
David Luke Limited

Annual report and financial statements

For the year ended 31 December 2021

David Luke Limited

Company Information

Directors	D H Burgess K J Conroy (appointed 1 January 2022) I R McLaverty K H L Shuttleworth M Woolgar J C Morley
Company secretary	K J Conroy
Registered number	01605492
Registered office	Eco Works Midland Street Ardwick Manchester M12 6LB
Independent auditors	Hurst Accountants Limited Chartered Accountants & Statutory Auditors Lancashire Gate 21 Tiviot Dale Stockport Cheshire SK1 1TD
Bankers	HSBC Bank PLC 4 Hardman Square Spinningfields Manchester M3 3EB

David Luke Limited

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Strategic report
For the year ended 31 December 2021

Introduction

The directors present their strategic report for the year ended 31 December 2021.

Business review

The Directors are satisfied with the business performance for 2021 in terms of the main financial indicators below.

Overall year on year sales have declined by £200k due to a combination of sales losses and gains throughout the year but the overall direction of sales by the year end was in a positive direction. Sales started the year lower than planned with the closure of retail customers between January to April 2021 due to Covid 19 restrictions; a significant reduction in sales arose from a change in the sourcing strategy of a large but very low margin customer & also from reduced Guidewear sales due to Covid 19 restrictions preventing Guide & Brownies meetings. Nonetheless, these sales losses were recovered with increased business and new customer wins over the remainder of the year.

The challenge of the global shipping and supply chain issues in the year affected the business by way of delays in the arrival of products and increased freight costs. However, the changes within the customer base and strong controls over product cost increases resulted in improved margin performance compared to previous years.

The Board take a long-term outlook on the future development of the business with a constant flow of initiatives aimed at strengthening the senior and middle management teams, upgrading the IT and technology infrastructure and continual investment in the development of new and existing products including in house manufacturing facilities.

The business is well funded and has the full support of its Bankers in pursuing its strategic ambitions.

Principal risks and uncertainties

The directors consider the principal risk and uncertainties to the Company to be:

Exchange rate risk – the company uses overseas suppliers for a vast amount of its stock purchasing and is therefore susceptible to changes in foreign exchanges rates. The main currencies on which purchases are based is United States Dollar and Chinese Renminbi. Fluctuations in exchange rates may increase purchase prices from suppliers which may or may not be able to be passed on to customers. The directors seek to manage this risk by purchasing forward contracts to fix exchange rates.

Supply risk – the company purchases its stock mainly from Asian and Far-East suppliers and is therefore susceptible to raw material availability and price risk which can be directly linked to the economic, political and social stability of the country of purchase. In order to mitigate this risk the directors try to ensure where applicable that the product range is dual supplied by at least two separate suppliers and where possible from two separate countries.

Competitor risk – the company has a large customer base including both the smaller independent retailers and larger schoolwear retailers. The company offers a niche product often specific to the particular school and therefore believes that competitor risk is lowered but nevertheless there remains a risk that the company loses market share to competitors in future. The directors seek to manage this risk by ensuring excellent relationships are maintained with customers.

General economic risk – as with any other wholesale supplier, the company is susceptible to general economic risk. The risk is lessened as the demand for schoolwear is fairly static given the underlying customer base is children. There is a risk that parents, where the school allows, move to a lower quality unbranded product in times of economic downturn, however the company aims to mitigate this risk by ensuring a wide and affordable product offering across all products and sizes at premium quality.

Interest rate risk – the company has significant funding commitments which are required to be reviewed regularly. The company is therefore susceptible to interest rate risk. The directors seek to mitigate this risk by utilising a range of fixed and variable finance methods.

David Luke Limited

Strategic report (continued)
For the year ended 31 December 2021

Financial key performance indicators

The financial key performance indicators for the past five years are as follows-

	2021	2020	2019	2018	2017
Turnover £'000	13,537	13,738	14,832	15,734	15,701
Gross Profit £'000	3,688	3,386	3,535	3,664	3,083
Gross Profit %	27%	25%	24%	23%	20%
EBITDA £'000	870	718	733	753	734
Operating Profit £'000	719	586	620	662	611
Employee numbers	56	57	56	52	46
Turnover/employee £'000	242	241	265	303	341

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

K H L Shuttleworth
Director

Date: 27 July 2022

Directors' report
For the year ended 31 December 2021

The directors present their report and the financial statements for the year ended 31 December 2021.

Directors' responsibilities statement

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

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

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

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

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

Results and dividends

The profit for the year, after taxation, amounted to £579,365 (2020 - £438,519).

