REGISTERED NUMBER: 07480407 (England and Wales)

Group Strategic Report, Report of the Directors and Consolidated Financial Statements for the Year Ended 31 December 2017

for

ROOM 71 LIMITED

Contents of the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2017

ROOM 71 LIMITED

Company Information
FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS:	F Carenza M Zanella
SECRETARY:	P & T Secretaries Limited
REGISTERED OFFICE:	22 Eastcheap 2nd Floor London EC3M 1EU
REGISTERED NUMBER:	07480407 (England and Wales)
AUDITORS:	ACT Audit Limited Chartered Certified Accountants & Statutory Auditor Royalty House, 32 Sackville Street, Mayfair, London W1S 3EA

ROOM 71 LIMITED

Group Strategic Report
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their strategic report of the company and the group for the year ended 31 December 2017.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS
The principal activity of the Group continues to be the manufacture, distribution and sale of fashion accessories.

Room 71 Limited has two Italian, two UK and one US subsidiaries:

- Street 71 SPA and Full Spot SPA are incorporated in Italy and operate in the retailing sector.

- Street 71 Limited is a UK subsidiary and trades as agents involved in the sale of a variety of goods.

- Fullspoke Limited is a UK subsidiary wholesaling watches and jewellery.

- Palamitaone Inc is a US subsidiary operating in the real estate sector.

The Group revenue is mainly generated by the Italian subsidiaries. The UK subsidiaries are not consolidated and Fullspoke Limited was dissolved on 15 August 2017.

Employees
The Group has no employees in the UK and US since they are all employed by Street 71 SpA and Full Spot SpA.

The board recognise that one of the key strength of the Group is its trustworthy, hardworking, committed and enthusiastic employees and the directors pay tribute to them.

PRINCIPAL RISKS AND UNCERTAINTIES
As in any trading organisation, the directors acknowledge that as well as rewards, there are risks and uncertainties which are constantly monitored. The company is dependent on the supply and sale of products overseas and is affected by exchange rate movements which are closely monitored by the group.

The directors believe that the company has adequate financial resources and bank facilities in place to enable continued trading for the foreseeable future and all risks and uncertainties are reasonably covered.

FINANCIAL KEY PERFORMANCE INDICATORS
Consolidated Turnover for the year amounted to £51.5m (2016: £51.3m). The increase is in line with the Group's projection.

Consolidated EBITDA amounted to £1.1m. (2016: £5.9m). There has been a significant deterioration in the Group's EBITDA in 2017.

Consolidated Gross profit margin for the year is 29.6% (2016: 42.1%).

The directors considered the Group's results for the year and the net assets at the balance sheet date to be satisfactory.

ROOM 71 LIMITED

Group Strategic Report
FOR THE YEAR ENDED 31 DECEMBER 2017

FUTURE DEVELOPMENTS
During the year 2018, the Group's revenues are consolidating in line with the trend in the retail market.

Group turnover in 2018 show a decrease of 20% compared to 2017. This is due to an explosion in revenues between 2015 and 2016.

ON BEHALF OF THE BOARD:

....
F Carenza - Director

Date: 30/5/2019

Report of the Directors
FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report with the financial statements of the company and the group for the year ended 31 December 2017.

DIVIDENDS
No dividends have been paid or proposed for the year ended 31 December 2017.

DIRECTORS
The directors who have held office during the period from 1 January 2017 to the date of this report are as follows:

F Carenza - appointed 17 March 2017
M Zanella - appointed 17 March 2017

GOING CONCERN
The directors have reviewed the group's forecasts and projections, taking into account reasonably possible changes in trading performance, which show that the group has sufficient financial resources. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Group Strategic Report, the Report of the Directors and the financial statements in accordance with applicable law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ROOM 71 LIMITED

Report of the Directors
FOR THE YEAR ENDED 31 DECEMBER 2017

AUDITORS
The auditors, ACT Audit Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

....
F Carenza - Director

Date: 30/5/2019

Report of the Independent Auditors to the Members of Room 71 Limited

Opinion
We have audited the financial statements of Room 71 Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements:
- give a true and fair view of the state of the group's and of the parent company affairs as at 31 December 2017 and of the group's 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 qualified 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the group 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.

