
HORWOOD HOMEWARES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

HORWOOD HOMEWARES LIMITED

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HORWOOD HOMEWARES LIMITED

COMPANY INFORMATION

DIRECTORS	G Rao N Rosati R J Jones S Krishnamurthy R Srinivasan K Heathcote (appointed 1 April 2019)
COMPANY SECRETARY	K Heathcote
REGISTERED NUMBER	00308589
REGISTERED OFFICE	Avonmouth Way Bristol BS11 9HX
INDEPENDENT AUDITOR	Nexia Smith & Williamson Chartered Accountants & Statutory Auditors Portwall Place Portwall Lane Bristol BS1 6NA
BANKERS	Barclays Bank PLC 86 Queens Road Clifton Bristol BS8 1RB

HORWOOD HOMEWARES LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

INTRODUCTION

The directors present their strategic report for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continued to be the wholesale supply of homewares to the retail trade. The company intends to continue the development of these activities in the future.

The directors are satisfied with the trading results of the company for the period and they are confident of the future prospects of the company.

PRINCIPAL RISKS AND UNCERTAINTIES

This report and financial statements contain certain forward looking assumptions and estimates. These assumptions and estimates are made by the directors in good faith, based upon the information available to them at the time of approval of this report. Actual results may differ from those assumed and estimated in this report and financial statements, depending on a number of factors. These factors include customers' acceptance of the company's products; changes in customer requirements and in levels of demand in the market; competitive pressure on pricing; delays or additional cost in product design; fluctuations in manufacturing delivery performance, yields and costs; the loss or lack of key personnel; and overall economic conditions.

As is the case for the majority of businesses, the company was adversely affected by the impact of Covid-19 during the last few months of the financial year, with a drop in sales inevitably resulting from the global downturn in sales of non-grocery related products. The directors took appropriate action in order to ensure the safety of all employees and to mitigate the impact on the company. This included furloughing the majority of staff and closing the office temporarily.

The operating budget for the financial year to 31 March 2021 was rewritten based on a best estimate of the impact of the Covid-19 pandemic on the business. Performance since April 2020 has continually exceeded expectations and by December Net Sales, Gross Margin and PBIT were all in excess of not only the budget for the year but also the prior year figures.

Cash flow continues to be closely monitored to ensure that the company is able to pay both staff and supplier obligations as they become due.

There have been issues with the supply chain during the last few months of 2020, as experienced throughout the UK, with issues at ports and with bookings for containers being hard to make and at vastly increased costs. The situation with respect to inbound containers is now showing signs of improvement.

At the current time, the impact of the Covid-19 pandemic represents the key risk to the business, due to the ongoing disruption to the overall worldwide economy and within the retail sector. Based on the trading performance being much stronger than anticipated in the three quarters of the financial year to 31 March 2021, the Board remains confident that the company is well placed to overcome the current challenges and will continue to prosper moving forward.

HORWOOD HOMEWARES LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL KEY PERFORMANCE INDICATORS

The company's primary internal measurement is performance against annual budgets. In the table below TARGET represents the company's budget for 2020. Source data is taken from the audited financial statements and the company's budgets.

	TARGET	2020	2019
Return on equity *	6.61%	3.64%	5.49%
Gross margin	35.60%	35.12%	35.04%
Annualised sales movement	4.80%	(1.27%)	(2.76%)

* before exceptional items

FINANCIAL RISK MANAGEMENT

The company's financial instruments, other than derivatives, comprise cash at bank and various items including trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to fund the company's operations.

The company also enters into derivatives transactions. These are forward foreign currency contracts. The purpose of these is to manage the currency risks arising from the company's overseas purchasing operations. It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The directors review the company's exposure to foreign currency risks and when appropriate enter into forward contracts.

OTHER KEY PERFORMANCE INDICATORS

The Board does not utilise any non financial KPIs. We do however have a balanced and targeted approach to monitoring our activities to try to ensure the best possible standards of:

- Safety
- Quality
- Service
- People

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



K Heathcote
Director

Date: 09/02/21

HORWOOD HOMEWARES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

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 period. 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 101 'Reduced Disclosure Framework'. 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 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.

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 236 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £483,877 (2019 - profit £626,764).