Dividends were paid in the year amounting to £10,000 (2020: £10,000).

Directors

The directors who served during the year were:

D H Burgess
I R McLaverty
K H L Shuttleworth
M Walbank (resigned 15 April 2021)
M Woolgar
J C Morley

Future developments

The business enters the new financial year with a healthy order book.

The Directors would like to thank their employees, customers and suppliers for their continued support during a period of immense challenge arising from the impact of the Covid 19 pandemic and look forward to building on the strength of those relationships and commitments in 2022.

Directors' report (continued)
For the year ended 31 December 2021

Disclosure of information to auditors

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

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

Post balance sheet events and going concern

The Directors are cognitive of the financial difficulties on household spending arising from geo-political, economic events and inflationary pressures but still expects its overall school wear business performance to be comparable with 2021.

The financial statements have been prepared on a going concern basis. The following paragraphs set out the basis of which the directors have reached their conclusion.

The Company has a Profit before tax of £683,232 (2020: £515,790) and net assets totalling £6,199,209 (2020: £5,629,844) at 31 December 2021.

The Company and its parent, The Parently Group Limited, currently meets its working capital requirements through its cash balances and bank funding. Based on the Company and Group's forecasts and projections, the directors believe they have sufficient facilities to trade through the next 12 month period.

Therefore, the directors believe it is appropriate to prepare the accounts to 31 December 2021 on a going concern basis and there will be no adverse effect on solvency for more than 12 months after the date of approval of the financial statements.

Auditors

The auditors, Hurst Accountants Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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

K H L Shuttleworth

Director

Date: 27 July 2022

Independent auditors' report to the members of David Luke Limited

Opinion

We have audited the financial statements of David Luke Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, 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 the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Independent auditors' report to the members of David Luke Limited (continued)

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

Matters on which we are required to report by exception

In 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 Directors' report.

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

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

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the members of David Luke Limited (continued)

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The nature of the industry and sector, control environment and business performance including key drivers for directors' remuneration, bonus levels and performance targets.
- Enquiring of management, including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to:
 - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - The internal controls established to mitigate risks related to fraud or non-compliance with laws

and regulations.

- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Obtaining an understanding of the legal and regulatory frameworks that the Company operates in, focusing on those laws and regulations that had a direct effect on the financial statements, such as the Companies Act 2006, pensions and tax legislation, or that had a fundamental effect on the operations of the Company, including General Data Protection requirements, Anti-bribery and corruption policy and the Coronavirus Job Retention Scheme.

Audit response to risks identified

Our procedures to respond to risk identified included the following:

- Reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Enquiring of management concerning actual and potential litigation and claims;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to

fraud;and

- Carrying out substantive testing to confirm the validity and accuracy of 'furlough' claims.

Independent auditors' report to the members of David Luke Limited (continued)

We have also considered the risks noted above in addressing the risk of fraud through management override of controls:

- Testing the appropriateness of journal entries and other adjustments; we have used data analytics software to run tests designed to identify accounting transactions which may pose a heightened risk of material misstatement, whether due to fraud or error.
- Challenging assumptions made by management in their significant accounting estimates, and assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

There are inherent limitations in the audit procedures described above, and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 Auditors' 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 Auditors' 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.

John Glover (Senior statutory auditor)
for and on behalf of

Hurst Accountants Limited

Chartered Accountants

Statutory Auditors

Lancashire Gate

21 Tiviot Dale

Stockport

Cheshire

SK1 1TD

27 July 2022

David Luke Limited

Statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 £	2020 £
Turnover	4	13,537,278	13,737,634
Cost of sales		(9,849,310)	(10,351,914)
Gross profit		3,687,968	3,385,720
Administrative expenses		(3,059,307)	(2,990,125)
Other operating income	5	90,535	190,272
Operating profit	6	719,196	585,867
Interest payable and expenses	10	(35,964)	(70,077)
Profit before tax		683,232	515,790
Tax on profit	11	(103,867)	(77,271)
Profit for the financial year		579,365	438,519

There were no recognised gains and losses for 2021 or 2020 other than those included in the statement of comprehensive income.

The notes on pages 12 to 28 form part of these financial statements.

