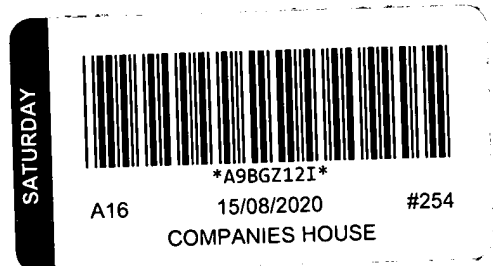


Company Registration No. 05630013 (England and Wales)

TECH 21 UK LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MAY 2019



TECH 21 UK LIMITED

COMPANY INFORMATION

Director	J L Roberts
Company number	05630013
Registered office	Thames House 5 Church Street Twickenham TW1 3NJ
Auditor	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB United Kingdom

TECH 21 UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2019

The director presents the strategic report for the year ended 31 May 2019.

Review of the business

The company has seen a decline in the year with revenues at £78.4m, a decrease of 6.8% on the previous year's £84.1m. The rate of decline has slowed from 2018 (30.8%). However, the operating loss reduced from £9.0m in the previous year to £6.8m in the current year. A challenging period in FY19 Q1 relating to launch production issues caused some losses in customer confidence. A fault free launch in FY20 has gone a long way to restoring trust.

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

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

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

Principal risks and uncertainties

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

COVID-19

The impact of COVID-19 on UK and global economies and businesses is expected to be significant. The director cannot predict the impact on the company (or its customers or suppliers), although he is confident that the company will continue as a going concern. The risks associated with COVID-19 have given rise to an unquantifiable material uncertainty in respect of going concern.

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

Credit risk

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

The company has implemented a trade insurance policy which underwrites the risk in the majority of its trade debtors. Credit arrangements are kept under constant review by financial and sales management in light of debtors ageing and collection performance.

Currency risk

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

Competition risk

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

TECH 21 UK LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

Key performance indicators

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

- Significantly reduced rate of decline of both sales and market share in our mature, established markets as the business stabilises and the impacts of production related issues wash through.
 - Turnover 2019: £78.4m (2018: £84.1m). Geographical locations are reviewed regularly, as disclosed in the notes to the accounts.
- Business Development into new, and emerging markets for technology protection
- Operating Efficiencies, through continued work to improve the businesses processes, systems, supply chain, and production capabilities, to drive stronger profitability
 - Gross profit 2019: £13.3m (2018: £14.6m)
 - Loss before tax 2019: £7.0m (2018: £9.4m)
- Cash flow, management of working capital, and ensuring strong return on investment on all categories, markets, and product sectors.

Environmental impact

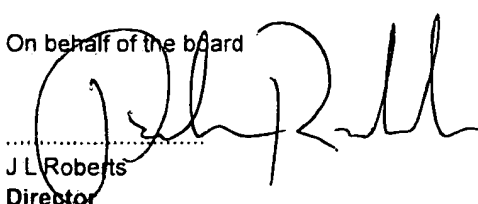
The director acknowledges that environmental protection is one of the company's business responsibilities. It aims for a continuous improvement in the company's environmental performance and to comply with all relevant regulations.

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

Future developments

The director is confident the company's investment in its people, processes, and innovation, are at the core of Tech 21's strong growth, and aims to maintain this level of focus, to ensure we build on our already strong market position in technology protection.

On behalf of the board


.....
J.L. Roberts
Director

Date: 12 August 2020

TECH 21 UK LIMITED

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 MAY 2019

The director presents his annual report and financial statements for the year ended 31 May 2019.

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

Principal activities

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

Director

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

J L Roberts

P V C Cass

U Lundqvist

(Resigned 31 July 2019)

(Resigned 1 November 2018)

Results and dividends

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

The director does not recommend payment of a final dividend.

Auditor

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

Statement of disclosure to auditor

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

On behalf of the board


.....
J L Roberts
Director

Date: 12 August 2020

TECH 21 UK LIMITED

DIRECTOR'S RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2019

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Opinion

We have audited the financial statements of Tech 21 UK Limited (the 'company') for the year ended 31 May 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements, which indicates that the company may be significantly impacted by COVID-19. As stated in note 1, the impact of COVID-19 cannot be predicted which gives rise to a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of director

As explained more fully in the director's responsibilities statement set out on page 4, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

