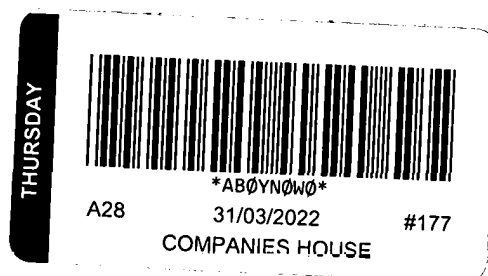


Registered Number: 00852773

Damartex UK Limited

Annual Report and Financial Statements

53-week period ended 2 July 2021



Damartex UK Limited

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Damartex UK Limited

Strategic report

The directors present their strategic report for the 53-week period ended 2 July 2021.

Principal activities and review of the business

Damartex UK Limited is a United Kingdom ("UK") trading subsidiary of Damartex S.A., incorporated in France, a multi-channel, multi-brand European business that creates and distributes products primarily aimed at the 55+ age group. The principal activity of the company continues to be that of retailing, predominantly clothing, footwear and accessories, through direct home shopping. The principal trading brand is Damart and during the period the company also traded under the Sedagyl and Afibel brands.

The reported profit on ordinary activities before taxation was £8,011,000 (2020 – £272,000). This profit for the period was much higher than expected and more than any other year in the company's history.

Reported company turnover was £115,139,000, up from £95,171,000 in the prior year, representing an increase of 21.0% mainly reflecting the advantage a home shopping company had over stored based competitors during the Covid-19 pandemic restrictions. The closure of competitors' stores due to the Covid-19 restrictions and our ability to carry on trading through this difficult period, allowed our customers to shop more from home. Secondly, the accelerated transformation and reinvention of the Damart image, product mix, promotional offers and customer experience resulted in existing customers spending more with us and more new customers shopping with us. There was also an additional week of trading as the period had 53 weeks compared to 52 weeks the previous period.

Within the above number, turnover from the credit business in the year was £4,519,000, up from £4,348,000 in the previous year, reflecting the general higher turnover but partially offset by the lower use of credit by customers and a higher proportion of credit balances paid in full.

Gross profit as a percentage of turnover was 14.0% which was up from 8.7% in 2020, reflecting a large increase in sales but little corresponding increase in related marketing costs due to the nature of home shopping where marketing costs are mostly paid in advance of the responding sales or pre-determined before a season starts. This means that any customer orders in excess of expectation are more profitable than planned.

Other operating expenses increased from £7,900,000 in 2020 to £9,307,000 in the year, the biggest element being increased IT costs from Damartex S.A. group system modernisation projects which the company will ultimately benefit from.

Also contributing to the operating profit was a benefit from the balance sheet revaluation of amounts denominated in US Dollars and Euros in the statement of financial position to the market rate at 2 July 2021 (£915,000 benefit in 2021 compared to a £77,000 benefit in 2020).

We have continued to achieve operational efficiencies within our customer service and product logistics departments, allowing us to benefit from the large increase in turnover. We have maintained our focus on delivering continual improvement programmes, both customer and cost focussed, that deliver productivity savings to offset the impact of inflation in these areas.

The initial shock of the Covid-19 pandemic in March 2020 caused a drop in customer confidence and lower sales. By quickly implementing safe working practices in our warehouse and offices, including the switch to home-based working for the majority of the company's employees, we were able to continue trading with minimal disruption. As customers realised that we were trading while others were not, our sales recovered strongly. In addition, our first television advertising campaign for several years was broadcast during October 2020 in the north of England helping raise our brand awareness and showing customers how much we had transformed. We recruited more new customers than in previous years and a higher proportion of customers traded with us via our website.

Damartex UK Limited

Strategic report (continued)

Principal activities and review of the business (continued)

When the Covid-19 pandemic first began, to ensure the financial safety of the company, over 100 employees were initially put on furlough leave and the company temporarily participated in the Government's Coronavirus Job Retention Scheme (there is more detailed information in see note 5 of the financial statements) receiving £213,000 last period and £47,000 during this period but finishing by September 2020. After reviewing the structure of the organisation, several roles were made redundant in June 2020 incurring a cost last period of £337,000 but paid in the current period (there is more detailed information in note 19). The company also took advantage of the Government's scheme to defer £1,396,000 of VAT payments due March 2020 to June 2020 until March 2021 of which £1,123,000 would otherwise have been payable at the end of last period. This tax was paid in full in March 2021.

Last year a provision of £500,000 was made for VAT omissions made in previous years. A release in provision of £79,000 was made this year as a result of HMRC's review on the company's VAT liability arising from a recent tax tribunal decision regarding the treatment of marketing costs in relation to the VAT Partial Exemption scheme, being closed (see note 19).

On 26 April 2021 the directors agreed to eventually transfer the trade and assets of its subsidiary S.H.C. Limited into the company with the ultimate aim of liquidating the subsidiary. The reason for this decision is to simplify the company's administration as there is no longer a reason to operate with two separate companies. There will be no material impact for employees, customers or suppliers of either the company or its subsidiary and the process is expected to be completed by June 2022.

The Covid-19 pandemic was initially a shock to all companies including ours. Since then, a great deal of work has been done by the company's employees not just to cope with the disruption but to continue with our modernisation and improvement plans. This work allowed the company to weather the storm and keep serving customers during a time when many of those customers depended upon us. It was very satisfying that our customers stayed loyal to us through this period and that so many new customers also started shopping with us. The continued loyalty of our customers has always been the bedrock of the company's success.

Principal risks and uncertainties

The current main risk to the company and cause of uncertainty is the Covid-19 pandemic and the impact it will have on future shopping behaviour in the medium and longer term. Despite causing an initial negative impact, the company has since benefited from the temporary disruption to the high street shopping environment as more customers choose to shop from home. Sales and new customer recruits during the period exceeded all our expectations but as shopping conditions gradually return to normal there is uncertainty as to how much of our recent success is permanent and how much will disappear when the pandemic and associated disruption fully ends.