We were not appointed as auditors of the company and the group until after December 31, 2017 and thus did not observe the counting of physical inventories at end of the year. We were unable to satisfy ourselves by alternative audit procedures concerning the inventory quantities held at December 31, 2017, which are stated in the statement of financial position at £21,041,983. In addition, management has valued the inventories using the last-in, first-out method (LIFO) which constitutes a departure from financial reporting standards FRS102. Due to the limitations of the computerised stock system, management could not recalculate the cost of inventories by using other permitted methods by FRS102 such as the first-in, first-out (FIFO) or weighted average cost (WAC). Consequently, we were unable to determine whether any adjustments were necessary to the stock value.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information in the Group Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Report of the Independent Auditors to the Members of Room 71 Limited

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.

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page four, 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 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 group's and the parent's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 a Report of the Auditors 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 www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Report of the Independent Auditors to the Members of Room 71 Limited

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 a Report of the Auditors 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.

ACT AUDIT LIMITED

Pierpaolo Spadoni (Senior Statutory Auditor)
for and on behalf of ACT Audit Limited
Chartered Certified Accountants
& Statutory Auditor
Royalty House,
32 Sackville Street,
Mayfair, London
W1S 3EA

Date: 31/05/2019

ROOM 71 LIMITED

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31.12.17 £	31.12.17 £	31.12.16 as restated £	31.12.16 as restated £
TURNOVER	5		**51,505,594**		51,251,203
Cost of sales			**36,254,353**		29,686,903
GROSS PROFIT			**15,251,241**		21,564,300
Distribution costs		**1,620**		20,278	
Administrative expenses		**14,561,437**		17,081,532	
			14,563,057		17,101,810
			688,184		4,462,490
Other operating income	6		**17,161**		1,126,657
OPERATING PROFIT	9		**705,345**		5,589,147
Interest receivable and similar income	10		**294**		5,003
			705,639		5,594,150
Amounts written off investments	11		**(6,382)**		-
			712,021		5,594,150
Interest payable and similar expenses	12		**37,579**		41,571
PROFIT BEFORE TAXATION			**674,442**		5,552,579
Tax on profit	13		**1,157,162**		1,656,319
(LOSS)/PROFIT FOR THE FINANCIAL YEAR			**(482,720)**		3,896,260
OTHER COMPREHENSIVE INCOME					
Foreign currency retranslation			**338,691**		625,232
Income tax relating to other comprehensive income			**-**		-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX			**338,691**		625,232
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR			**(144,029)**		4,521,492
(Loss)/profit attributable to:					
Owners of the parent			**(486,790)**		3,757,149
Non-controlling interests			**4,070**		139,111
			(482,720)		3,896,260

The notes on pages 18 to 33 form part of these financial statements

ROOM 71 LIMITED

Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 DECEMBER 2017

	31.12.17	31.12.16 as restated
	£	£
Total comprehensive income attributable to:		
Owners of the parent	**(148,099)**	4,382,381
Non-controlling interests	**4,070**	139,111
	(144,029)	4,521,492

The notes on pages 18 to 33 form part of these financial statements

ROOM 71 LIMITED (REGISTERED NUMBER: 07480407)

Consolidated Statement of Financial Position
31 DECEMBER 2017

		31.12.17		31.12.16 as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	16		**449,876**		388,758
Tangible assets	17		**1,430,932**		1,199,524
Investments	18		**79,746**		81,747
Investment property	19		**396,747**		435,661
			2,357,301		2,105,690
CURRENT ASSETS					
Stocks	20	**21,041,983**		15,834,588	
Debtors	21	**15,777,249**		9,707,691	
Investments	22	**105,309**		65,728	
Cash at bank		**2,239,896**		4,376,086	
		39,164,437		29,984,093	
CREDITORS					
Amounts falling due within one year	23	**26,565,929**		20,472,590	
NET CURRENT ASSETS			**12,598,508**		9,511,503
TOTAL ASSETS LESS CURRENT LIABILITIES			**14,955,809**		11,617,193
CREDITORS					
Amounts falling due after more than one year	24		**(12,000)**		-
PROVISIONS FOR LIABILITIES	28		**(3,640,093)**		(169,448)
NET ASSETS			**11,303,716**		11,447,745

The notes on pages 18 to 33 form part of these financial statements

continued...