RSM UK Audit LLP

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

13 August 2020

TECH 21 UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2019

	Notes	2019 £	2018 £
Turnover	3	78,374,973	84,074,320
Cost of sales		(65,083,094)	(69,485,257)
Gross profit		<u>13,291,879</u>	<u>14,589,063</u>
Administrative expenses		(20,111,539)	(23,654,147)
Operating loss	6	(6,819,660)	(9,065,084)
Interest receivable and similar income	8	25,841	-
Interest payable and similar expenses	9	(206,880)	(353,687)
Loss before taxation		<u>(7,000,699)</u>	<u>(9,418,771)</u>
Tax on loss	10	(19,510)	(668,018)
Loss for the financial year		<u><u>(7,020,209)</u></u>	<u><u>(10,086,789)</u></u>

TECH 21 UK LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	11	239,611		60,390	
Tangible assets	12	206,144		405,651	
			445,755		466,041
Current assets					
Stocks	13	10,266,641		7,433,161	
Debtors	14	36,058,885		33,771,781	
Cash at bank and in hand		196,549		2,164,229	
		46,522,075		43,369,171	
Creditors: amounts falling due within one year	16	(45,023,674)		(34,870,847)	
Net current assets			1,498,401		8,498,324
Total assets less current liabilities			1,944,156		8,964,365
Capital and reserves					
Called up share capital	21	100		100	
Share premium account	22	149,960		149,960	
Profit and loss reserves	22	1,794,096		8,814,305	
Total equity			1,944,156		8,964,365

The financial statements were approved by the board of directors and authorised for issue on 12 August 2020 and are signed on its behalf by:


J. Roberts
Director

TECH 21 UK LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2019

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 June 2017	100	149,960	18,901,094	19,051,154
Year ended 31 May 2018:				
Loss and total comprehensive income for the year	-	-	(10,086,789)	(10,086,789)
Balance at 31 May 2018	100	149,960	8,814,305	8,964,365
Year ended 31 May 2019:				
Loss and total comprehensive income for the year	-	-	(7,020,209)	(7,020,209)
Balance at 31 May 2019	100	149,960	1,794,096	1,944,156

TECH 21 UK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2019

	Notes	2019 £	£	2018 £	£
Cash flows from operating activities					
Cash generated from operations	26	5,823,517		9,796,457	
Interest paid		(206,880)		(353,687)	
Income taxes paid		(1,202,106)		(5,702,824)	
Net cash inflow from operating activities		<u>4,414,531</u>		<u>3,739,946</u>	
Investing activities					
Purchase of intangible assets		(268,303)		(840)	
Purchase of tangible fixed assets		(127,242)		(371,808)	
Proceeds on disposal of tangible fixed assets		270,442		22,974	
Interest received		<u>25,841</u>		<u>-</u>	
Net cash used in investing activities			(99,262)		(349,674)
Financing activities					
Repayment of invoice discounting facility		(6,227,344)		(7,502,654)	
Repayment of bank loans		(25,841)		(80,000)	
Payment of finance leases obligations		<u>(29,764)</u>		<u>(30,343)</u>	
Net cash used in financing activities			(6,282,949)		(7,612,997)
Net decrease in cash and cash equivalents			(1,967,680)		(4,222,725)
Cash and cash equivalents at beginning of year			<u>2,164,229</u>		<u>6,386,954</u>
Cash and cash equivalents at end of year			<u><u>196,549</u></u>		<u><u>2,164,229</u></u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies

Company information

Tech 21 UK Limited is a private company limited by shares domiciled and incorporated in England and Wales. The registered office and principal place of business is Thames House, 5 Church Street, Twickenham, TW1 3NJ.

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

Accounting convention

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

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

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

Going concern

The impact of COVID-19 on UK and global economies and businesses is expected to be significant. The director cannot predict the impact on the company (or its customers or suppliers), although he is confident that the company will continue as a going concern. The risks associated with COVID-19 have given rise to an unquantifiable material uncertainty in respect of going concern.

The director has considered the company's cash flow requirements for the period to 31 July 2021 and, excluding the unquantifiable impact of COVID-19, he is confident that the company would have adequate resources to continue as a going concern for at least that period and as a result has adopted the going concern basis of accounting for preparing these financial statements.

