

Direct Trade Bag Company Limited

Registered number: 06728813

Directors' report and financial statements

For the year ended 31 December 2020



DIRECT TRADE BAG COMPANY LIMITED

COMPANY INFORMATION

Directors	I Ault M Somerfield G Towne
Registered number	06728813
Registered office	6 Dominus Way Meridian Business Park Leicester LE19 1RP
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor 6 Dominus Way Meridian Business Park Leicester LE19 1RP

DIRECT TRADE BAG COMPANY LIMITED

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DIRECT TRADE BAG COMPANY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

Introduction

The Directors present their strategic report for Direct Trade Bag Company Limited for the year ended 31 December 2020.

Principal activity

The principal activity of the Company during the year continued to be the dressing and wholesale of textiles.

Business review

Given the challenging economic climate which continued to prevail throughout the year under review, the Directors are pleased to report another successful period of growth which saw increases in turnover and its continued profitability.

These results have been the product of continued investment in profitable work, our infrastructure and capability and the delivery of consistently high service levels, coupled with a strategic control of the Company's overheads.

The Directors consider turnover, gross margins and shareholders' funds as the key performance indicators of the Company.

During the year, the Company has continued to develop further key client relationships and have successfully brought on board new clients. Gross margins and profitability have been marginally impacted by the investment the Company continues to make in its people, processes and infrastructure which have undoubtedly positioned the business well to continue to deliver the excellent standard of service and product it has become known for.

As a result of the above, during the year under review turnover grew by 49.2% to £19,196,611, gross margins for the year were 18.9% (2019: 25.9%), and at the year end, the Company had shareholders' funds of £1,794,179 (2019 - £1,641,497).

The Directors therefore believe the Company's position to be satisfactory and are pleased with the results for the period.

The Board are also pleased to report that despite the obvious challenges presented by the Covid pandemic the continued strategy of investing in our capability has resulted in positive trading results throughout 2021.

Risks and uncertainties

The Directors have assessed the main risk facing the Company as being the current economic environment which continues to challenge the markets in which the business operates. They have continued to seek to mitigate this risk by continually reassessing the Company's high service levels along with broadening its customer base.

The Company makes little use of financial instruments other than operational bank accounts, an invoice discounting facility and a bank loan, so its exposure to price risk, credit risk, liquidity risk and cash flow risk, is not material for the assessment of the assets, liabilities, financial position and profit or loss of the Company.

Effect of the COVID-19 coronavirus

The Board has and are continuing to fully assess the impact of the outbreak of COVID-19 on all areas of its business. This includes ongoing and continuing discussions with all of the business' key stakeholders. As part of this process, the Directors have been assessing the likely trading levels of the Company for the foreseeable future and evaluating if the business has adequate financial and non-financial resources available to continue to trade profitably, without significant disruption, and meet its liabilities as and when they fall due.


DIRECT TRADE BAG COMPANY LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Going concern

The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The key potential source of uncertainty noted by the Directors is the Coronavirus and COVID-19 pandemic. The Directors have continued to prepare the financial statements on the going concern basis.

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



Ian Ault (Oct 11, 2021 09:32 GMT+1)

I Ault
Director

Date: Oct 11, 2021

DIRECT TRADE BAG COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ("FRS 102") 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Results and dividends

The profit for the year, after taxation, amounted to £225,696 (2019 - £402,318).

The Company did not pay any dividends during the year (2019 - £Nil).

Directors

The Directors who served during the year were:

I Ault
M Somerfield
G Towne

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 of the Large and Medium sized companies and groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the Director's report have been omitted as they are included in the strategic report on pages 1-2. These matters relate to the business review, principal risks and uncertainties and future developments.