Secondly, the extraordinary delays to international freight, increase in freight prices and shortage of resources including heavy goods drivers and raw materials are significant risks to the company's operating model. These are due to many factors including the Covid-19 pandemic, the departure of the UK from the European Union "EU" and industry and government actions. The only way the company will be able to manage the resulting cost inflation will be to increase prices which could negatively impact customer loyalty built up over many years.

Although the UK has left the EU with an agreement, there remain potential areas of dispute that could cause further delays to trade, additional customs procedural requirements for shipments to Northern Ireland and disruption at ports of entry. These uncertainties are potential negative factors for the future.

The other key business risks affecting the company are set out below and over the page. The order of risks is in no way an indication of their relative importance.

Damartex UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

The impact of economic uncertainty – The general economic environment in the UK has been difficult for four years following the Brexit referendum in 2016 and the Covid-19 pandemic in 2020-2021. This has resulted in a fall in the levels of consumer confidence in the UK. We plan in six-month cycles which allows us to react and adjust plans reasonably quickly to counter or take advantage of prevailing market conditions.

We rely on the strength of our brands – Use of group brand names in the UK is closely monitored and action taken against any infringement. Internationally, the group brand image is protected by the Damartex S.A. group.

We operate in a highly competitive market – UK demographics indicate growth in the company's marketplace that could attract new entrants. The disruption caused by the Covid-19 pandemic has brought new ownership to key competitor brands. To address these risks, the company has continued a clear focus on the 55+ age segment of the market and understands the need to continually improve customer service, to retain and grow its strong and loyal customer base and to deliver attractive, innovative and appropriate product offers as well.

Our operating results are subject to seasonal fluctuations and can vary according to the weather conditions – The Damart brand is synonymous with thermal underwear and warmth. The company broadly operates on a seasonal basis, particularly with respect to thermals and warm clothing in Autumn-Winter and it experiences seasonal fluctuations in sales and operating results.

Unseasonal weather patterns are, by their nature, difficult to predict and can impact the performance of the company and group. As a group, Damartex S.A. is continually introducing innovative products that have appeal under different weather conditions. In addition, the company is continually extending its product ranges to provide wider appeal.

The company is exposed to foreign currency fluctuations – In common with other clothing retailers, the Damartex S.A. group sources goods from the Far East and Europe, paying in US Dollars and Euros. As a result, there is significant exposure to foreign currency exchange rate risk although this risk is hedged centrally within the group.

Changes in consumer demands and fashion trends are a risk – Customers in the company's target market are increasingly fashion conscious and more demanding of excellent and consistent service. The company recognises that the continued development of its business depends upon meeting these needs through increased product range innovation and investing in improved customer service.

At the same time, it must ensure that changes in its product ranges and customer communications do not switch off its existing customer base.

Due to the volumes involved in our business we are heavily reliant on our IT systems and automated procedures to deliver an efficient outcome – There are substantial change programmes in place to improve our information technology ("IT") systems, our infrastructure and business efficiency. We work hard to ensure that these change programmes deliver real business improvements and continue to allow us to provide our customers a smooth and efficient service.

Royal Mail – Royal Mail continues to dominate the market in the final section of deliveries to customers' homes in the United Kingdom. As a result, we are exposed to the risk of disruption to the delivery of all catalogue mailings when this organisation suffers problems.

Regulation – the company works with several regulated bodies to ensure full compliance with existing and emerging regulation. The company is a member of the British Retail Consortium which gathers, shares and represents retailers' views on regulatory matters. The company is authorised and regulated by the Financial Conduct Authority ("FCA") to provide consumer credit. The company uses premium rate telephone numbers under the regulation of the Phone-paid Services Authority ("PSA"). All company advertising is regulated by the Advertising Standards Authority ("ASA").

Damartex UK Limited

Strategic report (continued)

Principal risks and uncertainties (continued)

Pension – the company sponsors a closed defined benefit pension scheme. This is subject to risks in relation to liabilities because of changes in life expectancy and inflation, and to risks regarding the value of investments and the returns derived from such investments. Benefit accrual ceased with effect from October 2012. The most recent triennial evaluation as at 30 September 2019 showed a reduced deficit of £900,000. As at 2 July 2021, the scheme was in surplus (on an IAS 19 valuation basis) by £5,452,000 compared to a surplus of £4,469,000 (also on an IAS 19 valuation basis) last year (note 22).

Cost inflation – Over the last year or so, the world has experienced substantial cost inflation in areas such as international freight, raw materials, road transport and fuel. This has affected the company's profits and led to increases in the company's sales prices. In preparing forecasts, the directors have taken into account that annual cost prices increases will continue for the foreseeable future and are likely to spread into other areas such as employee salaries.

War in Ukraine – Although overall UK customer confidence has dropped since the end of December 2021, since the outbreak of war in Ukraine, customer orders have been steady. However, the directors recognise that the war could continue and increase cost inflation rates further. This risk has been factored into company forecasts, which have been discussed further in the Directors' report.

Section 172(1) statement

Duties to promote the success of the company - Section 172(1) of the Companies Act 2006 requires directors to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interest of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly between the members of the company.

The directors confirm that, during the year, they have had regard to the matters set out above.

The duties of the board of directors - The board is responsible for the overall operations of the company, including strategic planning, approval of the annual budget, employee policy including health & safety, legal developments, addressing key risks, and any significant capital expenditure or contracts. It meets regularly to discuss operational and financial reports and action areas of significant change, risks and opportunities for the company. A wider executive team comprised of the directors and heads of department meets monthly to review all aspects of the company's trading performance and planning. A financial conduct steering committee meets quarterly to review and approve consumer credit matters.

Relations with stakeholders

As required under Section 172 of the Companies Act 2006, directors preside over the company for the benefit of all stakeholders. Decisions taken by the directors are always mindful of the impact on each stakeholder group but acknowledge that not every outcome will always benefit each stakeholder group.

Fundamentally, the goal is the long-term sustainable growth of the business by remaining attractive to existing and new customers and operating as efficiently as competitors. This will mean returns for the shareholder increasing, the company maintaining its good reputation with suppliers and the wider community, and a productive environment existing where employees can confidently work and improve their skills.

