

Speciality Home Shopping (US) Limited

Annual report and financial statements

Registered number 03941468

For the 52 week period ended 29 February
2020



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Directors' report

The directors present their annual report on the affairs of the company, together with the audited financial statements and auditor's report, for the 52 week period ended 29 February 2020. The Directors' Report has been prepared in accordance with the special provision relating to small companies under section 417 (1) of the Companies Act 2006. Accordingly no enhanced Strategic Report has been prepared.

Directors

The directors who served during the period and thereafter are as shown below:

C Lovelace	(resigned 28 June 2020)
R E Tucker	(resigned 01 January 2020)
S V Welsh	(appointed 24 April 2020)

The company secretary who served during the period and thereafter is as shown below:

D M Cropper

Risks and uncertainties

The company has stopped trading post year end, and as such the principal risks and uncertainties to the business have significantly reduced. The company will continue to collect on its existing debtor book before fully winding down. Future risks are therefore focused on the ability to collect on the outstanding customer receivables. The directors routinely monitor the risks and uncertainties and appropriate actions are taken to mitigate these risks.

Strategic & Business Resilience – The Company relies on the Group's risk management practices on behalf of the Company in respect of its strategic & business resilience. The Group continues to manage specific risks in relation to Covid-19 and Brexit. The Board continued to monitor Brexit impacts and mitigations with management throughout the year via the business's Brexit Steering Committee actions and outputs. Management put a comprehensive and appropriate set of mitigations in place to ensure the least disruption was incurred by the business in each of the areas of risk identified. Following the cease to trading post year end, there is not expected to be any significant risks to the Company in relation to Brexit or Covid-19.

Credit - The Company's Credit offering was a key enabler of product sales as well as a revenue and margin stream. Conditions have remained challenging during the period and the impact of Covid-19 on the broader macro-economic scenario continues to give rise to the increased risk of bad-debt and adverse shifts in payment and arrears rates. The Company's continued collection on the outstanding debtor book following the cessation of trade is the key principal risk to any future performance of the Company.

Going concern

Following a review of the business and its future profit potential, on 30 September 2020 the US website was closed, and the business ceased to trade. As a result, the website and catalogues are closed to new business and the remaining stock is cleared. The directors intend to liquidate the company in the future. They have therefore prepared the financial statements on a basis other than that of going concern. The effect of this is explained in note 1 to the financial statements.

Directors' Report *(continued)*

Proposed dividend

The directors do not recommend payment of a dividend (2019: £nil).

Political and charitable contributions

The company has made no political or charitable donations during the year (2019: £nil).

Disclosure of information to auditor

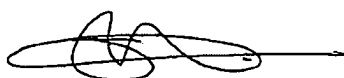
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board of Directors and signed on behalf of the Board on 23 February 2021.

By order of the board



S V Welsh

Director

Griffin House
40 Lever Street
Manchester
M60 6ES

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so (as explained in note 1, the director does not believe that it is appropriate to prepare these financial statements on a going concern basis).

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPECIALITY HOME SHOPPING (US) LIMITED

Opinion

We have audited the financial statements of Speciality Home Shopping (US) Limited ("the company") for the 52 week period ended 29 February 2020 which comprise the Profit and loss account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 February 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

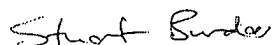
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peters Square
Manchester
M2 3AE
24 February 2021

Profit and loss account & Other Comprehensive Income
for the 52 week period ended 29 February 2020

	<i>Notes</i>	2020 £	2019 £
Turnover	3	4,091,775	11,407,145
Credit account interest	3	1,934,255	2,486,777
Total turnover (including credit interest)		6,026,030	13,893,922
Cost of sales		(1,651,034)	(4,408,262)
Impairment losses on customer receivables		(2,035,343)	(3,059,732)
Gross profit		2,339,653	6,425,928
Distribution costs		(845,370)	(2,716,645)
Selling and administration costs		(725,680)	(9,177,879)
Operating Profit/(Loss)		768,603	(5,468,596)
Interest payable and similar expenses		-	-
Profit/ (Loss) before taxation		768,603	(5,468,596)
Taxation	4	-	5,468,596
Profit for the financial period		768,603	-

All income has arisen from continuing operations.