DIRECT TRADE BAG COMPANY LIMITED

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

Disclosure of information to auditor

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

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

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

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


Ian Ault (Oct 11, 2021 09:32 GMT+1)

I Ault
Director

Date: Oct 11, 2021

DIRECT TRADE BAG COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT TRADE BAG COMPANY LIMITED

Opinion

We have audited the financial statements of Direct Trade Bag Company Limited (the 'Company') for the year ended 31 December 2020 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows, the analysis of net debt 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 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 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

DIRECT TRADE BAG COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT TRADE BAG COMPANY LIMITED

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 Directors are responsible for the other information contained within the annual report. 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 course of 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 3, 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 either the Directors intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

DIRECT TRADE BAG COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT TRADE BAG COMPANY LIMITED

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. Based on our understanding of the Company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to the UK tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, money laundering, non-compliance with implementation of government support schemes relating to COVID-19, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the Directors' and 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 posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loss reserves, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with the Directors and management their policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

DIRECT TRADE BAG COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIRECT TRADE BAG COMPANY LIMITED

Use of the audit 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.

Stephen English

Stephen English (Oct 11, 2021 09:50 GMT+1)

Stephen English (Senior Statutory Auditor)

for and on behalf of;

Mazars LLP
Chartered Accountants and Statutory Auditor
6 Dominus Way
Meridian Business Park
Leicester
LE19 1RP

Date: Oct 11, 2021

DIRECT TRADE BAG COMPANY LIMITED

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

	Note	2020 £	2019 £
Turnover	4	19,196,611	12,869,308
Cost of sales		(16,195,832)	(9,524,304)
Gross profit		<u>3,000,779</u>	<u>3,345,004</u>
Distribution costs		(14,434)	(27,855)
Administrative expenses		(3,131,578)	(2,951,261)
Other operating income	5	517,674	-
Trading profit		<u>471,393</u>	<u>464,862</u>
Amortisation	12	(98,952)	(98,974)
Operating profit	6	<u>372,441</u>	<u>365,888</u>
Interest payable and similar expenses	10	(48,905)	(81,088)
Profit before tax		<u>323,536</u>	<u>284,800</u>
Tax on profit	11	(97,840)	117,518
Profit for the financial year		<u><u>225,696</u></u>	<u><u>402,318</u></u>

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

The notes on pages 15 to 31 form part of these financial statements.

DIRECT TRADE BAG COMPANY LIMITED
REGISTERED NUMBER: 06728813

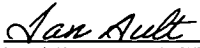
BALANCE SHEET
AS AT 31 DECEMBER 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	12	791,616	890,568
Tangible assets	13	1,276,663	1,387,649
Investments	14	200	200
		<u>2,068,479</u>	<u>2,278,417</u>
Current assets			
Stocks	15	1,130,668	913,950
Debtors: amounts falling due after more than one year	16	47,772	-
Debtors: amounts falling due within one year	16	2,212,225	2,391,789
Cash at bank and in hand		191,007	115,211
		<u>3,581,672</u>	<u>3,420,950</u>
Creditors: amounts falling due within one year	17	(3,039,481)	(3,711,651)
Net current assets/(liabilities)		<u>542,191</u>	<u>(290,701)</u>
Total assets less current liabilities		<u>2,610,670</u>	<u>1,987,716</u>
Creditors: amounts falling due after more than one year	18	(672,512)	(206,563)
Provisions for liabilities			
Deferred tax	21	(143,979)	(139,656)
		<u>(143,979)</u>	<u>(139,656)</u>
Net assets		<u><u>1,794,179</u></u>	<u><u>1,641,497</u></u>
Capital and reserves			
Called up share capital	22	713	779
Share premium account	23	4,090	4,090
Capital redemption reserve	23	719	653
Profit and loss account	23	1,788,657	1,635,975
		<u><u>1,794,179</u></u>	<u><u>1,641,497</u></u>

DIRECT TRADE BAG COMPANY LIMITED
REGISTERED NUMBER: 06728813

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2020

The financial statements were approved and authorised for issue by the board and were signed on its behalf on Oct 11, 2021


Ian Ault (Oct 11, 2021 09:32 GMT+1)

I Ault
Director

The notes on pages 15 to 31 form part of these financial statements.