Damartex UK Limited

Strategic report (continued)

Section 172(1) statement (continued)

The directors consider the key stakeholders of the company to fall into the following categories:

Employees as stakeholders - The directors are committed to providing a working environment that promotes employees' wellbeing while facilitating their performance. Surveys are regularly held on employee opinions and trading performance is published widely including on television screens throughout the buildings. An independently assessed positive employee engagement measure is a key measure of our Institute of Customer Service "ServiceMark" accreditation.

Other than survey information, various metrics are used to monitor employee issues such as staff turnover, absence and accidents. All employees participate in bonus schemes based on company and individual performance.

We have several forum groups that allow direct input to company policy: a health and safety group, an Institute of Customer Service accreditation group, a customer safety and security group and an colleague engagement group.

Regular newsletters, e-mails and video messages are circulated to all employees which has been critical during the Covid-19 pandemic period with many employees working from home. To cascade all key business updates, monthly management communication meetings are held with include "questions and answers" sessions.

Customers as stakeholders – The company's regular customers are the single most important factor in the company's continued success. No business decision is made without first considering the impact on customers.

The large proportion of incoming telephone calls from customers gives the company a considerable ability to ask customers their opinions on products and service. Surveys are also regularly carried out both via outgoing telephone calls and letters asking customers their opinion on the company's products and services. Prior to the Covid-19 restrictions, customers were invited to visit the company's offices to discuss their opinions. Any changes to catalogues or promotions are first carefully tested with groups of customers before being made.

Particularly important to the long-term success of the company is that the company's products continue to be attractive to the next generation of customers as existing customers gradually grow older. Talking to both younger customers and existing older customers about their preferences so that both be satisfied without putting off the other is a key focus of the company's commercial team.

As mentioned in the Directors' Report, the company consider its most important key performance indicators to be mainly focused on customer related measures.

Shareholders as stakeholders – The directors are in regular communication with representatives of the company's shareholder. The company is closely integrated into the Damartex S.A. group of companies with detailed forecasts and performance reporting formally discussed weekly and monthly, along with that of fellow group subsidiaries. Many business processes are shared across subsidiaries such as product design, supplier negotiations, branding, supply chain, treasury management, environmental policy and information technology platforms so many company employees are in constant contact with their group colleagues. The group's strategy and business performance, including how the company contributes to it, are regularly and clearly communicated to a wide group of employees.

Pension trustees as stakeholders – The details of the closed defined benefit pension are described in notes 2 and 22). The directors meet regularly with the trustees of the scheme and consult with them regarding trading, cash-flow and future funding of the scheme.

Suppliers as stakeholders – The company has worked successfully with key suppliers for many years and company employees at all levels meet regularly with suppliers to ensure a smooth service to the company.

Damartex UK Limited

Strategic report (continued)

Section 172(1) statement (continued)

In addition to the company's standard payment terms, the company agrees to early payments in exchange for mutually beneficial discounts. During the changes required by Brexit, the company and its Damartex S.A. group colleagues worked with EU based suppliers to ensure that goods could still be supplied into the UK including in some cases, taking over the suppliers' import responsibilities for them.

The responsibility for negotiation with product suppliers is with a central buying team in another group subsidiary based in France. The central buying team operate a cycle of supplier audits to ensure responsible sourcing.

The company publishes its Payment Practice Reports every six months. During the period, the average percentage of invoices paid within agreed payment terms was 76% (2020: 74%), with the main reason for late payment due to late arrival of invoices or non-compliant invoices.

Environment as stakeholder – As described in more detail in the Energy and Carbon section of the Directors Report on page 12, the company is fully engaged in reducing its impact on the environment, particularly in greenhouse gas emissions and use of plastic. Each stage of our supply chain has an environmental and social impact, from sourcing the materials through to post-consumer use and disposal. The main raw materials used in our products can have a wide-ranging environmental and social risk associated with their production and extraction if not managed properly. The "Change Our World" programme commits to minimising our environmental impact across the Damartex S.A group and our commitment can be seen more fully on the group's website.

Principal decisions:

The directors have defined principal decisions as those decisions outside the normal day-to-day operational decisions of the company and those that could materially affect the stakeholder groups described above.

Covid-19 response – The Covid-19 pandemic crisis in March 2020 initially caused much uncertainty for employees, colleagues and suppliers. As soon as the crisis began, a daily leadership team conference call was held that kept the company response co-ordinated. All employees were initially kept informed daily as to what was happening in respect of health & safety precautions being put in place, home-working equipment planning and training. Various extra benefits have been provided to employees since this period, both for employees who have to keep attending the workplace and those required to remain working from home. Customers have been kept aware that the company was and is still operating via messages on the company website. The directors have been in constant contact with the shareholder's representatives so that centralised group planning (particularly product purchasing and cash management) could take account of the conditions in each country and subsidiary.

Restructuring – As mentioned above, a small number of roles were made redundant at the end of the last period. Although this decision had to be made without collective consultation due to the numbers involved, all company employees were kept aware of the changes being made via e-mails from the managing director as this was done during the initial Covid-19 lockdown restriction period. The decision was made directly in consultation with the shareholder's representatives.

Pension contribution changes – Following the initial Covid-19 related drop in sales and the more serious potential impact of store closures in the Damartex S.A. group's wider businesses in France and Belgium, a discussion was held with the trustees of the closed defined benefit pension scheme and their advisors if the pension scheme contributions could be paused until the group could complete its funding plans. After reviewing the strength of the scheme, on 7 July 2020 a pausing of contributions for 6 months was agreed to, and the overall contribution plan period was also agreed to be shortened by 3 years due to a lower scheme deficit – see note 22 of the financial statements for more detailed information. In addition, the company agreed with the trustees that their proposal to move all remaining scheme assets into very low-risk investments was appropriate considering the age of the scheme members and current financial strength of the scheme. This change was completed during the current period.