David Luke Limited
Registered number: 01605492

Statement of financial position
As at 31 December 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	13	1,562,401	1,562,058
Investments	14	100	100
		<u>1,562,501</u>	<u>1,562,158</u>
Current assets			
Stocks	15	3,097,188	2,462,638
Debtors: amounts falling due within one year	16	2,473,961	1,862,178
Cash at bank and in hand	17	2,000,282	955,044
		<u>7,571,431</u>	<u>5,279,860</u>
Creditors: amounts falling due within one year	18	(2,646,032)	(1,135,948)
Net current assets		<u>4,925,399</u>	<u>4,143,912</u>
Total assets less current liabilities		<u>6,487,900</u>	<u>5,706,070</u>
Creditors: amounts falling due after more than one year	19	(214,347)	-
Provisions for liabilities			
Deferred tax	21	(74,344)	(76,226)
		<u>(74,344)</u>	<u>(76,226)</u>
Net assets		<u><u>6,199,209</u></u>	<u><u>5,629,844</u></u>
Capital and reserves			
Called up share capital	22	15,982	15,982
Capital redemption reserve	23	4,873	4,873
Profit and loss account	23	6,178,354	5,608,989
		<u><u>6,199,209</u></u>	<u><u>5,629,844</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

K H L Shuttleworth
Director
Date: 27 July 2022

The notes on pages 12 to 28 form part of these financial statements.

David Luke Limited

Statement of changes in equity
For the year ended 31 December 2021

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total equity £
At 1 January 2020	15,982	4,873	5,180,470	5,201,325
Comprehensive income for the year				
Profit for the year	-	-	438,519	438,519
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(10,000)	(10,000)
Total transactions with owners	-	-	(10,000)	(10,000)
At 1 January 2021	15,982	4,873	5,608,989	5,629,844
Comprehensive income for the year				
Profit for the year	-	-	579,365	579,365
Contributions by and distributions to owners				
Dividends: Equity capital	-	-	(10,000)	(10,000)
At 31 December 2021	15,982	4,873	6,178,354	6,199,209

The notes on pages 12 to 28 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2021

1. General information

David Luke Limited is a private company limited by share capital incorporated in England, number 01605492. The address of the registered office and principal place of business is Eco Works Midland Street, Ardwick, Manchester, M12 6LB.

The company's principal activity is the merchandising of school uniform and other clothing.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of an EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

The following principal accounting policies have been applied:

2.2 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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of The Parently Group Limited as at 31 December 2021 and these financial statements may be obtained from Eco Works Midland Street, Ardwick, Manchester, M12 6LB.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss

2.4 Revenue

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

Sale of goods

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

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

2.5 Operating leases

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

2.6 Government grants

Grants of a revenue nature are recognised in the Statements of comprehensive income in the same period as the related expenditure.

2.7 Borrowing costs

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

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

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

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

2.9 Current and deferred taxation

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

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

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

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

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

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.10 Tangible fixed assets

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

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as detailed below.

Depreciation is provided on the following basis:

Long-term leasehold property	-	Over 50 years useful economic life
Motor vehicles	-	20% straight line
Fixtures and fittings	-	20% straight line
Office equipment	-	20% straight line
Computer equipment	-	20% straight line

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

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

2.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.12 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.

2.13 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 any impairment.

2.14 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.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.15 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.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.17 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of comprehensive income

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

Notes to the financial statements
For the year ended 31 December 2021

2. Accounting policies (continued)

2.18 Hedge accounting

The Company designates certain hedging instruments as cash flow hedges. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument has been or is expected to be highly effective in offsetting changes in fair values or cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in Other comprehensive income. The gain or loss relating to the ineffective portion as a result of being over hedged is recognised immediately in the Statement of Comprehensive Income. Amounts previously recognised in Other comprehensive income and accumulated in equity are reclassified to the Statement of Comprehensive Income in the periods when the hedged item is recognised in the Statement of Comprehensive Income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss recognised in Other comprehensive income at that time is accumulated in equity and is recognised, when the forecast transaction is ultimately recognised, in the Statement of Comprehensive Income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in the Statement of Comprehensive Income.

2.19 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Notes to the financial statements
For the year ended 31 December 2021

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates that affect amounts recognised for assets and liabilities at the reporting date and the amounts of revenue and expenses incurred during the reporting period. Actual outcomes may differ from these judgements, estimates and assumptions. The judgements, estimates and assumptions that have the most significant effect on the carrying value of assets and liabilities of the Company as at 31 December 2021 are discussed below:

Recoverable value of trade debtors

The Company has recognised trade debtors with a carrying value of £1,155,238 (2020: £577,202). The recoverability of trade debtors is regularly reviewed in the light of the available economic information specific to each debtor and specific provisions are recognised for balances considered to be at risk or irrecoverable.

Tangible fixed assets

The Company has tangible fixed assets with a net book value of £1,562,401 (2020: £1,562,058). Management exercises judgement in estimating the useful lives of tangible fixed assets.