The loss in the year is attributable to an investment made in Horwood Life Limited, a subsidiary of Horwood Homewares. Horwood Life had previously purchased an Australian company EcoSouLife, a retailer of environmentally conscious sustainable housewares. Post year-end the company has sold its shareholding in Horwood Life and therefore the exceptional cost in the financial year relates to the impairment of the investment held in Horwood Life and of the intercompany debtor as at the year-end. This has been disclosed as a post balance sheet event in the financial statements.

No dividend was paid in the year (2019: £1,400,000).

DIRECTORS

The directors who served during the year were:

G Rao
N Rosati
R J Jones
S Krishnamurthy
R Srinivasan
K Heathcote (appointed 1 April 2019)

HORWOOD HOMEWARES LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

FUTURE DEVELOPMENTS

The directors are satisfied with the trading results of the company for the period and they are confident of the future prospects of the company. The significant growth within the digital channel experienced during the lockdown during early 2020 has continued and it is expected to outperform growth of other channels significantly into 2021 and beyond.

DISCLOSURE OF INFORMATION TO AUDITOR

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 auditor is 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 auditor is aware of that information.

AUDITOR

The auditor, Nexia Smith & Williamson, 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 Heathcote
Director

Date: 09/02/21

HORWOOD HOMEWARES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORWOOD HOMEWARES LIMITED

Opinion

We have audited the financial statements of Horwood Homewares Limited for the year ended 31 March 2020 which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (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 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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.

Emphasis of matter - impact of COVID-19

We draw attention to notes 1.4 and 25 of the financial statements, which describes the impact of COVID-19 on the company. Our opinion is not modified in respect of this matter.

HORWOOD HOMEWARES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORWOOD HOMEWARES LIMITED (CONTINUED)

Other information

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

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

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 4, 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.

Auditor's responsibilities for the audit of the financial statements

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

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

HORWOOD HOMEWARES LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HORWOOD HOMEWARES 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Carl Deane (Senior statutory auditor)

for and on behalf of

Nexia Smith & Williamson

Chartered Accountants & Statutory Auditors

Portwall Place

Portwall Lane

Bristol

BS1 6NA

Date: 04 February 2021

HORWOOD HOMEWARES LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £	2019 £
Turnover	3	15,004,031	15,197,572
Cost of sales		(9,734,732)	(9,873,031)
GROSS PROFIT		<u>5,269,299</u>	<u>5,324,541</u>
Distribution costs		(3,933,352)	(3,787,636)
Administrative expenses		(834,676)	(848,686)
Exceptional items	9	(868,809)	-
OPERATING (LOSS)/PROFIT	4	<u>(367,538)</u>	<u>688,219</u>
Interest receivable and similar income		5,781	30,498
Interest payable and expenses	7	(105,356)	(16,111)
(LOSS)/PROFIT BEFORE TAX		<u>(467,113)</u>	<u>702,606</u>
Tax on (loss)/profit	8	(16,764)	(75,842)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u><u>(483,877)</u></u>	<u><u>626,764</u></u>

There was no other comprehensive income for 2020 (2019:£NIL).

The notes on pages 12 to 31 form part of these financial statements.

HORWOOD HOMEWARES LIMITED
REGISTERED NUMBER: 00308589

BALANCE SHEET
AS AT 31 MARCH 2020

	Note	2020 £	2019 £
FIXED ASSETS			
Intangible Assets	10	92,363	108,095
Tangible fixed assets	11	3,109,087	1,513,722
		<u>3,201,450</u>	<u>1,621,817</u>
CURRENT ASSETS			
Stocks	13	7,097,241	7,399,701
Debtors: amounts falling due within one year	14	2,650,978	2,395,740
Cash at bank and in hand	15	1,798,519	1,718,328
		<u>11,546,738</u>	<u>11,513,769</u>
Creditors: amounts falling due within one year	16	(1,199,875)	(1,719,236)
NET CURRENT ASSETS		<u>10,346,863</u>	<u>9,794,533</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>13,548,313</u>	<u>11,416,350</u>
Creditors: amounts falling due after more than one year		(1,619,454)	-
PROVISIONS FOR LIABILITIES			
Deferred tax	19	(68,297)	(71,911)
		<u>(68,297)</u>	<u>(71,911)</u>
NET ASSETS		<u><u>11,860,562</u></u>	<u><u>11,344,439</u></u>
CAPITAL AND RESERVES			
Called up share capital	21	1,028,335	28,335
Profit and loss account	20	10,832,227	11,316,104
		<u>11,860,562</u>	<u>11,344,439</u>

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



Director

Date: 01/02/21

The notes on pages 12 to 31 form part of these financial statements.