Damartex UK Limited


Strategic report (continued)

Section 172(1) statement (continued)

Declaration of dividends – Through discussion with the shareholder's representatives, the directors considered a request for an interim dividend of £2,000,000 in respect of the 53-week period ending 2 July 2021 noting that no dividend had been paid since 2016. Before agreeing to this, as well as the usual consideration of current year profitability and future earnings and cash-flow, the directors consulted the pension trustees as to whether they were satisfied that this would not cause any material weakening of the scheme covenants. The dividend was paid on 15 December 2020 after the company received a dividend of £1,200,000 from its subsidiary S.H.C. Limited. Similarly to this, the directors approved the payment of an interim dividend of £12,000,000 subsequent to the balance sheet date. As the approval of this dividend was after the balance sheet date, it has been considered a non-adjusting post balance sheet event. Prior to the approval of this dividend, the aforementioned considerations were made to be consistent with the interim dividend in respect of the 53-week period ending 2 July 2021.

Purchase of S.H.C Limited trade and assets – Following a review of the legal entity structure of the UK companies of Damartex, the company agreed to transfer the trade and assets of S.H.C Limited, a subsidiary company, prior to 30 June 2022. The transfer value will be equal to the carrying value of the assets and liabilities at the date of transfer. The subsidiary company will then cease trading after an orderly wind-up of the business. The activities previously carried out by the subsidiary company will continue to be performed, by Damartex UK Limited in the future.

By order of the Board

DocuSigned by:

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E Friel
Secretary
31 March 2022

Damartex UK Limited

Directors' report

The directors present their report for the 53-week period ended 2 July 2021.

Results and dividends

The profit for the year after taxation amounted to £6,723,000 (2020 profit of £284,000). The directors do not propose the payment of a final dividend (2020: £nil).

An interim dividend of £2,000,000 was declared on 14 December 2020 in respect of the 53-week period ended 2 July 2021 and was paid on 15 December 2020.

The directors also declared an interim dividend of £12,000,000 in respect of the 52-week period ending 1 July 2022. The approval of this dividend was after the balance sheet date and has therefore been considered to be a non-adjusting post balance sheet event. This dividend was paid on 17 December 2021.

Going concern

The company and its subsidiary continue to be primarily funded by the Damartex S.A. group cash-pooling arrangement. Damartex S.A. is a publicly quoted company listed on the Euronext Growth market in France.

In determining whether the financial statements can be prepared on a going concern basis, the directors have considered the company's and its subsidiary's business activities together with the principal risk and uncertainty factors which are likely to affect its future performance and financial position. The key risks that the company faces are described in the Strategic Report and mainly relate to the current UK shopping environment, competition and external factors such as the Covid-19 pandemic and the sharp increase in the cost of freight and raw materials. Managing operating costs and working capital needs to changing levels of activity in the short term remains the main business challenge.

Forecasts prepared to 31 March 2023 demonstrate that the company is forecast to trade profitably and generate cash, taking into account the risks explained above. These forecasts have been constructed on conservative assumptions and have been based on a range of scenarios including the worst possible trading outcomes.

The continuing support of Damartex S.A. and the cash-pooling arrangement is also a factor in the going concern review. Consequently, the company has obtained a letter of support from Damartex S.A. confirming that it will provide financial support to the company for a period to 31 March 2023 to assist in meeting its liabilities to the extent that the money is not otherwise available to the company to meet such liabilities. The directors have assessed the level of financial support available, taking into account the group's financial plan and cash flow forecast for the period to 31 March 2023 and are satisfied such support is available.

In its communication on 9 September 2021, Damartex S.A. reported a net cash surplus position of €25.9m (2020 net debt €43.8m). There were no changes to its credit lines of €120.0m to 2024 and 2026 which it announced in its 16 July 2020 press release. There were also no changes to the lightening of its financial covenants for the financial years ended 30 June 2021 and 30 June 2022, also announced on 16 July 2020. In a press release of 4 June 2021 Damartex S.A. announced the early repayment of its €80.0m French state guaranteed loan of which it had obtained in July 2020 due to the uncertainties of the Covid-19 pandemic. As noted last year, Damartex S.A. announced in a 21 October 2020 communication of the success of its preferential subscription rights issue for shareholders and subsequent capital increase of €33.9m to help finance the group's development.

The Directors have considered the impact of climate-related matters and the ongoing conflict in Ukraine on the going concern assessment and it is not expected to have a significant impact on the going concern assessment to 31 March 2023.

Based on all these considerations, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period to 31 March 2023. Thus, the directors consider it to be appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Damartex UK Limited

Directors' report (continued)

Damartex objectives

We remain committed to our strategic development plan to create a compelling customer proposition by modernising what we do.

- Making Damart fit for the future by modernising the brand and increasing relevance for our customers including the following development strategies - customer segmentation development, modernising our presentation across all channels of promotion and communication, investing in brand awareness campaigns, delivering a modern web experience for customers and modernising our payment options.
- Maintaining a world-class customer service approach to deliver a profitable full shopping experience including the following development strategies - maximising the use of emerging technology in our customer services, focussing on "perfect order" service performance and broadening our suite of delivery and return options. We are proud of the fact that we continue to hold our "ServiceMark" accreditation from the Institute of Customer Service and that our customers rate our service as world-class.
- Optimising our value chain to deliver sales and profit growth including the following development strategies - adapting our customer recruitment activity to the changing recruitment channel mix, targeting product range developments beyond the core clothing offer and broadening the appeal of our consumer credit offer to attract new customer segments.
- Maintaining our absolute focus on continuous improvement and operational excellence across marketing, customer services and logistics in the pursuit of productivity gains to fund new investments for future growth.

In addition, we share the following objectives with other group companies:

- The continued development in the UK of Damartex S.A. group brand Sedagyl;
- To be the UK consumer credit provider for the Damartex S.A. group brands operating in the UK;
- The renewal of our shared group information technology infrastructure; and
- Our commitment to environmental and social responsibility through the "Change Our World" programme

In the year, turnover of the Sedagyl brand increased by 21.8% and accounted for 3.9% of the company's sales (2020: 3.9%). These sales delivered a profit contribution of 0.4% of turnover (2020: 1.4%).