DIRECT TRADE BAG COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2020	779	4,090	653	1,635,975	1,641,497
Comprehensive income for the year					
Profit for the year	-	-	-	225,696	225,696
Purchase of own shares	(66)	-	66	(73,014)	(73,014)
At 31 December 2020	713	4,090	719	1,788,657	1,794,179

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2019 (unaudited)	779	4,090	653	1,233,657	1,239,179
Comprehensive income for the year					
Profit for the year	-	-	-	402,318	402,318
At 31 December 2019	779	4,090	653	1,635,975	1,641,497

The notes on pages 15 to 31 form part of these financial statements.

DIRECT TRADE BAG COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 £	2019 £
Cash flows from operating activities		
Profit for the financial year	225,696	402,318
Adjustments for:		
Amortisation of intangible assets	98,952	98,974
Depreciation of tangible assets	193,723	213,057
Loss/(profit) on disposal of tangible assets	1,014	(59,101)
Interest paid	48,905	81,088
Taxation charge/(credit)	97,840	(117,518)
Increase in stocks	(216,718)	(2,839)
Decrease/(increase) in debtors	131,792	(120,555)
Increase/(decrease) in creditors	285,797	(152,009)
Corporation tax paid	(25,575)	-
Net cash generated from operating activities	841,426	343,415
Cash flows from investing activities		
Purchase of tangible fixed assets	(45,905)	(97,650)
Sale of tangible fixed assets	584	104,336
Hire purchase interest paid	(22,274)	(27,623)
Net cash used in investing activities	(67,595)	(20,937)
Cash flows from financing activities		
New secured loans	600,000	-
Repayment of hire purchase contracts	(122,712)	(208,935)
(Decrease)/increase in the revolving credit facility	(1,075,678)	70,861
Interest paid	(26,631)	(53,465)
Purchase of own shares	(73,014)	-
Net cash used in financing activities	(698,035)	(191,539)
Net increase in cash and cash equivalents	75,796	130,939
Cash and cash equivalents at beginning of year	115,211	(15,728)
Cash and cash equivalents at the end of year	191,007	115,211

DIRECT TRADE BAG COMPANY LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £	2019 £
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	191,007	115,211
	<u>191,007</u>	<u>115,211</u>

ANALYSIS OF NET DEBT
FOR THE YEAR ENDED 31 DECEMBER 2020

	At 1 January 2020 £	Cash flows £	New hire purchase £	At 31 December 2020 £
Cash at bank and in hand	115,211	75,796	-	191,007
Bank loans	-	(600,000)	-	(600,000)
Revolving credit facility	(1,454,263)	1,075,678	-	(378,585)
Hire purchase	(399,811)	122,712	(38,430)	(315,529)
	<u>(1,738,863)</u>	<u>674,186</u>	<u>(38,430)</u>	<u>(1,103,107)</u>

The notes on pages 15 to 31 form part of these financial statements.

DIRECT TRADE BAG COMPANY LIMITED

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

1. General information

Direct Trade Bag Company Limited is a private company, limited by shares, incorporated in England and Wales. The Company number is 06728813. The registered office is 6 Dominus Way, Meridian Business Park, Leicester, LE19 1RP.

The principal activity of the Company continued to be that of the dressing and wholesale of textiles.

The functional currency of the Company is Pounds Sterling as this is the currency of the primary economic environment in which the Company operates. Monetary amounts in these financial statements are rounded to the nearest Pound (£).

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102 ("FRS 102"), the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Going concern

The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. The key potential source of uncertainty noted by the Directors is the Coronavirus and COVID-19 pandemic. The Directors have continued to prepare the financial statements on the going concern basis.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

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

2. Accounting policies (continued)

2.4 Turnover

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

Sale of goods

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

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

2.5 Operating leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

2.6 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the profit and loss account in the same period as the related expenditure.

2.7 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2.9 Pensions

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

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

2. Accounting policies (continued)

2.10 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life of 10 years.