HORWOOD HOMEWARES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Called up share capital £	Profit and loss account £	Total equity £
At 1 April 2018	28,335	12,089,340	12,117,675
Profit for the year	-	626,764	626,764
Dividends: Equity capital	-	(1,400,000)	(1,400,000)
At 1 April 2019	28,335	11,316,104	11,344,439
Loss for the year	-	(483,877)	(483,877)
Shares issued during the year	1,000,000	-	1,000,000
AT 31 MARCH 2020	<u>1,028,335</u>	<u>10,832,227</u>	<u>11,860,562</u>

The notes on pages 12 to 31 form part of these financial statements.

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES

1.1 General information

Horwood Homewares Limited is a private company, limited by shares, incorporated in England and Wales. The address of the registered office is Avonmouth Way, Bristol, BS11 9HX.

1.2 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 101 'Reduced Disclosure Framework' and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

1.3 Financial Reporting Standard 101 - Reduced Disclosure Exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures

1.4 Going concern

The company's business activities together with the factors likely to affect its future development and position, are set out in the Strategic Report on pages 2 to 3.

The operating budget for the coming financial year was re-written based on a best estimate of the impact of the Covid-19 pandemic on the business. Performance since April 2020 has continually exceeded expectations and by December Net Sales, Gross Margin and PBIT were all in excess of not only the budget for the year but also the prior year figures. The significant growth within the digital channel experienced during the lockdown in early 2020 has continued post lockdown and it is expected to outperform growth of other channels significantly into 2021 and beyond. Cash flow continues to be closely monitored to ensure that the company is able to pay both staff and supplier obligations as they become due.

Based on cash flow forecasts prepared for the period to 31 January 2022, the directors have a reasonable expectation that the company has adequate resources to enable it to meet its liabilities as they fall due within this period. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (CONTINUED)

1.5 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover 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 turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised on the satisfaction of performance obligations, such as the transfer of a promised good, identified in the contract between the Company and the customer.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

1.6 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided on the following bases:

Website development	-	25 % per annum on a straight line basis
Trademarks	-	20 % per annum on a straight line basis

1.7 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.

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Long-term leasehold property	-	2% or 10% per annum on a straight line basis
Long-term leasehold improvements	-	10% per annum on a straight line basis
Fixtures, fittings and equipment	-	10% or 25% per annum on a straight line basis
Other fixed assets	-	20% to 33% per annum on a straight line basis

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.

Right of use assets are depreciated at the same rate as those assets detailed above.

1.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Profit and loss account for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

1.9 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.

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.

1.10 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.

1.11 Financial instruments

Financial assets and financial liabilities are initially measured at fair value.

All recognised financial assets are subsequently measured in their entirety at either fair value or

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (CONTINUED)

1.11 Financial instruments (continued)

amortised cost, depending on the classification of the financial assets.

Fair value through profit or loss

All of the Company's financial assets other than those which meet the criteria to be measured at amortised cost are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses being recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Debt instruments at amortised cost

Debt instruments are subsequently measured at amortised cost where they are financial assets held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Amortised cost is calculated using the effective interest method and represents the amount measured at initial recognition less repayments of principal plus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised or at FVOCI. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables and amounts due on contracts with customers. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

Financial liabilities

At amortised cost

Financial liabilities which are neither contingent consideration of an acquirer in a business combination, held for trading, nor designated as at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. This is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate a shorter period, to the amortised cost of a financial liability.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (CONTINUED)

1.12 Derivative instruments

Derivative instruments are not at fair value on the balance sheet on the grounds of immateriality. Instead, gains or losses made on the derivatives are recognised within profit or loss as and when the instruments are settled.