Turnover generated from our website increased by 19% in the year and accounted for 21% of overall turnover (2020: 21%). Growth was driven by an increased proportion of marketing expenditure dedicated to website traffic generation activity and initiatives to improve conversion ratios, continued refinement of our online offer with a focus on new customer recruitment and ongoing evolution of the website platform. In addition, and like many home shopping retailers operating during the Covid-19 lockdown, we saw extra website demand from customers unable or unwilling to visit stores.

The company continued to provide a credit offering for the UK customers of our sister company, Afibel SAS. As the UK consumer credit provider for Afibel, the additional credit extended to Afibel's customers has added £1.6m (2020: £1.7m) to the company's current assets, against which there is a similar liability included in amounts owed to group undertakings within creditors, see note 16. The agreement with Afibel establishes that Afibel finances the debts, enjoys the rewards and bears the risks of this activity.

Outlook

The company is benefitting, although to a much smaller degree than during the period, from the Covid-19 pandemic environment and the associated concern for customers shopping in stores. However, we now have more regular customers than prior to the pandemic and they are continuing to shop with us due to the ease of home shopping, attractive catalogue offers and expanded advertising campaigns.

However, the company is continuing to experience late stock deliveries due to the delays to international freight mentioned in the Strategic Report. The cost of international freight is now much higher than any historical period and this will materially reduce profit for the foreseeable future until freight prices return

Directors' report (continued)

Outlook (continued)

to more normal levels or if the impact can be passed onto customers through increased selling prices. The late deliveries of stock have also increased air-freight volumes well beyond planned levels which will reduce profit. Other inflationary cost increases across the national and international environment will also reduce profit although some costs have been fixed and we have a programme to minimise the impact of these increases.

Shortage of stock and delivery delays leads to unsatisfied customers and could put at risk our new customer recruitment campaigns. Most competitors appear to be experiencing similar issues but that does not make it easier to resolve the issue for our customers.

The current forecasts for the 52-week period ending 1 July 2022 show lower sales and profit but still profitable and cash generative. Trading in the year to date has been in line with these forecasts. As mentioned in the Strategic Report, we are uncertain as to how the post Covid-19 environment will affect the company but will do all we can to keep the goodwill we have seen from customers over the last 18 months.

We continue to focus on improving the efficiency of the business, including the targeting of our marketing contacts, productivity of operational areas and improving the 'perfect order' rate to customers, which should benefit our customers' shopping experiences and reduce costs for the company.

Key Business Indicators used to drive the business forward

Customer satisfaction – Bi-monthly Net Promoter Score ("NPS") reporting is used to benchmark customer satisfaction. In support of this measure, we have a full range of internal customer measures which focus on:

- Call monitoring and customer surveys to help us exceed customer expectations in terms of quality and responsiveness of our service including our speed of call answering
- "Perfect order" measures including speed of order processing, product availability and speed of delivery

Customer loyalty – The customer database strength is measured in terms of the year-on-year equivalent number of our most loyal customers. We call this File Power. In support of this we review several areas:

- Recency, frequency and value of ordering
- Appropriate investment in customer acquisition and retention
- Customer lifetime value by recruitment source

Marketing – The balance of the efficiency of activity and investment in recruitment is crucial to the current and future success of the business. To monitor this, there are several indicators on which we focus:

- Profitability and quality of customer contacts
- Attractiveness of catalogues – product and communication
- Percentage of new products in each season
- Balance and approach across channels & customer segments
- Appeal of promotions
- Cost of different recruitment sources versus the quality and value of customers recruited
- Test performance of new promotions and advertisements

Website performance – The experience of the customers using our website (www.damart.co.uk), our ability to attract them to the website and ease of ordering are key measures for our website effectiveness:

- Page load time
- Traffic and website sessions by source and device type
- Conversion rate of orders to sessions by source of traffic and device type
- Percentage of visits not resulting in further activity (bounce rate)
- Percentage of product view resulting in addition to shopping basket (add-to-basket rate)

Colleague engagement – Quarterly colleague engagement surveys are undertaken using the Institute of Customer Service "ServiceMark" survey.

Damartex UK Limited

Directors' report (continued)

Key Business Indicators used to drive the business forward (continued)

Brand tracker global image – Customer surveys are undertaken following the main catalogue mailings for each season.

Energy and carbon

The Companies Act 2006 (Strategic Report and Directors' Report) Regulation 2018 requires the company to disclose annual UK energy consumption and Greenhouse Gas (GHG) emissions from Streamlined Energy and Carbon Reporting ("SECR") regulated sources. Energy and GHG emissions have been independently calculated by Envantage Ltd for the period 1st July 2020 to 30th June 2021 (as well as the prior period from 1st July 2019 to 30th June 2020).

Reported energy and GHG emissions data is compliant with SECR requirements and has been calculated in accordance with the GHG Protocol and SECR guidelines. Energy and GHG emissions are reported from buildings and transport where operational control is held – this includes electricity, natural gas, and business travel in company-owned or employee-owned cars. The scope of the GHG inventory has been voluntarily expanded to cover all Scope 1 and 2 emission sources including refrigerant gases and gas oil.

The table below details all GHG Scope 1 and 2 emission sources from the current reporting period. Energy consumption is expressed in kilowatt-hours ("kWh") and emissions in tonnes of carbon dioxide equivalents ("tCO₂e").

Energy		2021	2020
		<i>kWh</i>	<i>kWh</i>
Natural gas		6,172,998	5,710,218
Gas oil		1,176,585	1,036,727
Electricity		2,057,275	1,989,848
Transport		55,185	119,485
Total energy (kWh)		9,462,043	8,856,278
Emissions		2021	2020
		<i>tCO₂e</i>	<i>tCO₂e</i>
Scope 1	Natural gas	1,135.0	1,049.9
	Gas oil	302.1	266.2
	Refrigerant	-	-
	Cars (company owned)	12.9	29.2
Scope 2	Electricity (location based)	479.6	463.9
	Electricity (market based)	489.4	403.9
Scope 3	Cars (employee owned)	0.1	0.3
Total SECR emissions (tCO₂e)		1,929.7	1,809.5

SECR emissions per intensity metric (<i>tCO₂e</i> / turnover - £)	16.8	18.9
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Damartex UK Limited

Directors' report (continued)

Energy and carbon (continued)

The company is committed to reducing its environmental impact and contribution to climate change through increased energy management and raising awareness with employees. During the reporting period, the company installed a monitoring and targeting system across all sites which allows monitoring of energy usage in specific parts of each site. This system allows targeting of energy wastage and the improvement of energy efficiency overall. In addition, the company has continued converting legacy lighting into energy-efficient lighting as it gradually refurbishes its head office and distribution centre.

