
David Luke Limited

Annual report and financial statements

For the year ended 31 December 2018



David Luke Limited

Company Information

Directors	D H Burgess R D Moody I R McLaverty K H L Shuttleworth M Walbank M Woolgar
Company secretary	K J Conroy
Registered number	01605492
Registered office	Eco Works Midland Street Ardwick Manchester M12 6LB
Independent auditors	Hurst & Company Accountants LLP 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 2018

Introduction

The directors present their strategic report for the year ended 31 December 2018.

Business review

The Directors are satisfied with the business performance for 2018 in terms of the main financial indicators below.

Whilst the year on year turnover was flat, this was a consequence of the decision by the Scout Association to withdraw the licence to manufacture Scout uniform after a trustworthy relationship of 28 years. The loss of Scout sales during the second half of the year was successfully mitigated by sales growth in other key areas.

During the year, international sales activities were expanded with further growth expected in future years. In November 2018, the business was awarded a Sustainability Award at The British Business Awards in China.

The Board take a long-term outlook on the future development of the business with various initiatives ongoing to strengthen the management team, improve the IT infrastructure and invest in the development of new and existing products.

The business continues to be well funded and to have 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 exchange 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 to some degree and notably in 2018 the uncertainty of the Brexit outcome. 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.

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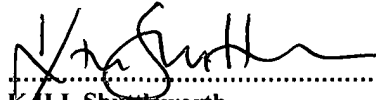
Strategic report (continued)
For the year ended 31 December 2018

Financial key performance indicators

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

	2018	2017	2016	2015	2014
Turnover £'000	15,734	15,701	14,016	13,214	12,375
Gross Profit £'000	3,664	3,083	2,988	2,819	2,548
Gross Profit %	23%	20%	21%	21%	21%
EBITDA £'000	753	734	795	573	452
Operating Profit £'000	662	611	687	481	332
Employee numbers	52	46	45	45	47
Turnover/employee £'000	303	341	311	294	263

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


.....
K. H. L. Shuttleworth
Director

Date: 20th July 2019

David Luke Limited

Directors' report For the year ended 31 December 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

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 judgments 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 £465,404 (2017 - £442,828).

Dividends were paid in the year amounting to £81,768 (2016 - £62,162).

Directors

The directors who served during the year were:

D H Burgess
R D Moody
I R McLaverty
K H L Shuttleworth
M Walbank
M Woolgar

Future developments

The business enters the new financial year with a very healthy order book and expects to achieve further growth in 2019. The Directors would like to thank their employees, customers and suppliers for their continued support and look forward to building on the strength of those relationships in 2019.

David Luke Limited

Directors' report (continued)
For the year ended 31 December 2018

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

There have been no significant events affecting the Company since the year end.

Auditors

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

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


.....
K H L Shuttleworth
Director

Date: 20th July 2019

David Luke Limited

Independent auditors' report to the shareholders of David Luke Limited

Opinion

We have audited the financial statements of David Luke Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of comprehensive income, the Balance sheet, 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 2018 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

David Luke Limited

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the 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 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.

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.

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.

David Luke Limited

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

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.

Hurst & Company Accountants LLP

John Glover (Senior statutory auditor)

for and on behalf of

Hurst & Company Accountants LLP

Chartered Accountants

Statutory Auditors

Lancashire Gate

21 Tiviot Dale

Stockport

Cheshire

SK1 1TD

Date: *5 August 2019*

David Luke Limited

Statement of comprehensive income
For the year ended 31 December 2018

	Note	2018 £	As restated 2017 £
Turnover	4	15,733,969	15,700,624
Cost of sales		(12,069,782)	(12,617,169)
Gross profit		3,664,187	3,083,455
Administrative expenses		(3,002,768)	(2,472,417)
Operating profit	5	661,419	611,038
Interest payable and expenses	9	(101,028)	(75,678)
Profit before tax		560,391	535,360
Tax on profit	10	(94,987)	(92,532)
Profit for the financial year and total comprehensive income		465,404	442,828

