basis that it is a qualifying entity and its ultimate parent company, Fitzroy Apparel Limited, included the company's cash flows in its own consolidated financial statements. The company is also taking exemption from disclosure of key management personnel compensation and exemption from disclosure of related party transactions entered into between the company and other wholly owned members of the Fitzroy Apparel Limited group.

Going concern

The directors have prepared the financial statements on a going concern basis, on the understanding that Fitzroy Apparel Limited (the company's immediate parent) will continue to provide financial support if, and when it is required and, accordingly, the financial statements do not include any adjustments that would result if this support were not forthcoming.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Key sources of estimation uncertainty

The company recognises a provision for estimated sales returns as at the year end. This is informed by the historic pattern of returns and the actual returns received between the balance sheet date and the date of approval of the financial statements.

Estimates have been made to value the equity settled share-based payments recognised through the issuance of share options during the period. The key assumptions used centre on the volatility associated with the share price, assessment of the likelihood of non market conditions being met and the time to maturity, when the options become exercisable.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the company. Turnover from sale of goods in retail stores is recognised at the point of sale. Turnover from sale of goods on the company's website is recognised on despatch.

The company recognises revenue when:

The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Government grants

Government grants are recognised as income according to the "performance model" when they are receivable and all of the performance conditions imposed by the grant have been met.

Until such time that the performance conditions are met, government grants are recorded as deferred income on the balance sheet, included within creditors: amounts due within or after one year.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current corporation 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 taxable income.

Deferred tax is recognised on all timing differences at the balance sheet date unless indicated below. Timing differences are differences between taxable profits and the results as stated in the profit and loss account and other comprehensive income. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Intangible assets

Intangible assets are stated in the balance sheet at cost, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class | Amortisation method and rate |
|-------------|------------------------------|
| Website | 33% straight line |

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

| Asset class | Depreciation method and rate |
|---------------------------------|------------------------------|
| Leasehold property improvements | Over the life of the lease |
| Motor vehicles | 25% straight line |
| Fixtures, fittings & equipment | 20-25% straight line |

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Share based payments

The share options scheme allows selected employees to acquire shares of the parent company Fitzroy Apparel Limited. Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. This is accounted for as an increase in the capital contribution of the parent company in Finisterre.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or the other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of Comprehensive income is charged with fair value of goods and services received.

Fair value is measured by use of the Black Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behaviour considerations.

Growth shares

Selected employees can be granted Growth shares in the parent company, Fitzroy Apparel Limited. Where shares are awarded to employees, the fair value of the shares at the date of grant is charged to the Statement of Comprehensive Income. This is accounted for as an increase in the capital contribution of the parent company in Finisterre.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Financial instruments

Classification

The company holds the following financial instruments:

- Short term trade and other debtors and creditors; and
- Cash and bank balances
- Loans

All financial instruments are classified as basic.

Recognition and measurement

The company has chosen to apply the recognition and measurement principles in FRS102.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument and derecognised when in the case of assets, the contractual rights to cash flows from the assets expire or substantially all the risks and rewards of ownership are transferred to another party, or in the case of liabilities, when the company's obligations are discharged, expire or are cancelled.

Except for loans, such instruments are initially measured at transaction price, including transaction costs, and are subsequently carried at the undiscounted amount of the cash or other consideration expected to be paid or received, after taking account of impairment adjustments.

Loans are initially measured at transaction price, including transaction costs, and are subsequently carried at amortised cost using the effective interest method.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

| | 2021 | 2020 |
|---------------|-------------------|-------------------|
| | £ | £ |
| Sale of goods | <u>17,111,443</u> | <u>10,906,198</u> |

The analysis of the company's turnover for the year by market is as follows:

| | 2021 | 2020 |
|---------------|-------------------|-------------------|
| | £ | £ |
| UK | 16,140,788 | 10,153,671 |
| Europe | 534,901 | 458,060 |
| Rest of world | <u>435,754</u> | <u>294,467</u> |
| | <u>17,111,443</u> | <u>10,906,198</u> |

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

| | 2021 £ | 2020 £ |
|--------------------------------------|----------------|----------------|
| Government grants | 289,391 | 350,926 |
| Miscellaneous other operating income | 16,806 | - |
| | <u>306,197</u> | <u>350,926</u> |

Of the above government grants, £129,365 (2020 - £252,338) relates to monies received under the Coronavirus Job Retention Scheme, and £160,026 (2020 - £95,588) relates to monies received under other Coronavirus grant support schemes.