Consolidated Statement of Financial Position - continued
31 DECEMBER 2017

		31.12.17		31.12.16 as restated	
	Notes	£	£	£	£
CAPITAL AND RESERVES					
Called up share capital	29		**100**		100
Legal reserve	30		**261,017**		252,357
Foreign exchange reserve	30		**685,540**		573,949
Other reserves	30		**5,766,010**		5,547,570
Retained earnings	30		**4,203,706**		4,690,496
SHAREHOLDERS' FUNDS			**10,916,373**		11,064,472
NON-CONTROLLING INTERESTS			**387,343**		383,273
TOTAL EQUITY			**11,303,716**		11,447,745

The financial statements were approved by the Board of Directors on 30/05/2019 and were signed on its behalf by:

....
F Carenza - Director

ROOM 71 LIMITED (REGISTERED NUMBER: 07480407)

Company Statement of Financial Position
31 DECEMBER 2017

	Notes	31.12.17 £	31.12.17 £	31.12.16 as restated £	31.12.16 as restated £
FIXED ASSETS					
Intangible assets	16		-		-
Tangible assets	17		-		6,553
Investments	18		430,866		430,866
Investment property	19		-		-
			430,866		437,419
CURRENT ASSETS					
Debtors	21	1,187,470		1,142,981	
Cash at bank		128,201		400,083	
		1,315,671		1,543,064	
CREDITORS					
Amounts falling due within one year	23	28,200		150,352	
NET CURRENT ASSETS			1,287,471		1,392,712
TOTAL ASSETS LESS CURRENT LIABILITIES			1,718,337		1,830,131
CREDITORS					
Amounts falling due after more than one year	24		(12,000)		-
PROVISIONS FOR LIABILITIES	28		(1,311)		(1,311)
NET ASSETS			1,705,026		1,828,820
CAPITAL AND RESERVES					
Called up share capital	29		100		100
Retained earnings	30		1,704,926		1,828,720
SHAREHOLDERS' FUNDS			1,705,026		1,828,820
Company's (loss)/profit for the financial year			(123,794)		556,298

The financial statements were approved by the Board of Directors on 30/05/2019 and were signed on its behalf by:

F Carenza - Director

The notes on pages 18 to 33 form part of these financial statements

ROOM 71 LIMITED

Consolidated Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Retained earnings £	Legal reserve £	Foreign exchange reserve £
Balance at 1 January 2016	181	3,908,297	122,654	185,609
Profit for the year	-	3,371,229	-	-
Total comprehensive income	-	3;371,229	-	-
Foreign currency retranslation	-	-	11,224	388,340
Transfer	-	(2,974,950)	118,479	-
Balance at 31 December 2016	100	4,304,576	252,357	573,949
Prior year adjustment	-	385,920	-	-
As restated	100	4,690,496	252,357	573,949
Deficit for the year	-	(486,790)	-	-
Total comprehensive loss	-	(486,790)	-	-
Foreign currency retranslation	-	-	8,660	111,591
Balance at 31 December 2017	100	4,203,706	261,017	685,540

	Other reserves £	Total £	Non-controlling interests £	Total equity £
Balance at 1 January 2016	2,465,431	6,682,172	244,162	6,926,334
Profit for the year	-	3,371,229	139,111	3,510,340
Total comprehensive income	-	3,371,229	139,111	3,510,340
Foreign currency retranslation	225,668	625,232	-	625,232
Transfer	2,856,471	-	-	-
Balance at 31 December 2016	5,547,570	10,678,552	383,273	11,061,825
Prior year adjustment	-	385,920	-	385,920
As restated	5,547,570	11,064,472	383,273	11,447,745
Deficit for the year	-	(486,790)	4,070	(482,720)
Total comprehensive loss	-	(486,790)	4,070	(482,720)
Foreign currency retranslation	218,440	338,691	-	338,691
Balance at 31 December 2017	5,766,010	10,916,373	387,343	11,303,716