Stock valuation

The Company has recognised stock with a valuation of £3,097,188 (2020: £2,462,638). The Company exercises judgement in estimating the obsolescence of stock and making impairments to reflect the difference between cost and estimated net realisable value.

4. Turnover

The whole of the turnover is attributable to the sale of clothing. All turnover arose within the United Kingdom.

5. Other operating income

	2021	2020
	£	£
Royalty receivable	2,027	34,733
Government grants receivable	88,508	155,539
	<u>90,535</u>	<u>190,272</u>

Government grants receivable relates to income received under the Coronavirus Job Retention Scheme.

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2021

6. Operating profit

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

	2021	2020
	£	£
Exchange differences	(109,864)	(23,334)
Depreciation of tangible fixed assets	153,421	131,697
Profit on the sale of tangible assets	(2,466)	-
Other operating lease rentals	8,758	11,358
Defined contribution pension costs	<u>76,477</u>	<u>95,713</u>

7. Auditors' remuneration

	2021	2020
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>21,000</u>	<u>20,050</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non audit services as these are disclosed in the group accounts of the parent Company.

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2021

8. Employees

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

	2021 £	2020 £
Wages and salaries	1,783,239	1,846,252
Social security costs	196,083	212,412
Cost of defined contribution scheme	76,477	95,713
	<u>2,055,799</u>	<u>2,154,377</u>

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

	2021 No.	2020 No.
Directors	5	7
Management	7	7
Office & warehouse	44	43
	<u>56</u>	<u>57</u>

9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	395,074	434,551
Company contributions to defined contribution pension schemes	52,936	65,125
	<u>448,010</u>	<u>499,676</u>

During the year retirement benefits were accruing to 6 directors (2020 - 7) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £93,015 (2020 - £89,290).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,080 (2020 - £8,080).

Key management personnel are considered to be the same as the directors.

David Luke Limited

**Notes to the financial statements
For the year ended 31 December 2021**

10. Interest payable and similar expenses

	2021	<i>2020</i>
	£	<i>£</i>
Bank interest payable	<u>35,964</u>	<u><i>70,077</i></u>

11. Taxation

	2021	<i>2020</i>
	£	<i>£</i>
Corporation tax		
Current tax on profits for the year	121,062	<i>47,654</i>
Adjustments in respect of previous periods	(15,313)	<i>(2,718)</i>
Total current tax	<u>105,749</u>	<u><i>44,936</i></u>
Deferred tax		
Origination and reversal of timing differences	(1,882)	<i>32,335</i>
Total deferred tax	<u>(1,882)</u>	<u><i>32,335</i></u>
Taxation on profit on ordinary activities	<u>103,867</u>	<u><i>77,271</i></u>

Notes to the financial statements
For the year ended 31 December 2021

11. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is lower than (2020 - lower than) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>683,232</u>	<u>515,790</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	129,814	98,000
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	6,045	(4,163)
Super deduction adjustment	(2,572)	-
Adjustments to tax charge in respect of prior periods	(15,313)	(2,718)
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(13,018)	(12,493)
Group relief	(1,089)	(1,355)
Total tax charge for the year	<u>103,867</u>	<u>77,271</u>

Factors that may affect future tax charges

The main rate of corporation tax is due to increase to 25% in the tax year commencing 1 April 2023 for companies where profits exceed £250,000. A tapered rate will be introduced for profits above £50,000 up to the £250,000 limit.

12. Dividends

	2021 £	2020 £
Dividends paid on equity capital	<u>10,000</u>	<u>10,000</u>

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2021

13. Tangible fixed assets

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2021	1,607,363	120,160	763,652	99,080	600,335	3,190,590
Additions	120,145	-	-	1,331	38,614	160,090
Disposals	-	(18,073)	-	-	-	(18,073)
At 31 December 2021	1,727,508	102,087	763,652	100,411	638,949	3,332,607
Depreciation						
At 1 January 2021	355,309	74,232	605,661	95,258	498,072	1,628,532
Charge for the year on owned assets	46,115	12,529	55,965	1,175	37,637	153,421
Disposals	-	(11,747)	-	-	-	(11,747)
At 31 December 2021	401,424	75,014	661,626	96,433	535,709	1,770,206
Net book value						
At 31 December 2021	<u>1,326,084</u>	<u>27,073</u>	<u>102,026</u>	<u>3,978</u>	<u>103,240</u>	<u>1,562,401</u>
At 31 December 2020	<u>1,252,054</u>	<u>45,928</u>	<u>157,991</u>	<u>3,822</u>	<u>102,263</u>	<u>1,562,058</u>

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2021

14. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2021	100
At 31 December 2021	<u>100</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
Grass and Air Limited	Sale of clothing	Ordinary	100 %

The address of the subsidiary's registered office is Eco Works Midland Street, Ardwick, Manchester, M12 6LB.