5 Operating profit

Arrived at after charging/(crediting)

| | 2021 £ | 2020 £ |
|---|----------------|-----------|
| Depreciation expense | 248,412 | 246,504 |
| Amortisation expense | 22,019 | 11,623 |
| Foreign exchange gains | (137,642) | (54,199) |
| Profit on disposal of property, plant and equipment | <u>(3,278)</u> | <u>-</u> |

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

| | 2021 £ | 2020 £ |
|--|------------------|------------------|
| Wages and salaries | 3,232,332 | 2,628,662 |
| Social security costs | 288,452 | 204,940 |
| Pension costs, defined contribution scheme | 49,730 | 37,715 |
| Restructuring costs | 34,934 | 42,300 |
| | <u>3,605,448</u> | <u>2,913,617</u> |

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

| | 2021 No. | 2020 No. |
|----------------------------|-------------|-------------|
| Sales and distribution | 83 | 72 |
| Administration and support | <u>50</u> | <u>29</u> |
| | <u>133</u> | <u>101</u> |

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

7 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2021 £ | 2020 £ |
|--|----------------|----------------|
| Remuneration | 494,337 | 518,617 |
| Contributions paid to money purchase schemes | 5,708 | 4,707 |
| | <u>500,045</u> | <u>523,324</u> |

During the year 2 directors were granted 1 Growth M share and 1 director was granted 65,806 Growth A shares in the parent company. The Directors have judged that the fair value of these shares at the date of grant was materially equivalent to the nominal value and therefore no additional directors' remuneration is included above.

During the year the number of directors who were receiving benefits and share incentives was as follows:

| | 2021 No. | 2020 No. |
|---|-------------|-------------|
| Received or were entitled to receive shares under long term incentive schemes | 3 | 2 |
| Accruing benefits under money purchase pension scheme | <u>4</u> | <u>4</u> |

In respect of the highest paid director:

| | 2021 £ | 2020 £ |
|---|------------|--------------|
| Remuneration | 157,431 | 292,515 |
| Company contributions to money purchase pension schemes | <u>881</u> | <u>1,314</u> |

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

8 Auditor's remuneration

| | 2021 £ | 2020 £ |
|-----------------------------------|--------------|--------------|
| Audit of the financial statements | <u>9,700</u> | <u>9,200</u> |

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

9 Interest payable and similar expenses

| | 2021 £ | 2020 £ |
|--|---------------|----------------|
| Interest on obligations under finance leases and hire purchase contracts | - | 4,509 |
| Interest expense on other finance liabilities | 77,862 | 103,833 |
| | <u>77,862</u> | <u>108,342</u> |

10 Taxation

Tax charged/(credited) in the income statement

| | 2021 £ | 2020 £ |
|---|---------------|-----------------|
| Current taxation | | |
| UK corporation tax adjustment to prior periods | (4,226) | - |
| Deferred taxation | | |
| Arising from origination and reversal of timing differences | 54,435 | (54,435) |
| Tax expense/(receipt) in the income statement | <u>50,209</u> | <u>(54,435)</u> |

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

| | 2021 £ | 2020 £ |
|---|----------------|-----------------|
| Profit before tax | <u>502,574</u> | <u>151,377</u> |
| Corporation tax at standard rate | 95,489 | 28,762 |
| Effect of expense not deductible in determining taxable profit (tax loss) | 26,700 | 12,672 |
| Decrease from tax losses for which no deferred tax asset was recognised | (49,734) | (95,869) |
| Decrease from effect of tax incentives | (18,020) | - |
| Decrease in UK and foreign current tax from adjustment for prior periods | <u>(4,226)</u> | <u>-</u> |
| Total tax charge/(credit) | <u>50,209</u> | <u>(54,435)</u> |

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

Deferred tax

Deferred tax assets and liabilities

| 2021 | Asset |
|------------------------------|----------|
| | £ |
| Tax losses carried forward | 58,596 |
| Accelerated tax depreciation | (59,611) |
| Provisions | 1,015 |
| | - |
| | |
| 2020 | Asset |
| | £ |
| Tax losses carried forward | 111,529 |
| Accelerated tax depreciation | (59,077) |
| Provisions | 1,983 |
| | 54,435 |

There are £6,514,908 of unused tax losses (2020 - £6,849,440) for which no deferred tax asset is recognised in the Balance Sheet.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