2.11 Tangible fixed assets

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

Depreciation is provided on the following annual basis:

Plant and machinery	-	15% reducing balance
Motor vehicles	-	25% reducing balance
Fixtures and fittings	-	15% reducing balance

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.12 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.13 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.14 Debtors

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

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

2. Accounting policies (continued)

2.15 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.16 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at transaction value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.17 Hire purchase contracts

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

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

DIRECT TRADE BAG COMPANY LIMITED

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

2. Accounting policies (continued)**2.19 Financial instruments**

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

3. Judgements in applying accounting policies 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.

(a) Critical judgements in applying the entity's accounting policies

None

(b) Accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

None

4. Turnover

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	19,139,052	12,674,367
Rest of the world	57,559	194,941
	<u>19,196,611</u>	<u>12,869,308</u>

5. Other operating income

	2020 £	2019 £
Government grants receivable	517,674	-
	<u>517,674</u>	<u>-</u>

DIRECT TRADE BAG COMPANY LIMITED

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

6. Operating profit

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation on owned assets	95,079	106,219
Depreciation on assets under hire purchase contracts	98,644	106,838
Amortisation on goodwill	98,952	98,974
(Loss)/profit on the disposal of tangible fixed assets	1,014	(59,101)
Operating lease expense	358,821	399,826
	<u> </u>	<u> </u>

7. Auditor's remuneration

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	16,000	12,000
	<u> </u>	<u> </u>
Fees payable to the Company's auditor and its associates in respect of:		
All other services	20,750	5,500
	<u> </u>	<u> </u>
	<u>20,750</u>	<u>5,500</u>

8. Employees

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

	2020 £	2019 £
Wages and salaries	3,175,746	3,427,508
Social security costs	274,744	273,580
Cost of defined contribution scheme	51,219	55,789
	<u> </u>	<u> </u>
	<u>3,501,709</u>	<u>3,756,877</u>

DIRECT TRADE BAG COMPANY LIMITED

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

8. Employees (continued)

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

	2020 No.	2019 No.
Direct (Warehouse; Screen Rooms; Despatch; Embroidery; Print)	91	105
Indirect (Admin, Finance, HR)	37	47
Directors	3	3
	<u>131</u>	<u>155</u>

9. Directors' remuneration

	2020 £	2019 £
Directors' emoluments	191,642	190,749
Defined pension costs - defined contrib'n sch.	547	860
	<u>192,189</u>	<u>191,609</u>

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

10. Interest payable and similar expenses

	2020 £	2019 £
Bank interest payable	26,631	53,465
Hire purchase contracts	22,274	27,623
	<u>48,905</u>	<u>81,088</u>

DIRECT TRADE BAG COMPANY LIMITED

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

11. Taxation

	2020 £	2019 £
Corporation tax		
Current tax on profits for the year	83,593	15,651
Adjustments in respect of previous periods	9,924	-
Total current tax	<u>93,517</u>	<u>15,651</u>
Deferred tax		
Origination and reversal of timing differences	4,323	(133,169)
Total deferred tax	<u>4,323</u>	<u>(133,169)</u>
Taxation on profit/(loss) on ordinary activities	<u>97,840</u>	<u>(117,518)</u>

Factors affecting tax charge for the year

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

	2020 £	2019 £
Profit on ordinary activities before tax	<u>323,536</u>	<u>284,800</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019 - 19%)	61,472	54,112
Effects of:		
Expenses not deductible for tax purposes	5,000	24,019
Adjustment in respect of R&D expenditure	(19,990)	(43,490)
Fixed asset timing differences	41,434	(152,159)
Adjustments to tax charge in respect of prior periods	9,924	-
Total tax charge for the year	<u>97,840</u>	<u>(117,518)</u>

DIRECT TRADE BAG COMPANY LIMITED

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

11. Taxation (continued)**Factors that may affect future tax charges**

The UK government announced in the 2021 budget that from 1 April 2023, the rate of corporation tax in the United Kingdom will increase from 19% to 25%.