There were no recognised gains and losses for 2018 or 2017 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

Balance sheet
As at 31 December 2018

	Note	2018 £	As restated 2017 £
Fixed assets			
Tangible assets	12	1,195,169	1,171,428
Investments	13	100	100
		<u>1,195,269</u>	<u>1,171,528</u>
Current assets			
Stocks	14	3,962,254	3,338,473
Debtors: amounts falling due within one year	15	1,296,157	1,391,406
Cash at bank and in hand	16	213,452	622,621
		<u>5,471,863</u>	<u>5,352,500</u>
Creditors: amounts falling due within one year	17	(1,758,507)	(1,841,952)
Net current assets		<u>3,713,356</u>	<u>3,510,548</u>
Total assets less current liabilities		<u>4,908,625</u>	<u>4,682,076</u>
Creditors: amounts falling due after more than one year	18	(45,840)	(207,473)
Provisions for liabilities			
Deferred tax	20	(28,594)	(24,048)
		<u>(28,594)</u>	<u>(24,048)</u>
Net assets		<u><u>4,834,191</u></u>	<u><u>4,450,555</u></u>
Capital and reserves			
Called up share capital	21	15,982	15,982
Capital redemption reserve	22	4,873	4,873
Profit and loss account	22	4,813,336	4,429,700
		<u>4,834,191</u>	<u>4,450,555</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: 20th July 2019

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 2018**

	Called up share capital	Capital redemption reserve	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2018 (as previously stated)	15,982	4,873	(39,320)	4,429,700	4,411,235
Prior year adjustment	-	-	39,320	-	39,320
At 1 January 2018 (as restated)	15,982	4,873	-	4,429,700	4,450,555
Comprehensive income for the year					
Profit for the year	-	-	-	465,404	465,404
Dividends: Equity capital	-	-	-	(81,768)	(81,768)
Total transactions with owners	-	-	-	(81,768)	(81,768)
At 31 December 2018	15,982	4,873	-	4,813,336	4,834,191

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 2017**

	Called up share capital	Capital redemption reserve	As restated Other reserves	Profit and loss account	As restated Total equity
	£	£	£	£	£
At 1 January 2017	15,982	4,873	150,912	4,049,034	4,220,801
Comprehensive income for the year					
Profit for the year	-	-	-	442,828	442,828
Transfer from cash flow hedge reserve to profit and loss account	-	-	(150,912)	-	(150,912)
Other comprehensive income for the year	-	-	(150,912)	-	(150,912)
Total comprehensive income for the year	-	-	(150,912)	442,828	291,916
Dividends: Equity capital	-	-	-	(62,162)	(62,162)
Total transactions with owners	-	-	-	(62,162)	(62,162)
At 31 December 2017	15,982	4,873	-	4,429,700	4,450,555

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

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Notes to the financial statements For the year ended 31 December 2018

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 judgment in applying the Company's accounting policies (see note 3).

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 11.41(b), 11.41(c), 11.41(e), 11.41(f), 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 David Luke Group Limited as at 31 December 2018 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 2018

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 the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

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 the Statement of comprehensive income on a straight line basis over the lease term.

2.6 Finance costs

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

Notes to the financial statements
For the year ended 31 December 2018

2. Accounting policies (continued)

2.7 Borrowing costs

All borrowing costs are recognised in the Statement of comprehensive income in the year in which they are incurred.

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 the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.9 Current and deferred taxation

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

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

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

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

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

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.

David Luke Limited

**Notes to the financial statements
For the year ended 31 December 2018**

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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 the Statement of comprehensive income.

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

2.13 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.

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.

Notes to the financial statements
For the year ended 31 December 2018

2. Accounting policies (continued)

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 the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

2.17 Financial instruments

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 financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow 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 balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet 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 2018

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.