11 Intangible assets

| | Software £ | Website £ | Total £ |
|-------------------------------|---------------|--------------|------------|
| Cost or valuation | | | |
| At 1 January 2021 | - | 66,871 | 66,871 |
| Additions acquired separately | 82,873 | 141,318 | 224,191 |
| At 31 December 2021 | 82,873 | 208,189 | 291,062 |
| Amortisation | | | |
| At 1 January 2021 | - | 53,681 | 53,681 |
| Amortisation charge | - | 22,019 | 22,019 |
| At 31 December 2021 | - | 75,700 | 75,700 |
| Carrying amount | | | |
| At 31 December 2021 | 82,873 | 132,489 | 215,362 |
| At 31 December 2020 | - | 13,190 | 13,190 |

Assets under construction

The carrying amount of intangible assets classified as assets under construction at year end is £159,733.

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

12 Tangible assets

| | Leasehold property improvements £ | Furniture, fittings and equipment £ | Motor vehicles £ | Total £ |
|--------------------------|--|--|------------------------|------------------|
| Cost or valuation | | | | |
| At 1 January 2021 | 482,394 | 729,691 | 8,289 | 1,220,374 |
| Additions | 60,212 | 92,765 | - | 152,977 |
| Disposals | - | (45,734) | - | (45,734) |
| At 31 December 2021 | <u>542,606</u> | <u>776,722</u> | <u>8,289</u> | <u>1,327,617</u> |
| Depreciation | | | | |
| At 1 January 2021 | 290,113 | 468,501 | 4,697 | 763,311 |
| Charge for the year | 99,741 | 147,013 | 1,658 | 248,412 |
| Eliminated on disposal | - | (39,867) | - | (39,867) |
| At 31 December 2021 | <u>389,854</u> | <u>575,647</u> | <u>6,355</u> | <u>971,856</u> |
| Carrying amount | | | | |
| At 31 December 2021 | <u>152,752</u> | <u>201,075</u> | <u>1,934</u> | <u>355,761</u> |
| At 31 December 2020 | <u>192,281</u> | <u>261,190</u> | <u>3,592</u> | <u>457,063</u> |

13 Stocks

| | 2021 £ | 2020 £ |
|-------------------------------------|------------------|------------------|
| Raw materials and consumables | 3,742 | 33,600 |
| Finished goods and goods for resale | <u>4,160,304</u> | <u>1,027,221</u> |
| | <u>4,164,046</u> | <u>1,060,821</u> |

Impairment of stocks

The amount of impairment loss included in profit or loss is £31,460 (2020 - £58,864).

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

14 Debtors

| | Note | 2021 £ | 2020 £ |
|---------------------------------|------|----------------|----------------|
| Trade debtors | | 4,776 | 60,792 |
| Amounts owed by related parties | 25 | 44,485 | 22,498 |
| Other debtors | | 678,283 | 737,024 |
| Prepayments | | 185,670 | 99,059 |
| Deferred tax assets | 10 | - | 54,435 |
| Income tax asset | 10 | 2,983 | 1,784 |
| | | <u>916,197</u> | <u>975,592</u> |
| Less non-current portion | | - | (22,498) |
| | | <u>916,197</u> | <u>953,094</u> |

15 Cash and cash equivalents

| | 2021 £ | 2020 £ |
|--------------|------------------|------------------|
| Cash on hand | 13,517 | 3,783 |
| Cash at bank | <u>4,778,214</u> | <u>5,708,641</u> |
| | <u>4,791,731</u> | <u>5,712,424</u> |

16 Creditors

| | Note | 2021 £ | 2020 £ |
|-----------------------------------|------|------------------|------------------|
| Due within one year | | | |
| Loans and borrowings | 17 | 808,757 | 838,385 |
| Trade creditors | | 1,789,193 | 659,865 |
| Amounts due to group undertakings | 25 | 19,668 | - |
| Social security and other taxes | | 1,215,057 | 898,374 |
| Other creditors | | 512,764 | 589,274 |
| Accruals and deferred income | | <u>577,958</u> | <u>440,022</u> |
| | | <u>4,923,397</u> | <u>3,425,920</u> |

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

17 Loans and borrowings

| | 2021 £ | 2020 £ |
|-------------------------------------|----------------|----------------|
| Current loans and borrowings | | |
| Hire purchase contracts | - | 29,628 |
| Other borrowings | 808,757 | 808,757 |
| | <u>808,757</u> | <u>838,385</u> |

Other borrowings

The other loan is denominated in £ with a nominal interest rate of 9%, and the final instalment is due on 31 January 2022. The carrying amount at year end is £808,757 (2020 - £808,757).