1.13 Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Leases

In the year to 31 March 2020 the Company adopted IFRS 16 Leases which has resulted in the Company recognising a right-of-use asset and lease liability for all contracts that are or contain a lease where the Company is a lessee. The Company has applied the modified retrospective adoption method, with no restatement of prior year comparatives.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principal of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was between 5% and 6.25%.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristic.
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and;
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (CONTINUED)

1.15 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 except when deferred in other comprehensive income as qualifying cash flow hedges.

1.16 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.

1.17 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 Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

1.18 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 period 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. ACCOUNTING POLICIES (CONTINUED)

1.19 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 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.

1.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

2. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Impairment of assets

The company assesses at each reporting date whether an asset may be impaired. If there is any such indication that the carrying value may not be recoverable, the company estimates the recoverable amount of the asset. The recoverable amount of an asset or cash generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss.

Going concern

The company has to make judgements over the applicability of the going concern basis and the future cash flow forecasts used to support this conclusion. This has been discussed further in 1.4 above.

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

3. TURNOVER

The whole of the turnover is attributable to the company's principal activity; the wholesale supply of homewares to the retail trade.

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	12,167,383	12,061,074
Rest of Europe	2,364,622	2,584,517
Sales - Rest of world	472,026	551,981
	<u>15,004,031</u>	<u>15,197,572</u>

4. OPERATING (LOSS)/PROFIT

The operating profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	210,162	104,657
Amortisation of intangible assets	52,732	11,540
Auditor's remuneration - audit services	16,000	14,955
Auditor's remuneration - other services	6,885	3,100
Operating lease rentals	22,375	97,558
Defined contribution pension cost	<u>110,769</u>	<u>116,917</u>

HORWOOD HOMEWARES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

5. EMPLOYEES

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

	2020 £	2019 £
Wages and salaries	1,955,878	1,887,590
National insurance	191,355	194,201
Cost of defined contribution scheme	110,769	116,917
	<u>2,258,002</u>	<u>2,198,708</u>

Amounts due at the period end in respect of pension contributions were £15,157 (2019: £14,877).

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

	2020 No.	2019 No.
Sales and distribution	38	39
Administration	12	11
	<u>50</u>	<u>50</u>

6. DIRECTORS' REMUNERATION

	2020 £	2019 £
Directors' emoluments	419,173	400,408
Directors' pension costs	38,530	43,106
	<u>457,703</u>	<u>443,514</u>

During the year retirement benefits were accruing to 3 directors (2019 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £146,006 (2019 - £135,987).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £11,828 (2019 - £19,999).

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2020 £	2019 £
Bank interest payable	10,249	9,018
Other interest payable	95,107	7,093
	<u>105,356</u>	<u>16,111</u>

8. TAXATION

	2020 £	2019 £
CORPORATION TAX		
Current tax on (losses)/profits for the year	20,903	67,660
Adjustments in respect of previous periods	(525)	5,493
TOTAL CURRENT TAX	<u>20,378</u>	<u>73,153</u>
DEFERRED TAX		
Origination and reversal of timing differences	(12,599)	6,550
Adjustments in respect of prior periods	8,985	(3,861)
TOTAL DEFERRED TAX	<u>(3,614)</u>	<u>2,689</u>
TAXATION ON (LOSS)/PROFIT	<u>16,764</u>	<u>75,842</u>

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

8. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit before tax	(467,113)	702,606
(Loss)/profit multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	(88,751)	133,495
EFFECTS OF:		
Expenses not deductible for tax purposes	173,133	10,214
Adjustments to tax charge in respect of prior periods	(525)	5,493
Other timing differences leading to an increase (decrease) in taxation	5,278	-
Adjustments to tax charge in respect of prior periods - deferred tax	470	(3,861)
Adjustments in respect of changing tax rates for deferred tax	8,515	(768)
Group relief	(81,356)	(68,731)
TOTAL TAX CHARGE FOR THE YEAR	16,764	75,842

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Legislation had been enacted to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020. Accordingly, deferred tax has been calculated at the tax rate of 17%. The corporation tax rate has subsequently been retained at 19%.

