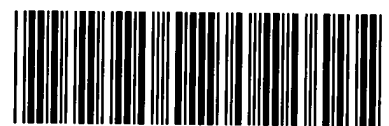


Company Registration No. 05630013 (England and Wales)

TECH 21 UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2020

THURSDAY



A29 *AAE4CUR4* #39
30/09/2021
COMPANIES HOUSE

TECH 21 UK LIMITED

COMPANY INFORMATION

Director	J L Roberts
Company number	05630013
Registered office	Parkshot House 5 Kew Road Richmond TW9 2PR
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom

TECH 21 UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2020

The director presents the strategic report for the year ended 31 May 2020.

Review of the business

The company has seen a decline in the year with revenues at £49.2m, a decrease of 37.2% on the previous year's £78.4m. The operating loss increased from £6.8m in the previous year to £25.9m in the current year. A challenging period in FY19 Q1 relating to launch production issues caused some losses in customer confidence. A fault free launch in FY20 has gone a long way to restoring trust.

The business is repairing and strengthening existing key partnerships, growing its global footprint in existing markets, whilst continuing to maintain focus on product innovation and quality, to retain its position as brand leader in the technology protection category.

The director is confident that the coming year will see the business stabilising across all areas of operations and has secured adequate funding to support this growth.

Further product innovation, launches and business initiatives are planned for the new financial year to continue to drive the growth of the business.

Post balance sheet events

Details of significant post balance sheet events are set out in note 25 to the financial statements.

Principal risks and uncertainties

The principal risks arising from the company's activities are credit risk, currency risk, and competition risk as well as the additional risks arising as a result of the COVID-19 virus.

COVID-19 and going concern risk

The impact of COVID-19 on UK and global economies and businesses has been significant. The director cannot predict the future impact on the company (or its customers or suppliers), although he is confident that the company will continue as a going concern. The director's going concern assessment is set out in note 1 to the financial statements.

The director reviews and agrees policies for managing other risks and they are summarised below.

Credit risk

The company's principal financial assets are cash and trade debtors. The principal credit risk arises with trade debtors.

Credit arrangements are kept under constant review by financial and sales management in light of debtors ageing and collection performance.

Currency risk

The company is exposed to transaction foreign exchange risk. Wherever possible the company seeks to hedge currency risks by matching outflows with inflows. The majority of sales and purchases are contracted in US dollars, providing a natural and effective hedge to these risks.

Competition risk

The company is exposed to competition from other manufacturers of cases and screen shields for use with mobile electronic devices. This risk is mitigated by producing best in class, innovative products and first-class customer service.

TECH 21 UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

Key performance indicators

The director considers the key performance indicators for the business are:

- Minimising the decline of both sales and market share in our mature, established markets as the business stabilises and the impacts of production related issues wash through.
 - Turnover 2020: £49.2m (2019: £78.4m). Turnover by geographical market is disclosed in note 3 to the financial statements.
- Business Development into new and emerging markets for technology protection
- Operating Efficiencies, through continued work to improve the businesses processes, systems, supply chain, and production capabilities, to drive stronger profitability
 - Gross loss 2020: £9.4m (2019: £13.3m profit)
 - Loss before tax 2020: £26.2m (2019: £7.0m)
- Cash flow, management of working capital, and ensuring strong return on investment on all categories, markets, and product sectors.

Environmental impact

The director acknowledges that environmental protection is one of the company's business responsibilities. It aims for a continuous improvement in the company's environmental performance and to comply with all relevant regulations.

The company's products conform with European Directive 2002/95/EC on the Reduction of Hazardous Substances. The company works to reduce its carbon footprint.

Director's duties to stakeholders (Section 172(1) statement)

The director is aware of his duty under section 172 of the Companies Act 2006 to act in the way which he consider, in good faith, would be most likely to promote the success of the company for the benefit of its shareholders, which includes having regard to other stakeholders.

The director has sought to balance the needs of the company's members with the section 172 matters throughout the year, for example in the policies and practices which run through the company, to ensure that obligations to shareholders, employees, suppliers and others are met.