The notes on pages 18 to 33 form part of these financial statements

Company Statement of Changes in Equity
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1 January 2016	100	1,272,422	1,272,522
Profit for the year	-	170,378	170,378
Total comprehensive income	-	170,378	170,378
Balance at 31 December 2016	100	1,442,800	1,442,900
Prior year adjustment	-	385,920	385,920
As restated	100	1,828,720	1,828,820
Deficit for the year	-	(123,794)	(123,794)
Total comprehensive income	-	(123,794)	(123,794)
Balance at 31 December 2017	100	1,704,926	1,705,026

The notes on pages 18 to 33 form part of these financial statements

ROOM 71 LIMITED

Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31.12.17 £	31.12.16 as restated £
Cash flows from operating activities			
Cash generated from operations	1	**(3,625,171)**	(1,925,156)
Interest paid		**(37,579)**	(41,571)
Tax paid		**(1,264,642)**	(517,169)
Net cash from operating activities		**(4,927,392)**	(2,483,896)
Cash flows from investing activities			
Purchase of intangible fixed assets		**(140,451)**	(130,450)
Purchase of tangible fixed assets		**(517,673)**	(417,075)
Purchase of fixed asset investments		**(8,789)**	(32,848)
Sale of tangible fixed assets		**12,941**	57,006
Sale of fixed asset investments		**14,047**	-
Purchase of current asset investments		**(39,581)**	-
Interest received		**294**	5,003
Net cash from investing activities		**(679,212)**	(518,364)
Cash flows from financing activities			
Proceeds from borrowings		**3,470,414**	1,150,579
Net cash from financing activities		**3,470,414**	1,150,579
Decrease in cash and cash equivalents		**(2,136,190)**	(1,851,681)
Cash and cash equivalents at beginning of year	2	**4,376,086**	6,227,767
Cash and cash equivalents at end of year	2	**2,239,896**	4,376,086

The notes on pages 18 to 33 form part of these financial statements

Notes to the Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2017

1. **RECONCILIATION OF (LOSS)/PROFIT FOR THE FINANCIAL YEAR TO CASH GENERATED FROM OPERATIONS**

		31.12.17	31.12.16 as restated
		£	£
(Loss)/profit for the financial year		**(482,720)**	3,896,260
Depreciation charges		**320,735**	255,821
Loss on disposal of fixed assets		-	10,079
Gain on revaluation of fixed assets		-	(130,309)
Accrued income		**(7,742)**	(4,756)
Amortisation charges		**94,121**	78,068
Reversal of impairment of investments		-	(385,920)
Provision for risks and defined benefit	**3,474,637**	-	
Other adjustments		**172,572**	(386)
Amounts written off		**125,196**	22,539
Deferred income		**61,729**	-
Finance costs		**37,579**	41,571
Finance income		**(294)**	(5,003)
Taxation		**1,157,162**	1,656,319
		4,952,975	5,434,283
Increase in stocks		**(5,207,395)**	(6,204,073)
Increase in trade and other debtors		**(6,017,691)**	(1,352,961)
Increase in trade and other creditors		**2,646,940**	197,595
Cash generated from operations		**(3,625,171)**	(1,925,156)

2. **CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

	31.12.17	1.1.17
	£	£
Cash and cash equivalents	**2,239,896**	**4,376,086**

Year ended 31 December 2016

	31.12.16 as restated	1.1.16
	£	£
Cash and cash equivalents	4,376,086	6,227,767

The notes on pages 18 to 33 form part of these financial statements

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2017

1. **STATUTORY INFORMATION**

Room 71 Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the General Information page.

2. **STATEMENT OF COMPLIANCE**

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

3. **ACCOUNTING POLICIES**

Basis of preparing the financial statements
The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through profit or loss.