The company has no recognised gains or losses other than the result for the current or prior financial period as shown above. Accordingly, no separate statement of Other Comprehensive Income is presented.

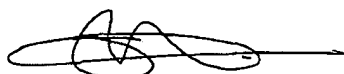
The accompanying notes are an integral part of these financial statements.

Balance sheet

As at 29 February 2020

	<i>Note</i>	2020 £	2019 £
Current assets			
Debtors	5	2,021,233	2,900,295
Cash at bank and in hand		750,261	990,787
		<hr/>	<hr/>
		2,771,494	3,891,082
Creditors: amounts falling due within one year	6	(2,002,889)	(3,891,080)
		<hr/>	<hr/>
Net assets		768,605	2
		<hr/>	<hr/>
Capital and reserves			
Called-up share capital	7	2	2
Profit and loss account		768,603	-
		<hr/>	<hr/>
Shareholder's funds		768,605	2
		<hr/>	<hr/>

The financial statements of Speciality Home Shopping (US) Limited (registered number 03941468) were approved by the Board of Directors and authorised for issue on 23 February 2021 and signed on its behalf by:



S V Welsh
Director

The accompanying notes are an integral part of these financial statements.

Company number 03941468

Statement of changes in equity

	Called up Share Capital £	Profit and loss account £	Total equity £
Balance at 3 March 2018	2	-	2
Total comprehensive income for the period			
Profit or loss	-	-	-
Total comprehensive income for the period	-	-	-
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 2 March 2019	2	-	2
Total comprehensive income for the period			
Profit or loss	-	768,603	768,603
Total comprehensive income for the period	-	768,603	768,603
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 29 February 2020	2	768,603	768,605

The accompanying notes are an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Speciality Home Shopping (US) Limited (the “Company”) is a company incorporated and domiciled in the UK. The company’s registered address is Griffin House, 40 Lever Street, Manchester, M60 6ES. The principal accounting policies of the Company are set out below.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (“FRS 101”) and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company’s ultimate parent undertaking N Brown Group Plc includes the Company in its consolidated financial statements. The consolidated financial statements of N Brown Group Plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office address, see note 8.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of N Brown Group Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

There are no judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements or estimates with a significant risk of material adjustment in the next year.

Accounting period

Throughout the financial statements, the notes to the financial statements and the Directors’ Report, reference to 2020 means 29 February 2020 or the 52 week period then ended. Reference to 2019 means 2 March 2019 or the 52 weeks then ended.

Measurement convention

The financial statements are prepared on the historical cost basis and in accordance with applicable United Kingdom law and accounting standards.

The accounting policies below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Notes

(forming part of the financial statements)

Going concern

As disclosed in the Directors' Report, given the decision to cease trading post year end, the financial statements have been prepared on a basis other than going concern. No adjustments were necessary to the amounts at which the remaining net assets are included in these financial statements.

Financial instruments

Classification and Measurement

IFRS 9 contains a classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost; fair value through other comprehensive income ('FVOCI'); and fair value through profit and loss ('FVTPL'). The Company has determined that all of the trade and other receivables are classified as amortised cost, as a financial asset is measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- all such assets are held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of all such assets give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding principal amount.

IFRS 9 contains two classification categories for financial liabilities: measured at amortised cost or fair value through profit and loss ('FVTPL'). All of the Group's financial liabilities are measured at amortised cost.

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities as appropriate on initial recognition.

Financial assets classified as amortised cost are subsequently measured using the effective interest method, less any impairment. Financial liabilities classified as amortised cost are subsequently measured using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating amortised cost and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment – Financial Assets and contract assets

The Company recognises an allowance for Expected Credit Losses (ECLs) for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL. Customer receivables relate to Trade receivables included in the Company balance sheet.