On behalf of the board


J.L. Roberts

Director

Date: 28-09-21

TECH 21 UK LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2020

The director presents his annual report and financial statements for the year ended 31 May 2020.

Please refer to the strategic report for further details regarding review of the business, future developments, post balance sheet events and principal risks of the company during the year under review.

Principal activities

The principal activity of the company continued to be that of the design and sale of accessories for the computer and mobile telephone market.

Results and dividends

The results for the year are set out on page 7.

The director does not recommend payment of a dividend.

Director

The director who held office during the year and up to the date of signature of the financial statements was as follows:

J L Roberts

P V C Cass

(Resigned 31 July 2019)

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that he ought to have taken as a director in order to make himself aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



J L Roberts

Director

Date: 28-09-21

TECH 21 UK LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MAY 2020

The director is responsible for preparing the strategic report and the director's report 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 has 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 he is 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 director is required to:

- select suitable accounting policies and then 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 director is 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. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECH 21 UK LIMITED

Opinion

We have audited the financial statements of Tech 21 UK Limited (the 'company') for the year ended 31 May 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the 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 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 state of the company's affairs as at 31 May 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which sets out uncertainties in relation to going concern caused by COVID-19 and the fact that the current bank loan facility falls due for repayment on 31 July 2022. As indicated in note 1, the impact of COVID-19 cannot be predicted which, together with the repayment deadline for the bank loan facility, indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 is 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 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.

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's report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TECH 21 UK LIMITED (CONTINUED)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the director's 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 director's 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's responsibilities statement set out on page 4, the director is 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 determines 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 has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <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.

RSM UK Audit LLP

Richard Coates (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB
United Kingdom
29 September 2021

TECH 21 UK LIMITED

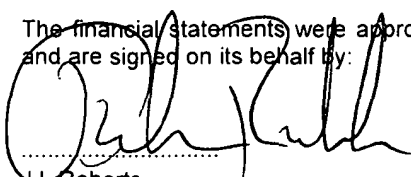
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 £	2019 £
Turnover	3	49,235,480	78,374,973
Cost of sales		(58,642,134)	(65,083,094)
Gross (loss)/profit		(9,406,654)	13,291,879
Administrative expenses		(16,474,877)	(20,111,539)
Operating loss	6	(25,881,531)	(6,819,660)
Interest receivable and similar income	8	-	25,841
Interest payable and similar expenses	9	(316,766)	(206,880)
Loss before taxation		(26,198,297)	(7,000,699)
Tax on loss	10	-	(19,510)
Loss for the financial year		(26,198,297)	(7,020,209)

TECH 21 UK LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 MAY 2020**

	Notes	2020 £	£	2019 £	£
Fixed assets					
Intangible assets	11	196,288		239,611	
Tangible assets	12	150,837		206,144	
			<u>347,125</u>		<u>445,755</u>
Current assets					
Stocks	13	2,650,882		10,266,641	
Debtors	14	25,300,333		36,058,885	
Cash at bank and in hand		1,524,282		196,549	
		<u>29,475,497</u>		<u>46,522,075</u>	
Creditors: amounts falling due within one year	15	<u>(54,076,763)</u>		<u>(45,023,674)</u>	
Net current (liabilities)/assets			<u>(24,601,266)</u>		<u>1,498,401</u>
Total assets less current liabilities			<u>(24,254,141)</u>		<u>1,944,156</u>
Capital and reserves					
Called up share capital	16		100		100
Share premium account	17		149,960		149,960
Profit and loss reserves	17		<u>(24,404,201)</u>		<u>1,794,096</u>
Total equity			<u>(24,254,141)</u>		<u>1,944,156</u>

The financial statements were approved by the board of directors and authorised for issue on 28-09-21 and are signed on its behalf by:


 J.L. Roberts
 Director

TECH 21 UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2020

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2018	100	149,960	8,814,305	8,964,365
Year ended 31 May 2019:				
Loss and total comprehensive income for the year	-	-	(7,020,209)	(7,020,209)
Balance at 31 May 2019	100	149,960	1,794,096	1,944,156
Year ended 31 May 2020:				
Loss and total comprehensive income for the year	-	-	(26,198,297)	(26,198,297)
Balance at 31 May 2020	100	149,960	(24,404,201)	(24,254,141)