The group financial statements are presented in sterling.

The company's presentational and functional currency is sterling.

Financial Reporting Standard 102 - reduced disclosure exemptions
The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

(a) the requirements of Section 7 Statement of Cash Flows;
(b) the requirement of Section 3 Financial Statement Presentation paragraph 3.17(d);
(c) the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and

Basis of consolidation
The financial statements consolidate the financial statements of Room 71 Limited and all of its subsidiary undertakings (The Group) by applying the purchase method.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

continued...

3. **ACCOUNTING POLICIES - continued**

Turnover
Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue represents amounts derived from the group's principal activity.

The Group recognises revenue when:
(a) the significant risks and rewards of ownership have been transferred to the buyer;
(b) the Group retains no continuing involvement or control over the goods;
(c) the amount of revenue can be measured reliably; and
(d) it is probable that future economic benefits will flow to the entity.

Goodwill
Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Intangible assets
Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents, trademarks & licences are being amortised evenly over their estimated useful life of 5 years.

Set up costs are being amortised evenly over their estimated useful life of 5 years.

Other intangibles is being amortised evenly over its estimated useful life of 2 - 5 years.

Tangible fixed assets
Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.
Plant and machinery - Straight line over 4 years
Fixtures and fittings - Straight line over 3 to 7 years
Equipment - Straight line over 2 years

Investment property
Investment property is shown at most recent valuation. Any aggregate surplus or deficit arising from changes in fair value is recognised in profit or loss.

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 reporting 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.

continued...

3. **ACCOUNTING POLICIES - continued**

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are" recognised as a liability in the statement of financial position and the amount of the
provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently" reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation: Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Non-controlling interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the minority interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments. A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

continued...

3. **ACCOUNTING POLICIES - continued**

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

Financial instruments
Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Operating leases agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the term of the lease.

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

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

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.

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

continued...

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires 'management to make judgements, estimates and assumptions that affect the amounts reported .. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations' of future events that are believed to be reasonable under the circumstances.

5. **TURNOVER**

The turnover and profit before taxation are attributable to the one principal activity of the group.

An analysis of turnover by class of business is given below:

	31.12.17	31.12.16 as restated
	£	£
Sale of goods	**51,505,594**	51,251,203
	51,505,594	51,251,203

An analysis of turnover by geographical market is given below:

	31.12.17	31.12.16 as restated
	£	£
United Kingdom	**1,684**	483,381
Rest of the world	**51,503,910**	50,767,822
	51,505,594	51,251,203

6. **OTHER OPERATING INCOME**

	31.12.17	31.12.16 as restated
	£	£
Other operating income	**17,161**	1,126,657

7. **EMPLOYEES AND DIRECTORS**

	31.12.17	31.12.16 as restated
	£	£
Wages and salaries	**1,125,679**	2,779,511
Social security costs	**187,048**	460,529
	1,312,727	3,240,040

continued...

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

7. EMPLOYEES AND DIRECTORS - continued

The average number of employees during the year was as follows:

	31.12.17	31.12.16 as restated
Production staff	65	110
Administrative staff	10	9
	75	119

The company had no employees during 2017 or 2016.

8. DIRECTORS' EMOLUMENTS

	31.12.17	31.12.16 as restated
	£	£
Directors' remuneration	108,891	111,311

Remuneration disclosed above include £108,891 (2016: £111,311) paid to the highest paid director for qualifying services.

The directors of the parent did not receive any emoluments.

9. OPERATING PROFIT

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

	31.12.17	31.12.16 as restated
	£	£
Other operating leases	1,456,579	995,338
Depreciation - owned assets	320,735	255,821
Loss on disposal of fixed assets	-	10,079
Goodwill amortisation	19,004	-
Patents, trademarks & licences amortisation	41,942	(5,173)
Set up costs amortisation	2,956	971
Other intangibles amortisation	30,219	82,270
Auditors' remuneration	15,000	54,642
Foreign exchange differences	676,932	(223,384)
Impairment of trade debtors	-	32,592

10. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.17	31.12.16 as restated
	£	£
Deposit account interest	294	5,003

11. AMOUNTS WRITTEN OFF INVESTMENTS

	31.12.17	31.12.16 as restated
	£	£
Amounts written off investments	(6,382)	-

continued...