As the Group has determined there is a significant financing component, the ECL model applies the concept of staging.

Stage 1 – assets which have not demonstrated any significant increase in credit risk since origination

Stage 2 – assets which have demonstrated a significant increase in credit risk since origination

Stage 3 – assets which are credit impaired (ie. defaulted)

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are calculated for assets in Stage 1 and lifetime ECLs are calculated for assets in Stages 2 and 3.

Notes (continued)

1 Accounting policies (continued)

ECL is the product of the probability of default (PD), exposure at default (EAD) and loss given default (LGD), discounted at the current effective interest rate (EIR). In accordance with IFRS 9, the current EIR is used as the discount rate because all trade receivables have a variable interest rate.

The Probability of Default is an estimate of the likelihood of default over 12 months (stage 1) or the expected lifetime of the debt (stage 2). It is 100% for balances within stage 3 as these have already defaulted. The calculation of PDs is based on statistical models that utilise internal data, adjusted to take into account estimates of future conditions.

The Exposure at Default is an estimate of the exposure at the date of default and is capped so as not to exceed the balance outstanding at the reporting date because receivables arising from future sales are not incorporated into the ECL calculation as explained below.

The Loss Given Default is an estimate of the loss arising on default, including an estimation of recoveries based on the Group's history of recovery rates from debt sales and expectations of how these are expected to change in the future. Recoveries exclude estimated future proceeds from VAT Bad Debt Relief. Instead VAT Bad Debt relief is recognised within the net VAT creditor in Other creditors at the point at which the receivable balance meets the agreed criteria with HMRC for VAT Bad Debt Relief to apply.

IFRS 9 ordinarily requires an entity to not only consider a loan, but also the undrawn commitment when calculating the ECL, where the exposure to credit risk cannot be limited by the ability to cancel or demand repayment. However, the guidance in IFRS 9 excludes from its scope a sales commitment, being the rights and obligations from the delivery of goods as a result of a contract with a customer within the scope of IFRS 15. Thus, a sales commitment is not considered to be a financial instrument, and therefore the impairment requirements are not applied by the Group until delivery has occurred and a receivable has been recognised, at which point the 12 month ECL will be recognised in line with the above.

Significant increase in credit risk

A financial asset will be considered to have experienced a significant increase in credit risk (SICR) since initial recognition where there has been a significant increase in the lifetime probability of default of the asset. The assessment uses behavioural risk scores (which comprise both internal data around how customers have been using their accounts and credit bureau data as to how customers have been managing their credit obligations with other lenders) to compare the estimated risk of default occurring at the reporting date with that at initial recognition to identify the proportional change in risk score. The SICR threshold is set at the point at which, in recent historical observations, the proportional change in risk score resulted in the

PD after 12 months for such stage 1 customers being higher than the average PD for stage 2 customers that are one payment in arrears.

Where the proportional change in risk score since initial recognition exceeds the threshold, the asset will be deemed to have experienced a significant increase in credit risk. The credit risk of a financial asset may improve such that when this threshold is no longer exceeded, it is no longer considered to have experienced SICR and would move back to stage 1.

IFRS 9 requires a backstop to be applied whereby a receivable that is over a certain number of days past due (presumed to be no later than 30 days) is automatically considered to have experienced SICR. The backstop applied by the Group is a receivable that is 28 days or more past due. This period is used as customers have a 28 day statementing cycle. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which the minimum payment has not been received. Due dates are determined without considering any grace period or forbearance that may have been made available to the borrower.

Definition of Default

At each reporting date, the Group assesses whether financial assets carried at amortised cost are in default (stage 3).

Evidence that a financial asset is in default includes the following observable data:

- The account has been placed on a non-interest bearing payment arrangement (as part of forbearance measures);
- Notification of bereavement has been received; or
- The receivable is 56 days or more days past due for new customers and 84 days past due for established customers.