During the year, the company further reduced the number of company cars and will eventually have none other than essential pool and service vehicles. Both company sites are located very close to connecting railway stations and employees are encouraged to use public transport.

Despite this work, energy consumption increased between last period and the period ended 2 July 2021 for several reasons. Last period included two months of very restricted office usage due to the Covid-19 pandemic restrictions, the winter of 2020/21 had lower temperatures than the previous year, and warehouse energy consumption increased due to the much higher activity in the current period ended 2 July 2021.

As part of the infrastructure changes required for the company to continue operating during the Covid-19 pandemic restrictions, most office staff now have the capability to working from home if required.

In the previous period, a project team was created to engage with employees and the rest of the Damartex S.A. group of companies on environmental initiatives being rolled out across the group, and has continued to do so throughout the current period. The dedicated group initiative "Change our World" keeps all subsidiaries updated on successes throughout the group and shares best practice.

Disabled employees

It is the policy of the company to ensure that full and fair opportunities are given to the employment, training and career development of disabled persons having regard to their particular aptitudes and abilities.

Employee involvement

The company uses various methods of communicating with employees at all levels in the business including an in-house magazine, the company intranet and e-mails, monthly management briefings and consultation committees.

The company continues to inform employees about customer experiences, by providing weekly customer experience updates and regularly gathering feedback. It benchmarks itself against the Institute of Customer Service (ICS) "world-class service" model and fellow competitors.

Employee engagement is gauged by the company via quarterly rolling colleague surveys supporting our ICS 'ServiceMark' accreditation.

Damartex UK Limited

Directors' report (continued)

Directors

The directors who served the company during the year were as follows:

F Mannion

E Friel

L A Montgomery (resigned 28 August 2020)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that they are obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

DocuSigned by:



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E Friel

Secretary

31 March 2022

Statement of directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including Financial Reporting Standard 101 '*Reduced Disclosure Framework*' have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The 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 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.

Independent auditor's report

to the members of Damartex UK Limited

Opinion

We have audited the financial statements of Damartex UK Limited ('the company') for the year ended 2 July 2021 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 26, 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 company's affairs as at 2 July 2021 and of its profit for the period 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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period from when the financial statements are authorised for issue to 31 March 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Independent auditor's report (continued)

to the members of Damartex UK Limited

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 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 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditor's report (continued)

to the members of Damartex UK Limited

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS101 and the Companies Act 2006) and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to health and safety, employee matters, General Data Protection Regulations and Financial Conduct Authority.
- We understood how Damartex UK Limited is complying with those frameworks by enquiries of those charged with governance and management, including those responsible for legal and compliance procedures in these areas. We corroborated our enquiries through our review of board minutes and made enquiries of management to identify if there are matters where there is a risk of breach of such frameworks that could have a material adverse impact on the company, as well as consideration of the results of our audit procedures across the company.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where it considered there was a susceptibility to fraud. We considered the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements are free from fraud and error. Specifically, we identified a fraud risk linked to revenue recognition in relation to the returns provision and on-hand adjustment. We performed detailed audit procedures over the revenue accounts relating to the returns provision and on-hand adjustment and also utilised our analytics tools and paying particular attention to manual journals in order to address the risk of management override.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. In addition to those set out above, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Financial Statements with the requirements of the relevant accounting standards and UK legislation.

Independent auditor's report (continued)

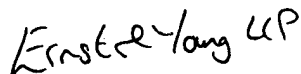
to the members of Damartex UK Limited

- **Auditor's responsibilities for the audit of the financial statements (continued)**

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

Use of our report

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

Handwritten signature of Tim Helm in black ink, reading "Ernst & Young LLP".

Tim Helm (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
31 March 2022

Damartex UK Limited

Income statement

for the 53-week period ended 2 July 2021

		53 weeks to 2 July 2021	52 weeks to 26 June 2020
	Notes	£000	£000
Turnover	3	115,139	95,171
Cost of sales		(98,992)	(86,865)
Gross profit		16,147	8,306
Other operating expenses		(9,307)	(7,900)
Operating profit	4	6,840	406
Net interest payable and similar charges	6	(29)	(134)
Other income	7	1,200	-
Profit on ordinary activities before taxation		8,011	272
Tax	8	(1,288)	12
Profit for the financial year		6,723	284

All amounts relate to continuing activities.

Statement of comprehensive income

for the 53-week period ended 2 July 2021

		53 weeks to 2 July 2021	52 weeks to 26 June 2020
	Notes	£000	£000
Profit for the financial year		6,723	284
Other comprehensive income:			
Re-measurement gains on defined benefit pension plans	22	981	4,032
Tax on items relating to components of other comprehensive income	8	(186)	(766)
Other comprehensive income for the year, net of tax		795	3,266
Total comprehensive income for the year		7,518	3,550

Damartex UK Limited

Statement of changes in equity

for the 53-week period ended 2 July 2021

	<i>Called up share capital £000</i>	<i>Share premium account £000</i>	<i>Capital redemption reserve £000</i>	<i>Retained earnings £000</i>	<i>Total Equity £000</i>
At 28 June 2019	7,114	3,243	402	8,114	18,873
Impact of change in accounting standard – IFRS 16	-	-	-	(13)	(13)
Adjusted balance as at 28 June 2019	7,114	3,243	402	8,101	18,860
Profit for the financial year	-	-	-	284	284
Other comprehensive income	-	-	-	3,266	3,266
At 26 June 2020	7,114	3,243	402	11,651	22,410
Profit for the financial year	-	-	-	6,723	6,723
Other comprehensive income	-	-	-	795	795
Equity dividends paid (note 9)	-	-	-	(2,000)	(2,000)
At 2 July 2021	7,114	3,243	402	17,169	27,928