9. EXCEPTIONAL ITEMS

	2020 £	2019 £
Impairment of investment and receivable balances	868,809	-
	<u>868,809</u>	<u>-</u>

The above exceptional item reflects the impairment of the investment held in Horwood Life Limited and the receivable due from this company.

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

10. INTANGIBLE ASSETS

	Trademarks and website costs £
COST	
At 1 April 2019	119,635
Additions - external	37,000
At 31 March 2020	<u>156,635</u>
AMORTISATION	
At 1 April 2019	11,540
Charge for the year on owned assets	52,732
At 31 March 2020	<u>64,272</u>
NET BOOK VALUE	
At 31 March 2020	<u>92,363</u>
At 31 March 2019	<u>108,095</u>

HORWOOD HOMEWARES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

11. TANGIBLE FIXED ASSETS

	Long-term leasehold property £	Fixtures, fittings and equipment £	Right of use assets £	Total £
COST				
At 1 April 2019	1,994,783	1,500,432	-	3,495,215
Additions	-	8,567	1,796,960	1,805,527
At 31 March 2020	1,994,783	1,508,999	1,796,960	5,300,742
DEPRECIATION				
At 1 April 2019	628,289	1,353,204	-	1,981,493
Charge for the year on owned assets	64,960	32,038	113,164	210,162
At 31 March 2020	693,249	1,385,242	113,164	2,191,655
NET BOOK VALUE				
At 31 March 2020	1,301,534	123,757	1,683,796	3,109,087
At 31 March 2019	1,366,494	147,228	-	1,513,722

The right of use assets above represent the values capitalised by the company on the application of IFRS 16 for the first time. The total net book value of these assets represents a long leasehold right of use asset of £1,500,822 and the balance relating to motor vehicles and other assets. As disclosed in Note 17, lease obligations have been created in respect of the company's ongoing obligations to make repayment on these leases. The total impact on the profit and loss account of the implementation of IFRS 16 in the period was a reduction in profit of £28,179.

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST OR VALUATION	
Additions	826,713
At 31 March 2020	<u>826,713</u>
IMPAIRMENT	
Charge for the period	826,713
At 31 March 2020	<u>826,713</u>
NET BOOK VALUE	
At 31 March 2020	<u>-</u>
At 31 March 2019	<u>-</u>

The above investment represents a 51% interest in the ordinary share capital of Horwood Life Limited, a company registered in the UK with a common registered office. Its principal activity is the supply of homeware to the retail trade. In the period ended 31 March 2020, it reported a loss of £295,985 and had capital and reserves of £458,760.

As detailed in Note 25, a decision has been taken to dispose of this subsidiary and the full value of this investment has therefore been impaired.

13. STOCKS

	2020 £	2019 £
Finished goods and goods for resale	<u>7,097,241</u>	<u>7,399,701</u>

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

14. DEBTORS

	2020 £	2019 £
Trade debtors	2,101,015	1,933,176
Amounts owed by group undertakings	164,186	30,293
Other debtors	53,097	-
Prepayments and accrued income	332,680	432,271
	<u>2,650,978</u>	<u>2,395,740</u>

15. CASH AND CASH EQUIVALENTS

	2020 £	2019 £
Cash at bank and in hand	<u>1,798,519</u>	<u>1,718,328</u>

16. CREDITORS: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	668,965	1,112,808
Corporation tax	-	23,298
Other taxation and social security	167,460	258,866
Lease obligations	80,671	-
Other creditors	282,779	324,264
	<u>1,199,875</u>	<u>1,719,236</u>

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

17. CREDITORS: Amounts falling due after more than one year

	2020 £	2019 £
Net obligations under leasing obligations	1,619,454	-
	<u>1,619,454</u>	<u>-</u>

The aggregate amount of liabilities repayable wholly or in part more than five years after the balance sheet date is:

	2020 £	2019 £
LEASE LIABILITIES		
Repayable by instalments	1,499,437	-
	<u>1,499,437</u>	<u>-</u>
TOTAL AMOUNTS DUE AFTER MORE THAN FIVE YEARS	<u>1,499,437</u>	<u>-</u>

The above lease obligations arise in the year as the company has applied IFRS 16 to its financial statements for the first time. The above liabilities represent the discounted value of the company's obligations to make future lease payments under qualifying leases. Note 10 discloses the introduction of Right of Use Assets relating to assets to which these lease arrangements relate. In addition to the above amount, £120,017 is due between 2 to 5 years.