Definition of write off

The Group consider that an asset should be written off when it is more than 124 days past due for new customers and 152 days past due for established customers and all collection activity has been exhausted. Write offs include where receivables have been sold to third parties in accordance with the Group's recovery strategies.

Notes (continued)

1 Accounting policies (continued)

Incorporation of forward looking data

The Group incorporates forward looking information into its measurement of expected credit loss. Separate macroeconomic provisions are recognised to reflect the expected impact of future economic events on a customer's ability to make repayments and the losses incurred given default, in addition to the core impairment provisions already recognised.

The future macroeconomic scenario assumptions are reviewed at each reporting date and updated accordingly.

Revenue Recognition

Product revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Product revenue is recognised in accordance with IFRS 15, with the sale of a product. In the case of goods sold through our trading websites and other routes, including goods delivered to the customers directly from suppliers, revenue is recognised when goods are delivered to the customer and therefore control is transferred to the customer. In regards to goods directly despatched to the customer from suppliers, the Group has the ability to direct the use of, and obtain substantially all of the benefits from the specified goods. More specifically, the Group is responsible for providing the specified goods to the customer, has inventory risk prior to these being transferred to the customer and has significant influence over the pricing of the goods, therefore it is acting as the principal in these arrangements. Revenue from direct despatch sales is therefore recognised gross. Sales returns in the period are recognised as a deduction to revenue based on expected levels of returns. Provision is made for outstanding returns not yet made at the period end. Accumulated experience (including historical returns rates) is used to estimate and provide for such returns. The provision is recorded as a reduction in revenue with a corresponding entry against trade receivables.

Financial services revenue includes interest, administrative charges and arrangement fees. Interest income is accrued on a time basis, by reference to the principal outstanding and the applicable effective interest rate. Effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's gross carrying amount, being its amortised cost excluding expected credit losses. Interest income from stage 1 and 2 trade receivables is recognised by applying the effective interest rate to the gross carrying amount of the asset; for stage 3 trade receivables, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses. Revenue from non-interest related financial services income primarily comprises administration fees arising from missed payments by customers and is recognised when the associated arrears management activity has been performed.

Foreign currency

Transactions in foreign currencies are translated to the company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Notes (continued)

1. Accounting policies (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Non-derivative financial instruments

Trade and other debtors

Trade and other debtors are initially recognised at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

Critical Judgements and sources of estimation uncertainty

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Company's results and financial position are as follows:

Trade receivables – critical judgement and estimation uncertainty

The allowance for expected credit losses for trade receivables involves several areas of judgement, including estimating forward-looking parameters (PD, LGD and EAD), developing a range of unbiased future economic scenarios, estimating expected lives and assessing significant increases in credit risk, based on the Company's experience of managing credit risk.

Key judgements involved in the determination of expected credit losses are:

- Determining which receivables have suffered from a significant increase in credit risk
- Determining the period over which historical probabilities of default are measured to apply current PD estimates; and
- Determining the value of future recoveries in assessing the LGD.

An 10% increase to PD's would lead to an increase to the ECL £59,394.

A change in the observation period for customer defaults from 6 months to 12 months, would decrease the ECL by £9,599.

Notes (continued)

2 Expenses and auditor's remuneration

The Company has no employees other than the directors, who received no remuneration from the company during the period. The services to the company during the period are deemed to be negligible therefore no charge has been made to the company. Fees paid to the Company's auditor, KPMG LLP and its associates for the audit of the company were £15,000 (2019: £15,000), and were borne by a fellow group company. Fees paid for services other than the statutory audit of the Company are not disclosed in the Company's financial statements since the consolidated financial statements of the Company's parent, N Brown Group plc, are required to disclose non-audit fees on a consolidated basis.

3 Turnover

All turnover and operating profit is generated from the principal activity of the company in the United States of America.