Damartex UK Limited

Statement of financial position

at 2 July 2021

Registered Number: 00852773

		2 July 2021	26 June 2020
	Notes	£000	£000
Fixed assets			
Intangible assets	10	344	619
Tangible assets	11	4,903	5,179
Right-of-use assets	12	1,039	1,546
Investments	13	-	-
		<u>6,286</u>	<u>7,344</u>
Current assets			
Stocks	14	17,474	12,080
Debtors	15	27,421	20,715
Cash at bank and in hand		189	55
		<u>45,084</u>	<u>32,850</u>
Creditors: amounts falling due within one year	16	<u>(26,716)</u>	<u>(19,456)</u>
Net current assets		<u>18,368</u>	<u>13,394</u>
Total assets less current liabilities		<u>24,654</u>	<u>20,738</u>
Creditors: amounts falling due after more than one year	17	<u>(607)</u>	<u>(1,067)</u>
Provisions for liabilities	19	<u>(1,571)</u>	<u>(1,730)</u>
Net assets excluding pension assets		<u>22,476</u>	<u>17,941</u>
Defined benefit pension plan surplus	22	5,452	4,469
Net assets		<u>27,928</u>	<u>22,410</u>
Capital and reserves			
Called up share capital	20	7,114	7,114
Share premium account	21	3,243	3,243
Capital redemption reserve	21	402	402
Retained earnings	21	17,169	11,651
Total Equity		<u>27,928</u>	<u>22,410</u>

The financial statements of Damartex UK Limited were approved for issue by the Board of Directors on 31 March 2022 and signed on its behalf by

DocuSigned by:



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E Friel

Director

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Damartex UK Limited for the 53-week period ended 2 July 2021 were authorised for issue by the board of directors on 31 March 2022 and the Statement of Financial Position was signed on the board's behalf by E. Friel. Damartex UK Limited is incorporated and domiciled in England and Wales. The registered office is situated at Bowling Green Mills, Lime Street, Bingley, West Yorkshire, BD97 1AD.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The company's financial statements are presented in British Pounds and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The principal accounting policies adopted by the company are set out in note 2.

2. Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the 53-week period ended 2 July 2021.

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirement in paragraph 38 of IAS1 'Presentation of Financial Statements' to present comparative information in respect of:
 - i) paragraph 79(a)(iv) of IAS 1;
 - ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - iii) paragraph 118(e) of IAS 38 Intangible Assets;
- (c) the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 'Presentation of Financial Statements';
- (d) the requirements of IAS7 Statement of Cash Flows;
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (f) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (g) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (h) the requirements of IFRS 15 Revenue from Contracts with Customers; and
- (i) the requirement of IFRS 16 paragraph 52 to disclose separate information about individual leases.

The above exemption (a) requires an equivalent disclosure to be included in the consolidated financial statements of the group in which Damartex UK Limited is consolidated. These are available in the Damartex S.A. group financial statements, a company incorporated in France. Copies of these accounts can be obtained from Damartex S.A., 25 Avenue de la Fosse aux Chênes 59100 Roubaix, France and at www.damartex.com.

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 401 of the Companies Act 2006 as it is a subsidiary undertaking of Damartex S.A., a company incorporated in France, and is included in the group financial statements of that company.

Going concern

The company and its subsidiary continue to be primarily funded by the Damartex S.A. group cash-pooling arrangement. Damartex S.A. is a publicly quoted company listed on the Euronext Growth market in Paris, France.

In determining whether the financial statements can be prepared on a going concern basis, the directors have considered the company's and its subsidiary's business activities together with the principal risk and uncertainty factors which are likely to affect its future performance and financial position. The key risks that the company faces are described in the Strategic Report and mainly relate to the current UK shopping environment, competition and external factors such as the Covid-19 pandemic and the sharp increase in the cost of freight and raw materials. Managing operating costs and working capital needs to changing levels of activity in the short term remains the main business challenge.

Forecasts prepared to 31 March 2023 demonstrate that the company is forecast to trade profitably and generate cash, taking into account the risks explained above. These forecasts have been constructed on conservative assumptions and have been based on a range of scenarios including the worst possible trading outcomes.

The continuing support of Damartex S.A. and the cash-pooling arrangement is also a factor in the going concern review. Consequently, the company has obtained a letter of support from Damartex S.A. confirming that it will provide financial support to the company for a period to 31 March 2023 to assist in meeting its liabilities to the extent that the money is not otherwise available to the company to meet such liabilities. The directors have assessed the level of financial support available, taking into account the group's financial plan and cash flow forecast for the period to 31 March 2023 and are satisfied such support is available.

In its communication on 9 September 2021, Damartex S.A. reported a net cash surplus position of €25.9m (2020 net debt €43.8m). There were no changes to its credit lines of €120.0m to 2024 and 2026 which it announced in its 16 July 2020 press release. There were also no changes to the lightening of its financial covenants for the financial years ended 30 June 2021 and 30 June 2022, also announced on 16 July 2020. In a press release of 4 June 2021 Damartex S.A. announced the early repayment of its €80.0m French state guaranteed loan which it had obtained in July 2020 due to the uncertainties of the Covid-19 pandemic. As noted last year, Damartex S.A. announced in a 21 October 2020 communication of the success of its preferential subscription rights issue for shareholders and subsequent capital increase of €33.9m to help finance the group's development.

The Directors have considered the impact of climate-related matters and the ongoing conflict in Ukraine on the going concern assessment and it is not expected to have a significant impact on the going concern assessment to 31 March 2023.

Based on all these considerations, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period to 31 March 2023. Thus, the directors consider it to be appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Foreign currencies

The company's financial statements are presented in British Pounds, which is also the company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

(a) Pension

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, the company considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the UK. Future salary increases and pension increases are based on expected future inflation rates for the UK. Further details are given in note 22.

(b) Returns provision

The company provides for the expected level of customer returns on a rolling basis which is assessed weekly and adjusted as appropriate. The provision is built on historic data and overlaid with any current trends to give the expected returns level.