15. Stocks

	2021 £	2020 £
Raw materials and consumables	421,371	503,674
Finished goods and goods for resale	2,675,817	1,958,964
	<u>3,097,188</u>	<u>2,462,638</u>

A movement on provision of £71,841 (2020: -£151,398) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2021

16. Debtors

	2021 £	2020 £
Trade debtors	1,155,238	577,202
Amounts owed by group undertakings	1,251,254	1,136,323
Other debtors	14,350	79,715
Prepayments and accrued income	53,119	68,938
	<u>2,473,961</u>	<u>1,862,178</u>

A movement on provision of -£1,800 (2020: £16,652) was recognised against trade and group debtors.

17. Cash and cash equivalents

	2021 £	2020 £
Cash at bank and in hand	<u>2,000,282</u>	<u>955,044</u>

18. Creditors: Amounts falling due within one year

	2021 £	2018 £
Bank loans	1,780,834	80,147
Trade creditors	196,830	501,090
Corporation tax	123,314	49,907
Other taxation and social security	73,854	75,441
Other creditors	58	-
Accruals and deferred income	471,142	429,363
	<u>2,646,032</u>	<u>1,135,948</u>

Bank borrowings are secured by a first legal charge over all leasehold properties and a first fixed and floating charge over book, other debts and chattels, both present and future.

In February 2021, a loan arrangement was entered into for £500,000 which is repayable over 10 years. Interest is being charged at 2.65% per annum over base rate.

Bank loans due within one year also includes HSBC USD trade import loans of £1,613,612 (2020: £80,147).

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2021

19. Creditors: Amounts falling due after more than one year

	2021	2020
	£	£
Bank loans	<u>214,347</u>	<u>-</u>

Bank borrowings are secured by a first legal charge over all leasehold properties and a first fixed and floating charge over book, other debts and chattels, both present and future.

In February 2021, a loan arrangement was entered into for £500,000 which is repayable over 10 years. Interest is being charged at 2.65% per annum over base rate.

20. Loans

Analysis of the maturity of loans is given below:

	2021	2020
	£	£
Amounts falling due within one year		
Bank loans	1,780,834	80,147
Amounts falling due 1-2 years		
Bank loans	174,245	-
Amounts falling due 2-5 years		
Bank loans	40,102	-
	<u>1,995,181</u>	<u>80,147</u>

21. Deferred taxation

	2021
	£
At beginning of year	(76,226)
Charged to profit or loss	1,882
At end of year	<u><u>(74,344)</u></u>

Notes to the financial statements
For the year ended 31 December 2021

21. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2021 £	2020 £
Accelerated capital allowances	<u>(74,344)</u>	<u>(76,226)</u>

22. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
15,982 (2020 - 15,982) Ordinary shares of £1.00 each	<u>15,982</u>	<u>15,982</u>

23. Reserves

Capital redemption reserve

Capital redemption reserve represents the nominal value of shares that have been repurchased by the company.

Profit and loss account

Profit and loss account includes all current and prior period retained profits and losses.

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £76,477 (2020: £95,713). There were no amounts outstanding at the balance sheet date.

Notes to the financial statements
For the year ended 31 December 2021

25. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021	<i>2020</i>
	£	<i>£</i>
Plant and machinery		
Not later than 1 year	7,938	<i>7,238</i>
Later than 1 year and not later than 5 years	5,658	<i>14,885</i>
Later than 5 years	-	<i>326</i>
	13,596	<i>22,449</i>
	2021	<i>2020</i>
	£	<i>£</i>
Land and buildings		
Not later than 1 year	8,850	<i>8,850</i>
Later than 1 year and not later than 5 years	35,400	<i>35,400</i>
Later than 5 years	1,017,750	<i>150,450</i>
	1,062,000	<i>194,700</i>

26. Related party transactions

In preparing these financial statements, the directors have taken advantage of the exemptions available under section 33 paragraph 1A of the Financial Reporting Standard 102, and have not disclosed transactions entered into between wholly owned group undertakings.

27. Controlling party

The Parently Group Limited is the ultimate parent undertaking, a company incorporated in England and Wales. The company number is 09878885. There is no overall controlling party of The Parently Group Limited.

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