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

18. FINANCIAL INSTRUMENTS

	2020 £	2019 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	1,798,519	1,718,328
Financial assets that are debt instruments measured at amortised cost	2,265,201	1,981,801
	<u>4,063,720</u>	<u>3,700,129</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	<u>(2,651,869)</u>	<u>(1,437,072)</u>

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and group debtors.

Financial liabilities measured at amortised cost comprise trade creditors, other creditors, accruals and right of use lease obligations.

19. DEFERRED TAXATION

	2020 £
At beginning of year	(71,911)
Charged to the profit or loss	-
Utilised in year	3,614
AT END OF YEAR	<u>(68,297)</u>

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

19. DEFERRED TAXATION (CONTINUED)

The provision for deferred taxation is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	(72,217)	(74,094)
Short term timing differences	3,920	2,183
	<u>(68,297)</u>	<u>(71,911)</u>

20. RESERVES

Profit & loss account

Profit & loss account reflects the entity's accumulated earnings less dividends paid and payable.

21. SHARE CAPITAL

	2020 £	2019 £
Allotted, called up and fully paid		
0 (2019 - 20,760) 5% cumulative preference shares of £1.00 each	-	20,760
1,028,335 (2019 - 75) Ordinary shares of £1.00 each	1,028,335	75
0 (2019 - 7,500) Deferred shares of £1.00 each	-	7,500
	<u>1,028,335</u>	<u>28,335</u>

During the year, the company undertook a share reclassification such that preference and deferred shares were reclassified as ordinary shares.

During the year, the company issued £1,000,000 ordinary shares at par to its parent company.

HORWOOD HOMEWARES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2020 £	2019 £
Not later than 1 year	-	85,460
Later than 1 year and not later than 5 years	-	105,070
	<u>-</u>	<u>190,530</u>

Under IFRS 16, future lease payments are now reported at their discounted value within the lease liability, as disclosed in notes 16 and 17.

23. OTHER FINANCIAL COMMITMENTS

The company's local currency is pounds sterling, but a significant proportion of its purchases are from overseas. These purchases are denominated in US dollars and Euros. As a result, the company is subject to foreign currency exchange risk due to exchange rate movements between pounds sterling, US dollars and Euros. The company seeks to reduce this risk by entering into forward contracts.

The company held foreign exchange forward contracts worth US\$1 million (2019: US\$3.97 million) at 31 March 2020. No financial asset or liability is held on the balance sheet at the current or prior year ends on the basis that it is not material.

24. RELATED PARTY TRANSACTIONS

During the period the Company made purchases of £141,177 (2019: £nil) and recharged amounts of £44,973 (2019: £nil) to non-wholly owned group companies, and at the year end an amount of £42,096 (2019: £nil) due from this group company was fully impaired.

25. POST BALANCE SHEET EVENTS

In March 2020, the directors took appropriate action in order to ensure the safety of all employees and to mitigate the impact of COVID-19 on the company. This included furloughing the majority of staff and closing the office temporarily, from 24 March 2020. A skeleton team of staff has continued to work since that time, which has enabled us to achieve sales through both online channels and also customers who have continued trading. Whilst restrictions have since eased somewhat, there have been further periods of lockdown imposed by the Government, continuing into 2021.

The sales achieved in the period during lockdown have been in excess of our predicted sales as per the reworked budget and this is encouraging in terms of the potential performance for the coming financial year and also from a cash flow perspective.

Since the year end, the company has disposed its investment in Horwood Life Limited. The investment held in this company, and the inter-company receivable due from this company have been fully impaired in these financial statements.

HORWOOD HOMEWARES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

26. CONTROLLING PARTY

The current immediate parent company is TTK British Holdings Limited, a company incorporated in England and Wales.

The ultimate parent company is TTK Prestige Limited, a company incorporated in India. Consolidated financial statements for TTK Prestige are available from the company's registered office.

There is not deemed to be a single controlling party of TTK Prestige Limited.