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

12. INTEREST PAYABLE AND SIMILAR EXPENSES

	31.12.17	31.12.16 as restated
	£	£
Interest on bank loan and overdraft	**37,579**	41,571

13. TAXATION

Analysis of the tax charge
The tax charge on the profit for the year was as follows:

	31.12.17	31.12.16 as restated
	£	£
Current tax:		
UK corporation tax	**1,164,556**	39,205
Adjustments for prior periods	-	706
Foreign current tax expense	-	1,540,647
Total current tax	**1,164,556**	1,580,558
Deferred tax	**(7,394)**	75,761
Tax on profit	**1,157,162**	1,656,319

UK corporation tax has been charged at 19.25%.

Reconciliation of total tax charge included in profit and loss
The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.17	31.12.16 as restated
	£	£
Profit before tax	**674,442**	5,552,579
Profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	**129,830**	1,110,516
Effects of:		
Expenses not deductible for tax purposes	**697,105**	1,871
Depreciation in excess of capital allowances	**68,171**	-
Utilisation of tax losses	-	13,931
Adjustments to tax charge in respect of previous periods	-	706
Rounding on tax charge	-	(1,391)
Other adjustment to increase / (decrease) tax liability	**262,056**	530,686
Total tax charge	**1,157,162**	1,656,319

continued...

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

13. **TAXATION - continued**

Tax effects relating to effects of other comprehensive income

	31.12.17		
	Gross	Tax	Net
	£	£	£
Foreign currency retranslation	338,691	-	338,691

	31.12.16		
	Gross	Tax	Net
	£	£	£
Foreign currency retranslation	625,232	-	625,232

14. **INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME**

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements.

15. **PRIOR YEAR ADJUSTMENT**

A prior year adjustment of £385,920 has been made in the single entity Financial Statements to account for investments in the subsidiary undertakings, Palamitaone Inc.

As a result of this adjustment, Palamitaone Inc has also been included in the consolidated financial statements from the year ended 31 December 2016 and comparatives figures have been restated in the Consolidated Financial Statements and in the Single entity Financial Statements.

The net effect of the adjustments increased retained earnings by £376,085.

16. **INTANGIBLE FIXED ASSETS**

Group

	Goodwill	Patents, trademarks & licences	Set up costs	Other intangibles	Totals
	£	£	£	£	£
COST					
At 1 January 2017	245,567	50,907	16,472	292,915	605,861
Additions	-	136,055	-	4,396	140,451
Exchange differences	9,083	2,029	657	11,674	23,443
At 31 December 2017	254,650	188,991	17,129	308,985	769,755
AMORTISATION					
At 1 January 2017	29,437	13,507	10,787	163,372	217,103
Amortisation for year	19,004	41,942	2,956	30,219	94,121
Exchange differences	1,174	538	430	6,513	8,655
At 31 December 2017	49,615	55,987	14,173	200,104	319,879
NET BOOK VALUE					
At 31 December 2017	205,035	133,004	2,956	108,881	449,876
At 31 December 2016	216,130	37,400	5,685	129,543	388,758

continued...

16. **INTANGIBLE FIXED ASSETS - continued**

The company has no intangible assets.

17. **TANGIBLE FIXED ASSETS**

Group

	Plant and machinery £	Fixtures and fittings £	Equipment £	Totals £
COST				
At 1 January 2017	484,116	173,048	1,238,561	1,895,725
Additions	44,523	7,464	465,686	517,673
Disposals	-	-	(22,110)	(22,110)
Exchange differences	15,116	5,685	49,362	70,163
At 31 December 2017	543,755	186,197	1,731,499	2,461,451
DEPRECIATION				
At 1 January 2017	288,693	111,418	296,090	696,201
Charge for year	71,695	23,918	225,122	320,735
Eliminated on disposal	-	-	(9,169)	(9,169)
Exchange differences	7,588	3,364	11,800	22,752
At 31 December 2017	367,976	138,700	523,843	1,030,519
NET BOOK VALUE				
At 31 December 2017	175,779	47,497	1,207,656	1,430,932
At 31 December 2016	195,423	61,630	942,471	1,199,524