12. Intangible assets

	Goodwill £
Cost	
At 1 January 2020	989,542
At 31 December 2020	<u>989,542</u>
Amortisation	
At 1 January 2020	98,974
Charge for the year	98,952
At 31 December 2020	<u>197,926</u>
Net book value	
At 31 December 2020	<u>791,616</u>
At 31 December 2019	<u>890,568</u>

DIRECT TRADE BAG COMPANY LIMITED

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

13. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost				
At 1 January 2020	1,795,836	23,860	417,316	2,237,012
Additions	74,887	-	9,448	84,335
Disposals	(5,000)	-	-	(5,000)
At 31 December 2020	1,865,723	23,860	426,764	2,316,347
Depreciation				
At 1 January 2020	619,986	2,697	226,680	849,363
Charge for the year on owned assets	70,922	-	24,157	95,079
Charge for the year on financed assets	93,354	5,290	-	98,644
Disposals	(3,402)	-	-	(3,402)
At 31 December 2020	780,860	7,987	250,837	1,039,684
Net book value				
At 31 December 2020	1,084,863	15,873	175,927	1,276,663
At 31 December 2019	1,175,850	21,163	190,636	1,387,649

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

	2020 £	2019 £
Plant and machinery	529,736	623,090
Motor vehicles	15,873	21,163
	545,609	644,253

DIRECT TRADE BAG COMPANY LIMITED

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

14. Fixed asset investments

	Subsidiary undertakings £
Cost	
At 1 January 2020	200
At 31 December 2020	<u>200</u>
Net book value	
At 31 December 2020	<u>200</u>
At 31 December 2019	<u>200</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Principal activity	Class of shares	Holding
Direct Textile Designs Limited	Dormant	Ordinary	100%
Castle Embroidering Limited (*)	Dormant	Ordinary	100%

* Subsidiary undertakings held indirectly through Direct Textile Designs Limited.

The registered office for all of the subsidiary undertakings is 6 Dominus Way, Meridian Business Park, Leicester, LE19 1RP.

The aggregate of the share capital and reserves as at 31 December 2020 for the subsidiary undertakings was as follows:

Name	Aggregate of share capital and reserves £
Direct Textile Designs Limited	100
Castle Embroidering Limited	100

DIRECT TRADE BAG COMPANY LIMITED

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

15. Stocks

	2020	2019
	£	£
Stock	1,084,152	843,950
Work in progress	46,516	70,000
	<u>1,130,668</u>	<u>913,950</u>

A stock provision of £118,644 (2019: £Nil) was recognised in cost of sales against stock during the year.

16. Debtors

	2020	2019
	£	£
Due after more than one year		
Other debtors	47,772	-
	<u>47,772</u>	<u>-</u>
	2020	2019
	£	£
Due within one year		
Trade debtors	2,052,208	2,312,149
Amounts owed by group undertakings	-	11,929
Other debtors	56,292	-
Prepayments and accrued income	103,725	67,711
	<u>2,212,225</u>	<u>2,391,789</u>

Loans are due 2 years after the date of being furnished. Interest is charged on the loan balance at 5% per annum compounded annually to be paid at the time of repayment of the loan.

The repayment period can be further extended if mutually agreed upon between the borrower and lender.

DIRECT TRADE BAG COMPANY LIMITED

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

17. Creditors: amounts falling due within one year

	2020 £	2019 £
Bank loan (note 19)	70,000	-
Revolving credit facility	378,585	1,454,263
Trade creditors	1,654,437	1,221,245
Corporation tax	83,593	15,651
Other taxation and social security	489,463	271,023
Obligations under hire purchase contracts (note 20)	189,780	193,248
Other creditors	44,778	492,080
Accruals and deferred income	128,845	64,141
	<u>3,039,481</u>	<u>3,711,651</u>

The revolving credit facility and bank loan are secured on the book debts of the Company, a personal guarantee of up to £450,000 each in favour of G Towne and I Ault and a cross guarantee with Dalby Land & Property Limited, a Company in which G Towne is a Director.