TECH 21 UK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MAY 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	20		(3,331,975)		5,823,517
Interest paid			(316,766)		(206,880)
Income taxes paid			-		(1,202,106)
Net cash (outflow)/inflow from operating activities			(3,648,741)		4,414,531
Investing activities					
Purchase of intangible assets		(49,246)		(268,303)	
Purchase of tangible fixed assets		(47,393)		(127,242)	
Proceeds on disposal of tangible fixed assets		-		270,442	
Interest received		-		25,841	
Net cash used in investing activities			(96,639)		(99,262)
Financing activities					
Repayment of invoice discounting facility		-		(6,227,344)	
Bank loans drawn	5,073,113		-		
Repayment of bank loans		-		(25,841)	
Payment of finance leases obligations		-		(29,764)	
Net cash generated from/(used in) financing activities			5,073,113		(6,282,949)
Net increase/(decrease) in cash and cash equivalents			1,327,733		(1,967,680)
Cash and cash equivalents at beginning of year			196,549		2,164,229
Cash and cash equivalents at end of year			1,524,282		196,549

TECH 21 UK LIMITED

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

1 Accounting policies

Company information

Tech 21 UK Limited is a private company limited by shares registered and incorporated in England and Wales. The registered office and principal place of business is Parkshot House, 5 Kew Road, Richmond, TW9 2PR.

The company's principal activities and nature of its operations are disclosed in the director's report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the requirements of the Companies Act 2006.

With effect from 1 June 2019, the company has adopted the amendments to FRS 102 published in the Triennial Review 2017. There are no adjustments in relation to these amendments.

The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going concern

As disclosed in note 25, subsequent to the year end, the company has signed agreements with three of the company's trade creditors reducing net liabilities by \$19.9m, issued a promissory note providing a cash inflow to the company of \$4m and extended the repayment date of existing \$6m bank loan agreement to 31 July 2022.

The director has reviewed management prepared cash flow forecasts for the period ending 31 May 2022 and considered the company's current and forecast financial position together with the expected cash flow requirements for the period up to 30 September 2022.

As a result of his review, the director notes that there is uncertainty in relation to going concern caused by the unpredictable and ongoing impact of COVID-19 (and the measures used to control the spread of the pandemic) on the global economy and the fact that the bank loan, which is subject to a number of ongoing financial covenants, falls due for repayment on 31 July 2022.

Whilst acknowledging the material uncertainty created by the factors set out above, the director remains confident that the company will have adequate resources to continue as a going concern for the period to at least 30 September 2022 and as a result has adopted the going concern basis of accounting for preparing these financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	40% straight line
----------	-------------------

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Land and buildings leasehold	40% straight line
Plant and machinery	33% to 40% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost 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.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (Continued)

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company 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 when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

2 Judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

The key accounting estimates in preparing the financial statements comprise provisions for the diminution in the value of finished goods stock. In estimating the necessary provisions, the company must assess the expected sales value of the goods based upon consumer demand, obsolescence and damage.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

3 Turnover and other revenue

The company's turnover is all derived from its principal activity. An analysis of the company's turnover by geographical market is given below:

	2020 £	2019 £
Turnover analysed by geographical market		
United Kingdom	2,848,102	6,096,613
Europe, Middle East and Africa	8,044,020	8,759,772
Americas	31,090,087	57,686,480
Australasia and Asia Pacific	7,253,271	5,832,108
	<u>49,235,480</u>	<u>78,374,973</u>

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2020 Number	2019 Number
Management	4	5
Sales, marketing and design	43	41
Operations	16	8
Administration	19	23
	<u>82</u>	<u>77</u>

Their aggregate remuneration comprised:

	2020 £	2019 £
Wages and salaries	4,814,843	5,307,265
Social security costs	538,471	561,298
Pension costs	137,245	158,891
	<u>5,490,559</u>	<u>6,027,454</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