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 2018 are discussed below:

a) Recoverable value of trade debtors

The Company has recognised trade debtors with a carrying value of £490,318 (2017: £679,714). 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.

b) Tangible fixed assets

The Company exercises judgement in estimating the useful lives of tangible fixed assets.

c) Stock valuation

The Company exercises judgement in estimating the obsolescence of stock and making impairments to reflect the difference between cost and estimated net realisable value.

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2018

4. Turnover

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

5. Operating profit

The operating profit is stated after charging:

	2018	2017
	£	£
Exchange differences	(28,738)	8,282
Depreciation of tangible fixed assets	91,020	122,546
Other operating lease rentals	11,645	8,282
Defined contribution pension costs	86,740	83,341

6. Auditors' remuneration

	2018	2017
	£	£
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	17,900	17,500

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 2018

7. Employees

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

	2018 £	2017 £
Wages and salaries	1,601,645	1,352,822
Social security costs	176,120	158,485
Cost of defined contribution scheme	86,740	83,341
	<u>1,864,505</u>	<u>1,594,648</u>

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

	2018 No.	2017 No.
Directors	7	7
Management	5	5
Office & warehouse	40	34
	<u>52</u>	<u>46</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	387,024	408,135
Company contributions to defined contribution pension schemes	52,852	54,930
	<u>439,876</u>	<u>463,065</u>

During the year retirement benefits were accruing to 3 directors (2017 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £79,544 (2017: £88,929).

Key management personnel are the same as the directors.

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2018

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	101,028	75,678
	<u>101,028</u>	<u>75,678</u>

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	90,441	96,440
	<u>90,441</u>	<u>96,440</u>
Total current tax	<u>90,441</u>	<u>96,440</u>
Deferred tax		
Origination and reversal of timing differences	4,546	(3,908)
	<u>4,546</u>	<u>(3,908)</u>
Total deferred tax	<u>4,546</u>	<u>(3,908)</u>
Taxation on profit on ordinary activities	<u>94,987</u>	<u>92,532</u>

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Notes to the financial statements
For the year ended 31 December 2018

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 19%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	560,391	535,360
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19%)	106,474	101,718
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,694	4,849
Group relief	(17,181)	(13,689)
Change in tax rates	-	(346)
Total tax charge for the year	94,987	92,532

Factors that may affect future tax charges

The UK Government has set the Corporation Tax main rate at 19% for years starting 1 April 2017, 2018 and 2019. At budget 2016, the government announced a further reduction to the Corporation Tax main rate for the year starting 1 April 2020, setting the rate at 17%.

11. Dividends

	2018 £	2017 £
Dividends paid on equity capital	81,768	62,162
	81,768	62,162

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**Notes to the financial statements
For the year ended 31 December 2018**

12. Tangible fixed assets

	Long-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2018	1,276,926	64,345	571,245	93,219	476,939	2,482,674
Additions	-	57,032	19,310	3,233	35,186	114,761
At 31 December 2018	<u>1,276,926</u>	<u>121,377</u>	<u>590,555</u>	<u>96,452</u>	<u>512,125</u>	<u>2,597,435</u>
Depreciation						
At 1 January 2018	282,665	61,246	503,524	92,870	370,941	1,311,246
Charge for the year on owned assets	23,756	5,104	22,334	125	39,701	91,020
At 31 December 2018	<u>306,421</u>	<u>66,350</u>	<u>525,858</u>	<u>92,995</u>	<u>410,642</u>	<u>1,402,266</u>
Net book value						
At 31 December 2018	<u>970,505</u>	<u>55,027</u>	<u>64,697</u>	<u>3,457</u>	<u>101,483</u>	<u>1,195,169</u>
<i>At 31 December 2017</i>	<u>994,261</u>	<u>3,099</u>	<u>67,721</u>	<u>349</u>	<u>105,998</u>	<u>1,171,428</u>

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2018

13. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2018	100
At 31 December 2018	100
Net book value	
At 31 December 2018	100
At 31 December 2017	100

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

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

14. Stocks

	2018 £	2017 £
Raw materials and consumables	425,704	520,623
Finished goods and goods for resale	3,536,550	2,817,850
	3,962,254	3,338,473

Stock recognised in cost of sales during the year as an expense was £11,204,113 (2017: £11,543,667).