Turnover

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

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

Intangible fixed assets other than goodwill

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

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

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

Software	40% straight line
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TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies (Continued)

Tangible fixed assets

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

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

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

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

Impairment of fixed assets

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

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

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

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

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

Cash and cash equivalents

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

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

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

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except for investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

Classification of financial liabilities

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

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies (Continued)

Basic financial liabilities

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

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

Derecognition of financial liabilities

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

Equity instruments

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

Taxation

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

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

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

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

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

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

Employee benefits

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

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

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

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

1 Accounting policies (Continued)

Retirement benefits

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

Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Foreign exchange

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

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

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

2 Judgements and key sources of estimation uncertainty

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

Accounting estimates and assumptions

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

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

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

3 Turnover and other revenue

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

	2019 £	2018 £
Turnover analysed by geographical market		
United Kingdom	6,096,613	10,812,086
Europe, Middle East and Africa	8,759,772	5,961,763
Americas	57,686,480	60,118,477
Australasia and Asia Pacific	5,832,108	7,181,994
	<u>78,374,973</u>	<u>84,074,320</u>

4 Employees

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

	2019 Number	2018 Number
Management	5	10
Sales, marketing and design	41	42
Operations	8	11
Administration	23	23
	<u>77</u>	<u>86</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	5,307,265	5,201,914
Social security costs	561,298	570,310
Pension costs	158,891	144,895
	<u>6,027,454</u>	<u>5,917,119</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

5 Director's remuneration

	2019 £	2018 £
Remuneration for qualifying services	385,000	387,061
Company pension contributions to defined contribution schemes	15,400	19,872
	<u>400,400</u>	<u>406,933</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

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

	2019 £	2018 £
Remuneration for qualifying services	250,000	250,000
Company pension contributions to defined contribution schemes	10,000	8,125
	<u>260,000</u>	<u>258,125</u>

6 Operating loss

	2019 £	2018 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses/(gains)	2,284,817	(1,397,393)
Depreciation of owned tangible fixed assets	156,749	219,535
Depreciation of tangible fixed assets held under finance leases	-	13,784
Impairment of owned tangible fixed assets	-	1,169,980
Profit on disposal of tangible fixed assets	(100,442)	-
Amortisation of intangible assets	89,082	70,507
Cost of stocks recognised as an expense	60,128,721	63,808,609
Operating lease charges	329,206	256,844
	<u>60,407,613</u>	<u>65,860,267</u>

7 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	75,000	60,000
For other services		
Taxation compliance services	5,250	5,000
All other non-audit services	6,750	6,500
	<u>12,000</u>	<u>11,500</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	2,879	-
Other interest income	22,962	-
	<u>25,841</u>	<u>-</u>
Total income	<u>25,841</u>	<u>-</u>

9 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	121,127	237,915
Other finance costs:		
Other interest	85,753	115,772
	<u>206,880</u>	<u>353,687</u>

10 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	-	(1,409,949)
Adjustments in respect of prior periods	(17,515)	2,139,368
	<u>(17,515)</u>	<u>729,419</u>
Total current tax	<u>(17,515)</u>	<u>729,419</u>
Deferred tax		
Origination and reversal of timing differences	37,025	(61,401)
	<u>37,025</u>	<u>(61,401)</u>
Total tax charge	<u>19,510</u>	<u>668,018</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

10 Taxation (Continued)

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

	2019 £	2018 £
Loss before taxation	(7,000,699)	(9,418,771)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1,330,133)	(1,789,566)
Tax effect of expenses that are not deductible in determining taxable profit	40,744	318,216
Unutilised tax losses carried forward	1,293,499	-
Adjustments in respect of prior years	(17,515)	2,139,368
Other differences	32,915	-
Taxation charge for the year	19,510	668,018

No deferred tax asset has been recognised as at 31 May 2019 in respect of tax losses carried forward of approximately £7,000,000 (2018: £Nil) due to the uncertainty as to the timing of recovery.

11 Intangible fixed assets

	Software £
Cost	
At 1 June 2018	409,293
Additions - separately acquired	268,303
At 31 May 2019	677,596
Amortisation and impairment	
At 1 June 2018	348,903
Amortisation charged for the year	89,082
At 31 May 2019	437,985
Carrying amount	
At 31 May 2019	239,611
At 31 May 2018	60,390

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

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

12 Tangible fixed assets

	Land and buildings leasehold	Plant and machinery	Total
	£	£	£
Cost			
At 1 June 2018	86,497	2,384,230	2,470,727
Additions	2,861	124,381	127,242
Disposals	-	(170,000)	(170,000)
At 31 May 2019	89,358	2,338,611	2,427,969
Depreciation and impairment			
At 1 June 2018	85,771	1,979,305	2,065,076
Depreciation charged in the year	1,296	155,453	156,749
At 31 May 2019	87,067	2,134,758	2,221,825
Carrying amount			
At 31 May 2019	2,291	203,853	206,144
At 31 May 2018	726	404,925	405,651

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

13 Stocks

	2019 £	2018 £
Raw materials and consumables	1,359,705	1,387,780
Finished goods and goods for resale	8,906,936	6,045,381
	10,266,641	7,433,161