Company

	Plant and machinery £
COST	
At 1 January 2017 and 31 December 2017	104,849
DEPRECIATION	
At 1 January 2017	98,296
Charge for year	6,553
At 31 December 2017	104,849
NET BOOK VALUE	
At 31 December 2017	-
At 31 December 2016	6,553

continued...

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

18. **FIXED ASSET INVESTMENTS**

Group

	Other investments £
COST	
At 1 January 2017	81,747
Additions	8,789
Disposals	(14,047)
Exchange differences	3,257
At 31 December 2017	79,746
NET BOOK VALUE	
At 31 December 2017	79,746
At 31 December 2016	81,747

Company

	Shares in group undertakings £
COST	
At 1 January 2017 and 31 December 2017	430,866
NET BOOK VALUE	
At 31 December 2017	430,866
At 31 December 2016	430,866

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

Street 71 SPA
Registered office: Italy
Nature of business: Retailing

Class of shares:	% holding
Ordinary	96.00

Full Spot SPA
Registered office: Italy
Nature of business: Retailing

Class of shares:	% holding
Ordinary	96.00

continued...

18. **FIXED ASSET INVESTMENTS - continued**

Palamitaone Inc
Registered office: United States
Nature of business: Real estate

Class of shares:	% holding
Ordinary	100.00

The above subsidiaries are included in the consolidation.

Street 71 Limited
Registered office: England
Nature of business: Agents involved in the sale of a variety of

Class of shares:	% holding
Ordinary	67.00

Street 71 Limited was excluded from consolidation at the balance sheet date on the basis that its inclusion is not material for the purposes of giving a true and fair view in the context of the group.

Fullspoke Limited
Registered office: England
Nature of business: Wholesale of watches and jewellery

Class of shares:	% holding
Ordinary	63.00

Fullspoke Limited, dissolved on 15 August 2017, was excluded from consolidation at the balance sheet date.

19. **INVESTMENT PROPERTY**

Group

	Total £
FAIR VALUE	
At 1 January 2017	**435,661**
Exchange differences	**(38,914)**
At 31 December 2017	**396,747**
NET BOOK VALUE	
At 31 December 2017	**396,747**
At 31 December 2016	435,661

The open market value of the investment property is based on Directors' valuation supported by a recent sale of a similar investment property on in 2018.

continued...

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

20. STOCKS

	Group	
	31.12.17	31.12.16 as restated
	£	£
Raw materials	**27,514**	-
Finished goods	**21,014,469**	15,834,588
	21,041,983	15,834,588

The company had no inventories at 31 December 2017 (2016: £nil).

21. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.17	31.12.16 as restated	**31.12.17**	31.12.16 as restated
	£	£	**£**	£
Trade debtors	**6,109,335**	8,147,342	**-**	-
Amounts owed by group undertakings	**23,330**	-	**1,179,659**	1,099,110
Other debtors	**9,187,845**	1,132,856	**2,011**	38,071
Corporation tax repayable	**415,692**	366,811	**-**	-
Prepayments and accrued income	**41,047**	60,682	**5,800**	5,800
	15,777,249	9,707,691	**1,187,470**	1,142,981

Other debtors above include an amount of £NIL (2016: £317,661) falling due after more than one year.

22. CURRENT ASSET INVESTMENTS

	Group	
	31.12.17	31.12.16 as restated
	£	£
Other investments	**105,309**	65,728

The company had no current asset investments at 31 December 2017 (2016: £nil).

continued...

23. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31.12.17	31.12.16 as restated	**31.12.17**	31.12.16 as restated
	£	£	**£**	£
Bank loans and overdrafts (see note 25)	**4,812,530**	1,342,116	**-**	-
Trade creditors	**19,883,222**	17,392,178	**11,700**	45,016
Corporation tax	**-**	51,205	**-**	51,205
Social security and other taxes	**1,304,994**	1,027,457	**-**	-
Other creditors	**548,683**	452,858	**-**	-
Accruals and deferred income	**16,500**	206,776	**16,500**	54,131
	26,565,929	20,472,590	**28,200**	150,352

24. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31.12.17	31.12.16 as restated	**31.12.17**	31.12.16 as restated
	£	£	**£**	£
Other creditors	**12,000**	-	**12,000**	-

25. LOANS

An analysis of the maturity of loans is given below:

	Group	
	31.12.17	31.12.16 as restated
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	**4,812,530**	1,342,116

26. OTHER FINANCIAL COMMITMENTS

Minimum lease payments fall due as follows:

Group

	Non-cancellable operating leases	
	31.12.17	31.12.16 as restated
	£	£
Within one year	3,897,083	1,456,579
Between one and five years	13,282,222	16,027,745
In more than five years	6,285,814	5,864,465
	23,465,119	23,348,789

continued...

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

27. FINANCIAL INSTRUMENTS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	**15,297,180**	9,280,198	**2,011**	38,071
	15,297,180	9,280,198	**2,011**	38,071
Financial liabilities				
Financial liabilities measured at amortised cost	**(25,244,435)**	(19,187,152)	**(11,700)**	(45,016)
	(25,244,435)	(19,187,152)	**(11,700)**	(45,016)

28. PROVISIONS FOR LIABILITIES

	Group		Company	
	31.12.17	31.12.16 as restated	**31.12.17**	31.12.16 as restated
	£	£	**£**	£
Deferred tax				
Accelerated capital allowances	**1,311**	11,588	**1,311**	9,250
Charged to profit and loss	**75,382**	72,499	**-**	(7,939)
	76,693	84,087	**1,311**	1,311
Other provisions				
Other provisions	**85,361**	78,204	**-**	-
Foreign exchange movement	**3,402**	-	**-**	-
Charged to profit or loss	**3,474,637**	7,157	**-**	-
	3,563,400	85,361	**-**	-
Aggregate amounts	**3,640,093**	169,448	**1,311**	1,311

Group

	Deferred tax £	Other provisions £
Balance at 1 January 2017	84,087	85,361
(Credit)/charge to Statement of Comprehensive Income during year	(7,394)	3,474,637
Foreign exchange movement	-	3,402
Balance at 31 December 2017	76,693	3,563,400

continued...

28. **PROVISIONS FOR LIABILITIES - continued**

Company

	Deferred tax
	£
Balance at 1 January 2017	1,311
Balance at 31 December 2017	1,311

The subsidiary Full Spot received an inspection from the Italian Tax Authority during 2018, potential issues on Royalties (Inbound and Outbound), Agency costs, Intra EU sale of Molds, legal expenses accrued in the wrong period and other matters.

In accordance with the Group Legal advisors, the entity and the Group have accrued an amount of £3.5m for potential penalties arising from this inspection.

29. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	**31.12.17**	31.12.16 as restated
			£	£
90	Ordinary A	1	**90**	90
10	Ordinary B	1	**10**	10
			100	100

There is a single class of ordinary A shares from 14 August 2018.

30. **RESERVES**

Retained earnings - This reserve records profit and loss account and accumulated losses.

Foreign exchange reserve - This reserve records the difference in exchange when translating overseas subsidiaries.

Legal reserve - This is a reserve that records monies that a required to be kept by law.

Other reserves - This is a reserve that makes up the company's income in the case of distribution.

31. **RELATED PARTY DISCLOSURES**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

See note 8 for disclosure of director's remuneration and key management personnel compensation for the Group.

continued...

Notes to the Consolidated Financial Statements - continued
FOR THE YEAR ENDED 31 DECEMBER 2017

32. **CONTROLLING PARTY**

Group and company
The immediate parent undertaking is Out In SpA. In January 2019, control changed from the director, M Zanella, to Out in SpA.