18. Creditors: amounts falling due after more than one year

	2020 £	2019 £
Bank loan (note 19)	530,000	-
Net obligations under hire purchase contracts (note 20)	125,749	206,563
Other creditors	16,763	-
	<u>672,512</u>	<u>206,563</u>

DIRECT TRADE BAG COMPANY LIMITED

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

19. Loans

Analysis of the maturity of loans is given below:

	2020 £	2019 £
Amounts falling due within one year		
Bank loan	70,000	-
Amounts falling due 2-5 years		
Bank loan	480,000	-
Amounts falling due after more than 5 years		
Bank loan	50,000	-
	<u>600,000</u>	<u>-</u>

The bank loan is repayable monthly, is due to be fully repaid by June 2026 and attracts interest at 3.59% over the bank's base rate.

20. Hire purchase

Minimum lease payments under hire purchase fall due as follows:

	2020 £	2019 £
Within one year	189,780	193,248
Between 1-5 years	125,749	206,563
	<u>315,529</u>	<u>399,811</u>

Hire purchase contracts are secured on the assets to which they relate.

DIRECT TRADE BAG COMPANY LIMITED

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

21. Deferred taxation

	2020 £	2019 £
At beginning of year	(139,656)	(272,825)
Movement in the year	(4,323)	133,169
At end of year	(143,979)	(139,656)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(143,979)	(139,656)
	(143,979)	(139,656)

22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
7,128 (2019 - 7,790) A Ordinary shares of £0.10 each	713	779

During the year, 662 A Ordinary shares were purchased by the Company for a consideration of £110.29 per share.

23. Reserves**Share premium account**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

The capital redemption reserve represents the nominal value of shares purchased by the Company.

Profit and loss account

The profit and loss account represents profits and losses retained in the current and previous years.

DIRECT TRADE BAG COMPANY LIMITED

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

24. Commitments under operating leases

At 31 December 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	301,821	144,365
Later than 1 year and not later than 5 years	1,063,772	201,978
Later than 5 years	1,056,042	-
	<u>2,421,635</u>	<u>346,343</u>

25. Transactions with directors

As at 31 December 2020 M Somerfield, a Director of the Company, had a loan account balance of £572 included in other debtors. In 2019 a balance of £158,274 was included in other creditors. During the year advances amounting to £158,848 (2019: £23,451) were made and amounts totalling £Nil (2019: £Nil) were credited to this account. The maximum amount outstanding during the year was £572.

As at 31 December 2020 I Ault, a Director of the Company, had a loan account balance of £825 included in other debtors. In 2019 a balance of £22,578 was included in other creditors. During the year advances amounting to £23,401 (2019: £1,831) were made and amounts totalling £Nil (2019: £Nil) were credited to this account. The maximum amount outstanding during the year was £825.

All amounts due are interest free and are at arms length.

DIRECT TRADE BAG COMPANY LIMITED

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

26. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 102 Section 33 "Related Party Disclosures" not to disclose transactions with other group entities whose voting rights are 100% controlled within the Group.

Rent to Crown Properties, a Partnership in which I Ault, M Somerfield and G Towne are Partners, totalling £63,456 (2019: £234,634) was paid during the year for the use of various properties the Company utilises. At the year end, a balance of £Nil (2019: £61,541) was due from Crown Properties.

Purchases from Snowden Limited, a Company in which G Towne is a Director, totalling £9,681,971 (2019: £Nil) were made during the year. At the year end, a balance of £Nil (2019: £Nil) was due to Snowden Limited.

Sales to Snowden Healthcare Limited, a Company in which G Towne is a Director, totalling £1,260 (2019: £Nil) were made during the year. At the year end, a balance of £1,260 (2019: £Nil) was due from Snowden Healthcare Limited.

Rent to Dalby Land & Property Limited, a Company in which I Ault, M Somerfield and G Towne are Directors, totalling £8,561 (2019: £Nil) was paid during the year for the use of various properties the Company utilises. At the year end, a balance of £Nil (2019: £Nil) was due from Dalby Land & Property Limited.

During the year salary payments totalling £303,353 (2019: £116,643) were paid to the spouses of the Company's Directors.

27. Controlling party

The Directors do not consider there to be any controlling party.