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

14 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	8,224,449	8,960,157
Corporation tax recoverable	1,652,942	1,652,942
Amounts owed by group undertakings	6,372,696	4,686,754
Other debtors	18,599,472	17,537,283
Prepayments and accrued income	1,209,326	897,620
	<u>36,058,885</u>	<u>33,734,756</u>
Amounts falling due after more than one year:		
Deferred tax asset (note 20)	-	37,025
	<u>-</u>	<u>37,025</u>
Total debtors	<u>36,058,885</u>	<u>33,771,781</u>

15 Cash at bank and in hand

Included within cash at bank and in hand is €Nil (2018: €990,000) that was held in a restricted access bank account and was therefore not immediately available on demand. In December 2018 restricted access limitations were removed and the account was subsequently closed.

16 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Bank loans and overdrafts	17	-	25,841
Obligations under finance leases	18	-	29,764
Other borrowings	17	-	6,227,344
Trade creditors		28,791,873	16,739,845
Amounts owed to group undertakings		10,331,737	1,674,264
Corporation tax		-	1,219,621
Other taxation and social security		216,502	1,440,086
Other creditors		176,964	56,261
Accruals and deferred income		5,506,598	7,457,821
		<u>45,023,674</u>	<u>34,870,847</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

17 Borrowings

	2019 £	2018 £
Bank loans	-	25,841
Other loans	-	6,227,344
	<u>-</u>	<u>6,253,185</u>
	<u>-</u>	<u>6,253,185</u>
Payable within one year	-	6,253,185
	<u>-</u>	<u>6,253,185</u>

18 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Less than one year	-	29,764
	<u>-</u>	<u>29,764</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery.

19 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	32,155,336	31,184,194
	<u>32,155,336</u>	<u>31,184,194</u>
Carrying amount of financial liabilities		
Measured at amortised cost	44,807,172	32,181,376
	<u>44,807,172</u>	<u>32,181,376</u>

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2019 £	Assets 2018 £
Balances:		
Accelerated capital allowances	-	15,364
Short term timing differences	-	21,661
	<u>-</u>	<u>37,025</u>
	<u>-</u>	<u>37,025</u>

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

20 Deferred taxation (Continued)

	2019 £
Movements in the year:	
Liability/(Asset) at 1 June 2018	(37,025)
Charge to profit or loss	37,025
	<hr/>
Liability at 31 May 2019	-
	<hr/>

21 Share capital

	2019 £	2018 £
Ordinary share capital Issued and fully paid		
100 ordinary of £1 each	100	100
	<hr/>	<hr/>

Ordinary share rights

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

22 Reserves

Share premium

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

Profit and loss reserves

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

23 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	158,891	144,895
	<hr/>	<hr/>

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

At the year end £20,696 (2018: £22,117) was due to the company's pension scheme.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

24 Operating lease commitments

Lessee

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

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

	2019 £	2018 £
Within one year	226,180	237,100
Between one and five years	42,487	248,742
	<u>268,667</u>	<u>485,842</u>

25 Events after the reporting date

On 30 September 2019, the company received \$6 million under a new loan facility. The loan is repayable on 31 March 2021.

26 Cash generated from operations

	2019 £	2018 £
Loss for the year after tax	(7,020,209)	(10,086,789)
Adjustments for:		
Taxation charged	19,510	668,018
Finance costs	206,880	353,687
Investment income	(25,841)	-
Gain on disposal of tangible fixed assets	(100,442)	-
Amortisation and impairment of intangible assets	89,082	70,507
Depreciation and impairment of tangible fixed assets	156,749	1,403,299
Movements in working capital:		
(Increase)/decrease in stocks	(2,833,480)	1,063,155
(Increase)/decrease in debtors	(2,324,129)	14,452,850
Increase in creditors	17,655,397	1,871,730
Cash generated from operations	<u>5,823,517</u>	<u>9,796,457</u>

27 Related party transactions

The remuneration of key management personnel for the year amounted to £668,189 (2018: £1,494,059).

Included in other debtors as at 31 May 2019 was £12,104,682 (2018: £11,800,296) due from a company under common control. Subsequent to the year end, the entire debt was assigned as due from Tech 21 Holdings Limited, the immediate parent company.

TECH 21 UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2019

28 Directors' transactions

The company continues to operate a director's loan account in favour of J L Roberts. During the year, personal expenditure was repaid by a director amounting to £66,287 (2018: £1,152,586 paid on behalf of a director). At the balance sheet date, J L Roberts owed the company £5,299,092 (2018: £5,365,359) which is included in other debtors. No interest was charged on the outstanding balance.

29 Controlling party

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

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