5 Director's remuneration

	2020 £	2019 £
Remuneration for qualifying services	406,219	511,435
Company pension contributions to defined contribution schemes	23,126	15,400
	<u>429,345</u>	<u>526,835</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2019 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2020 £	2019 £
Remuneration for qualifying services	372,469	376,435
Company pension contributions to defined contribution schemes	10,000	10,000
	<u>382,469</u>	<u>386,435</u>

6 Operating loss

	2020 £	2019 £
Operating loss for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	2,133,056	2,284,817
Depreciation of owned tangible fixed assets	102,700	156,749
Profit on disposal of tangible fixed assets	-	(100,442)
Amortisation of intangible assets	92,569	89,082
Operating lease charges	371,036	329,206
	<u>2,699,361</u>	<u>2,750,412</u>

7 Auditor's remuneration

	2020 £	2019 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	65,000	75,000
	<u>65,000</u>	<u>75,000</u>
For other services		
Taxation compliance services	5,250	6,250
All other non-audit services	7,000	6,750
	<u>12,250</u>	<u>13,000</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

8 Interest receivable and similar income

	2020 £	2019 £
Interest income		
Interest on bank deposits	-	2,879
Other interest income	-	22,962
	<u>-</u>	<u>22,962</u>
Total income	<u>-</u>	<u>25,841</u>

9 Interest payable and similar expenses

	2020 £	2019 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	316,766	121,127
Other finance costs:		
Other interest	-	85,753
	<u>316,766</u>	<u>206,880</u>

10 Taxation

	2020 £	2019 £
Current tax		
Adjustments in respect of prior periods	-	(17,515)
	<u>-</u>	<u>(17,515)</u>
Deferred tax		
Origination and reversal of timing differences	-	37,025
	<u>-</u>	<u>37,025</u>
Total tax charge	<u>-</u>	<u>19,510</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2020 £	2019 £
Loss before taxation	(26,198,297)	(7,000,699)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(4,977,676)	(1,330,133)
Tax effect of expenses that are not deductible in determining taxable profit	4,528	40,744
Unutilised tax losses carried forward	4,970,549	1,293,499
Adjustments in respect of prior years	-	(17,515)
Other differences	2,599	32,915
Taxation charge for the year	-	19,510

No deferred tax asset has been recognised as at 31 May 2020 in respect of tax losses carried forward of approximately £32,000,000 (2019: £7,000,000) due to the uncertainty as to the timing of recovery.

11 Intangible fixed assets

	Software £
Cost	
At 1 June 2019	677,596
Additions	49,246
At 31 May 2020	726,842
Amortisation and impairment	
At 1 June 2019	437,985
Amortisation charged for the year	92,569
At 31 May 2020	530,554
Carrying amount	
At 31 May 2020	196,288
At 31 May 2019	239,611

Amortisation is included under administrative expenses in the statement of comprehensive income.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

12 Tangible fixed assets

	Land and buildings leasehold	Plant and machinery	Total
	£	£	£
Cost			
At 1 June 2019	89,358	2,338,611	2,427,969
Additions	-	47,393	47,393
At 31 May 2020	89,358	2,386,004	2,475,362
Depreciation and impairment			
At 1 June 2019	87,067	2,134,758	2,221,825
Depreciation charged in the year	1,145	101,555	102,700
At 31 May 2020	88,212	2,236,313	2,324,525
Carrying amount			
At 31 May 2020	1,146	149,691	150,837
At 31 May 2019	2,291	203,853	206,144

Depreciation is recorded under administrative expenses in the statement of comprehensive income.

13 Stocks

	2020 £	2019 £
Raw materials and consumables	443,416	1,359,705
Finished goods and goods for resale	2,207,466	8,906,936
	2,650,882	10,266,641

Stocks were impaired in the year by £9,072,433 (2019: £2,807,367) which is recorded within cost of sales in the statement of comprehensive income.