	2020 £	2019 £
Sale of goods	3,870,064	10,919,509
Rendering of services	221,711	487,636
	<hr/>	<hr/>
	4,091,775	11,407,145
Credit account interest	1,934,255	2,486,777
	<hr/>	<hr/>
	6,026,030	13,893,922
	<hr/> <hr/>	<hr/> <hr/>

4 Taxation

Recognised in the profit and loss account

	2020 £	2019 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	(5,468,596)
	<hr/>	<hr/>
Tax on profit/(loss)	-	(5,468,596)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

4 Taxation (continued)

Reconciliation of effective tax rate

	2020 £	2019 £
Profit for the year	768,603	-
Total tax charge/(credit)	-	(5,468,596)
	<hr/>	<hr/>
Profit/(Loss) excluding taxation	768,603	(5,468,596)
Tax using the UK corporation tax rate of 19% (2019: 19%)	146,035	(1,039,033)
Surrender/(Utilisation) of group tax losses	(146,035)	1,039,033
Payment received for group relief	-	(5,468,596)
	<hr/>	<hr/>
Total tax charge/(credit)	-	(5,468,596)
	<hr/> <hr/>	<hr/> <hr/>

5 Debtors

	2020 £	2019 £
Trade debtors	1,232,920	2,143,141
Social security and other taxes	14,604	757,154
Amounts owed by group undertakings	773,709	-
	<hr/>	<hr/>
	2,021,233	2,900,295
	<hr/> <hr/>	<hr/> <hr/>

Movement in allowance for expected credit losses

	2020 £	2019 £
Balance at beginning of the year	924,455	655,483
Amounts charged net to the profit and loss account	2,035,343	3,059,732
Net amounts written off	(2,261,939)	(2,790,759)
	<hr/>	<hr/>
Balance at the end of the year	697,859	924,455
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

6 Creditors: Amounts falling due within one year

	2020 £	2019 £
Amounts owed to group undertakings	1,880,119	2,039,516
Accruals and deferred income	122,770	1,851,564
	<u>2,002,889</u>	<u>3,891,080</u>

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

7 Called-up share capital

	2020 £	2019 £
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

8 Ultimate parent undertaking and related party disclosures

The Company is a subsidiary undertaking of N Brown Group plc which is the ultimate parent company and controlling party incorporated in the United Kingdom.

The largest and smallest group in which the results of the Company are consolidated is that headed by N Brown Group plc, incorporated in the United Kingdom. The consolidated financial statements of these groups are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

As the Company is a wholly owned subsidiary of JD Williams & Company Limited, the Company has taken advantage of the exemption contained in FRS 101.8 (K) and has therefore not disclosed transactions with other group companies.

9 Post Balance Sheet Events

Impact of Covid-19

Although the global spread of Covid-19 began before 29 February 2020, the WHO declaration of a global pandemic and escalation of the virus within the Republic of Ireland took place in March 2020 and was not predictable as at the balance sheet date. For this reason, the significant effects of Covid-19 are non-adjusting as at the balance sheet date. Management have considered the potential impact on the 29 February 2020 balance sheet if Covid-19 had been treated as an adjusting event, specifically in regards to the impairment of the trade receivables.

IFRS 9 requires an entity to measure expected credit losses that reflect reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future conditions. As noted above, as at the 29 February 2020 reporting date, management could not have reasonably foreseen the material change to actual economic conditions that have now arisen due to the impact of Covid-19 lockdown.

Notes *(continued)*

9 Post Balance Sheet Events (continued)

As a result, expected credit losses reported in the 29 February 2020 balance sheet have not been adjusted to include the expected impact of Covid-19 and instead this will be reported in future financial statements of the Company. A potential range for the increase to the 29 February 2020 expected credit loss provision and net impairment charge in the income statement if the impact of Covid-19 had been adjusted is £75k to £172k based on the estimated impact to the Group.

Cessation of trade

The closure of the Company's website and therefore cease of trade in respect of any new sales was enacted on the 30th September 2020. As noted in the Directors' Report and Note 1, the Company has therefore prepared these accounts on a basis other than going concern. The Company will continue to collect on the customer receivables for previous credit sales into the future.