The other loan is secured by a fixed and floating charge over all the assets of the company.

18 Obligations under leases and hire purchase contracts

Finance leases

The total of future minimum lease payments is as follows:

| | 2021 £ | 2020 £ |
|-------------------------|-----------|-----------|
| Not later than one year | - | 29,628 |

Operating leases

The total of future minimum lease payments is as follows:

| | 2021 £ | 2020 £ |
|---|----------------|----------------|
| Not later than one year | 260,108 | 221,175 |
| Later than one year and not later than five years | 258,208 | 373,392 |
| | <u>518,316</u> | <u>594,567</u> |

The amount of non-cancellable operating lease payments recognised as an expense during the year was £341,506 (2020 - £327,164).

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

19 Provisions for liabilities

| | Sales returns provision £ | Total £ |
|--|--|--------------------|
| At 1 January 2021 | 201,761 | 201,761 |
| Increase (decrease) in existing provisions | <u>224,614</u> | <u>224,614</u> |
| At 31 December 2021 | <u>426,375</u> | <u>426,375</u> |

The company has provided for its best estimate of future sales returns. This is informed by the number of sales returns received between the balance sheet date and the date of these financial statements.

20 Share-based payments

The Fitzroy Apparel EMI Share Option Plan

Scheme details and movements

The parent company operates an equity-settled share-based scheme for directors and employees. Selected directors and employees are eligible to participate in the long term incentive scheme, the vesting condition being that the individual remains an employee of the company over the vesting period.

The movements in the number of share options during the year were as follows:

| | 2021 Number | 2020 Number |
|------------------------------|------------------------|------------------------|
| Outstanding, start of period | 2,250,000 | - |
| Granted during the period | 898,059 | 2,250,000 |
| Expired during the period | (700,000) | - |
| Outstanding, end of period | <u>2,448,059</u> | <u>2,250,000</u> |

The movements in the weighted average exercise price of share options during the year were as follows:

| | 2021 p | 2020 p |
|------------------------------|-------------------|-------------------|
| Outstanding, start of period | 19.00 | - |
| Granted during the period | 80.00 | 19.00 |
| Forfeited during the period | (59.00) | - |
| Outstanding, end of period | <u>30.00</u> | <u>19.00</u> |

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

21 Share capital

Allotted, called up and fully paid shares

| | No. | 2021 £ | No. | 2020 £ |
|-------------------------------|------------------|------------------|------------------|------------------|
| Ordinary shares of £0.10 each | 3,793 | 379 | 3,793 | 379 |
| Ordinary B shares of £1 each | 5,057,073 | 5,057,073 | 5,057,073 | 5,057,073 |
| | <u>5,060,866</u> | <u>5,057,452</u> | <u>5,060,866</u> | <u>5,057,452</u> |

The ordinary shares have the same rights and privileges and rank pari passu.

22 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £32,118 (2020 - £Nil).

23 Parent and ultimate parent undertaking

The company's immediate parent is Fitzroy Apparel Limited, incorporated in England and Wales.

The most senior parent entity producing publicly available financial statements is Fitzroy Apparel Limited. These financial statements are available upon request from Companies House

24 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £49,730 (2020 - £37,715).

Finisterre UK Limited

Notes to the Financial Statements

Year Ended 31 December 2021

25 Related party transactions

The directors loan account is interest free and repayable on demand.

Transactions with directors

| | At 1 January 2021 £ | Advances to directors £ | Repayments by director £ | At 31 December 2021 £ |
|-------------|---------------------------|-------------------------------|--------------------------------|--------------------------------|
| 2021 | | | | |
| Director 1 | <u>3,689</u> | <u>94</u> | <u>(1,357)</u> | <u>2,426</u> |
| | | At 1 January 2020 £ | Advances to directors £ | At 31 December 2020 £ |
| 2020 | | | | |
| Director 1 | | <u>3,331</u> | <u>358</u> | <u>3,689</u> |

Expenditure with and payables to other related parties

| | Other related parties £ |
|----------------------------------|----------------------------------|
| 2021 | |
| Rendering of services | 80,132 |
| Donations | <u>19,668</u> |
| | <u>99,800</u> |
| Amounts payable to related party | <u>19,668</u> |
| | <u>119,468</u> |
| | Other related parties £ |
| 2020 | |
| Rendering of services | <u>29,180</u> |
| | <u>29,180</u> |

Other related parties are comprised of entities in which board members have significant influence.