An impairment loss of £73,734 (2017: loss £247,226) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

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**Notes to the financial statements
For the year ended 31 December 2018**

15. Debtors

	2018 £	2017 £
Trade debtors	490,318	679,714
Amounts owed by group undertakings	639,698	542,174
Other debtors	83,240	106,608
Prepayments and accrued income	82,901	62,910
	<u>1,296,157</u>	<u>1,391,406</u>

An impairment loss of £212,126 (2017: £27,646) was recognised against trade and group debtors.

16. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	213,452	622,621
Less: bank overdrafts	(354,427)	-
	<u>(140,975)</u>	<u>622,621</u>

17. Creditors: Amounts falling due within one year

	2018 £	<i>As restated</i> 2017 £
Bank overdrafts	354,427	-
Bank loans	624,977	843,204
Trade creditors	584,473	637,773
Corporation tax	90,441	96,440
Other taxation and social security	50,386	43,131
Accruals and deferred income	53,803	221,404
	<u>1,758,507</u>	<u>1,841,952</u>

Secured Loans

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.

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2018

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

	2018 £	2017 £
Bank loans	45,840	207,473

Secured loans

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.

19. Loans

Analysis of the maturity of loans is given below:

	2018 £	2017 £
Amounts falling due within one year		
Bank loans	624,977	843,204
	<u>624,977</u>	<u>843,204</u>
Amounts falling due 1-2 years		
Bank loans	45,840	145,933
	<u>45,840</u>	<u>145,933</u>
Amounts falling due 2-5 years		
Bank loans	-	61,540
	<u>-</u>	<u>61,540</u>
	<u>670,817</u>	<u>1,050,677</u>

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**Notes to the financial statements
For the year ended 31 December 2018**

20. Deferred taxation

	2018 £
At beginning of year	(24,048)
Charged to profit or loss	(4,546)
At end of year	<u>(28,594)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(28,594)	(24,048)
	<u>(28,594)</u>	<u>(24,048)</u>

David Luke Limited

Notes to the financial statements
For the year ended 31 December 2018

21. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
15,982 (2017 - 15,982) Ordinary shares of £1.00 each	<u>15,982</u>	<u>15,982</u>

22. 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.

23. Changes in accounting policy

During the year, the company has reassessed its accounting for forward exchange contracts. The company takes out forward contracts to manage its exposure to forward currency cash flow risk on its overseas purchases. The company has firm commitments that are attributable to this risk and therefore have adopted to apply hedge accounting. Gains and losses arising on the hedged items are recognised in the Statement of Comprehensive income rather than Other Comprehensive Income. The prior year results for the year ended 31 December 2017 have been restated. There has been no impact of the previously reported profit for the year ended 31 December 2017. There has been an increase to net assets of £39,320 previously reported at 31 December 2017 with a corresponding reduction in Other Comprehensive Income previously reported.

24. Contingent liabilities

At 31 December 2018, the company was committed to purchasing foreign currency under contracts agreeing a set forward rate. Such commitments amounted to £2,573,556 (2017: £3,385,123).

25. 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 £86,740 (2017 - £83,341). There were no amounts outstanding at the balance sheet date.

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Notes to the financial statements
For the year ended 31 December 2018

26. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	11,282	14,636
Later than 1 year and not later than 5 years	16,312	26,205
	<u>27,594</u>	<u>40,841</u>

27. 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.

28. Controlling party

David Luke 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 David Luke Group Limited.