14 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Trade debtors	2,143,763	8,224,449
Corporation tax recoverable	1,652,942	1,652,942
Amounts owed by group undertakings	14,642,138	6,372,696
Other debtors	5,762,534	18,599,472
Prepayments and accrued income	1,098,956	1,209,326
	25,300,333	36,058,885

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

14 Debtors (Continued)

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

15 Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loans	5,073,113	-
Trade creditors	34,130,650	28,791,873
Amounts owed to group undertakings	8,435,303	10,331,737
Taxation and social security	464,551	216,502
Other creditors	763,599	176,964
Accruals and deferred income	5,209,547	5,506,598
	<u>54,076,763</u>	<u>45,023,674</u>

On 30 September 2019, the company received \$6m under a new bank loan facility. The loan was due for repayment on 31 March 2021. It was secured by a fixed and floating charge over the assets of the company. Mr J L Roberts, the director, has provided personal guarantee in respect of this loan facility. Further details of the current bank arrangements are disclosed in note 25.

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16 Share capital

	2020 £	2019 £
Ordinary share capital		
Issued and fully paid		
100 ordinary of £1 each	<u>100</u>	<u>100</u>

Ordinary share rights

The company's ordinary share capital carries no right to a fixed income but does confer the right to one vote per share at general meetings of the company.

17 Reserves

Share premium

The share premium account represents the aggregate amount of premium paid over and above the nominal value of the issued share capital.

Profit and loss reserves

Retained earnings represents cumulative profit and loss net of distributions to owners.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

18 Retirement benefit schemes

	2020 £	2019 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	137,245	158,891

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

At the year end, £17,612 (2019: £20,696) was due to the company's pension scheme.

19 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for use of its premises and certain items of office equipment.

At the reporting end date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	20,167	226,180
Between one and five years	210	42,487
	<u>20,377</u>	<u>268,667</u>

20 Cash (absorbed by)/generated from operations

	2020 £	2019 £
Loss for the year after tax	(26,198,297)	(7,020,209)
Adjustments for:		
Taxation charged	-	19,510
Finance costs	316,766	206,880
Investment income	-	(25,841)
Gain on disposal of tangible fixed assets	-	(100,442)
Amortisation and impairment of intangible assets	92,569	89,082
Depreciation and impairment of tangible fixed assets	102,700	156,749
Movements in working capital:		
Decrease/(increase) in stocks	7,615,759	(2,833,480)
Decrease/(increase) in debtors	10,758,552	(2,324,129)
Increase in creditors	3,979,976	17,655,397
Cash (absorbed by)/generated from operations	<u>(3,331,975)</u>	<u>5,823,517</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2020

21 Analysis of changes in net funds/(debt)

	1 June 2019 £	Cash flows £	31 May 2020 £
Cash at bank and in hand	196,549	1,327,733	1,524,282
Borrowings excluding overdrafts	-	(5,073,113)	(5,073,113)
	<u>196,549</u>	<u>(3,745,380)</u>	<u>(3,548,831)</u>

22 Related party transactions

The remuneration of key management personnel for the year amounted to £511,576 (2019: £668,189).

Included in other debtors as at 31 May 2019 was £12,104,682 due from a company under common control. During the year, the entire debt was assigned as due from Tech 21 Holdings Limited, the immediate parent company.

23 Directors' transactions

The company continues to operate a director's loan account in favour of J L Roberts. During the year, personal expenditure was repaid by the director amounting to £275,434 (2019: £66,287), expenditure allocated to the directors loan account of £971,233 (2019: £Nil) and repayments were made totalling £500,000 (2019: £Nil). At the balance sheet date, J L Roberts owed the company £5,494,872 (2019: £5,299,072) which is included in other debtors. No interest was charged on the outstanding balance.

24 Controlling party

The immediate parent company is Tech 21 Holdings Limited, a company incorporated in Hong Kong and the ultimate parent company is Mellis Place Limited. Both the smallest and largest group preparing publicly available consolidated financial statements and including the results of Tech 21 UK Limited is expected to be Mellis Place Limited.

The ultimate controlling party is the director, J L Roberts.

25 Post balance sheet events

In July and August 2021, the company signed agreements with three of the company's trade creditors reducing net liabilities by \$19.9m, issued a promissory note providing a cash inflow to the company of \$4m and extended the repayment date of existing \$6m bank loan agreement to 31 July 2022.