(c) Stock provision

The company has significant levels of stock and estimates are involved in the calculation of the required provision for aged inventories. The stock system categorises stock in terms of its ageing and its status for use within the current season, future seasons or dormant and this is reviewed monthly within a season.

At the end of the season, a full review of stock is carried out to see which items and styles are to be re-categorised. This level of detail allows a provision to be calculated based on assumptions built on historical data, adjusted for any current or future market conditions.

(d) Allowance for bad debts

The company makes an estimate of the expected bad debts to be incurred on its customer account balances. The level of bad debts is generally low due to the nature of the business and the provision is

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

calculated by reference to historical data. The provision is adjusted where there has been any significant change in the credit business or market which is expected to impact on the bad debt rates.

2. Accounting policies (continued)

Intangible assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Software development costs

Development expenditure on an individual project is recognised as an intangible asset when the company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised evenly over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Amortisation is provided on all software whether internally generated or not, on a straight-line basis over its expected useful life as follows:

Software	–	20% to 25%
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Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs directly attributable to assets under construction and which meet the recognition criteria in IAS 23 are capitalised as part of the cost of that asset.

Depreciation is provided on all property, plant and equipment, other than land, on a straight-line basis over its expected useful life as follows:

Freehold buildings	–	2% to 2½%
Plant and machinery	–	10% to 20%
Motor vehicles	–	25%
Fixtures and equipment	–	15%
Computer equipment	–	25% to 33⅓%

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

2. Accounting policies (continued)

Provisions for liabilities

A provision is recognised when the company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Right-of-use assets and lease liabilities

Where a contract is deemed to contain a lease, a lease liability is initially recognised at the commencement day and measured at an amount equal to the present value during the lease term (the non-cancellable period that are not yet paid). Further details are provided in note 12.

Where substantially all of the risks and rewards incidental to ownership of a lease asset have been transferred to the company as is the case in a hire purchase contract, the asset is treated as if it had been purchased outright. The amount initially recognised as an asset is the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability.

Lease payments are analysed between capital and interest. The interest element is charged to the income statement over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Assets held under these leases are classified as plant, machinery, fixtures and vehicles.

Stocks

Stock is stated at the lower of cost and net realisable value. Cost comprises direct materials and other costs that have been incurred in bringing inventories to their current location and condition, including import duties and inward freight costs. Where necessary, provision is made for obsolete, slow moving and defective stock.

Trade debtors

Trade debtors are recognised and carried at the lower of their original invoiced value and recoverable amount. Provision for impairment is made through profit or loss when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Damartex UK Limited

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at 2 July 2021

2. Accounting policies (continued)

Income taxes (continued)

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise, income tax is recognised in the income statement.

Pensions

The company operates a defined benefit pension scheme, The Damartex UK Limited (DB) Scheme, which requires contributions to be made to separately administered funds. The scheme is closed and no benefits have accrued since October 2012.

The company participates, along with its subsidiary S.H.C. Limited, in the scheme for some employees. The company makes the contributions that are assessed across the two companies, to separately administered funds. No service costs are incurred on the scheme. Changes in the value of assets and liabilities are recognised in the period in which they arise.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling and the return on the net assets (excluding amounts included in net interest), are recognised immediately in other comprehensive income in the period in which they occur.

The company also operates a defined contribution schemes with the amount charged to the profit and loss account being the contributions payable in the year.

The company makes contributions on behalf of some employees to defined contribution schemes with the amount charged to the profit and loss account being the contributions payable in the year.

Revenue recognition

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 at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue is recognised when goods are dispatched and the risks and rewards of ownership have transferred to the buyer. Sales returns in the period are recognised as a deduction to revenue as incurred. Provision is made for outstanding returns not yet made at the period end. Accumulated experience (including historical returns rates) is used to estimate and provide for such returns. The provision is recorded as a reduction in revenue with a corresponding entry to debtors.

Customers can choose to pay for goods using their Damart credit account known as a "Personal Account". Interest is charged on outstanding balances and is calculated daily. Interest and Personal Account administration charges are recognised at each customer statement date.

Government grants

The company recognised Government assistance received under the Coronavirus Job Retention Scheme in the same period as the related employee salary costs were incurred. The income is included within Operating Profit (see note 4).

VAT payments allowed to be deferred by HM Revenue & Customs for periods between 9 and 12 months were included within other VAT amounts payable within Creditors: amounts falling due within one year (see note 16) in the prior period. All deferred amounts had been settled in full by end of the current period.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

3. Turnover

Turnover is attributable to the principal area of activity being that of home shopping. Turnover, which is stated net of VAT, represents amounts receivable from third parties for goods and services provided in the normal course of business. Turnover includes the sales of merchandise, delivery charges and income from the provision of credit to customers. All activities are continuing.

An analysis by geographical area - Turnover is substantially all in the United Kingdom. Prior to 2019 the USA was a significant export market, sales in the year totalled £9,000 (2020 – £19,000).

	2021	2020
	£000	£000
Sale of goods	110,620	90,823
Interest and other credit income	4,519	4,348
	<u>115,139</u>	<u>95,171</u>

4. Operating profit

This is stated after charging:

	2020	2020
	£000	£000
Auditors' remuneration	<u>74</u>	<u>49</u>
Amortisation of intangible fixed assets	290	260
Depreciation of tangible fixed assets	746	728
Net foreign currency exchange differences	(915)	(77)
Cost of stocks recognised as an expense (included in cost of sales)	40,359	34,864
Including: - write down of stocks to net realisable value	671	996
Coronavirus Job Retention Scheme grant (see note 5)	<u>(47)</u>	<u>(213)</u>

5. Staff costs

(a) Staff costs	2021	2020
	£000	£000
Wages and salaries	13,545	11,837
Social security costs	995	939
Other pension costs in respect of defined contribution schemes	618	566
	<u>15,158</u>	<u>13,342</u>

The average monthly number of employees (including executive directors) during the year was made up as follows:

	No.	No.
Home shopping	<u>617</u>	<u>609</u>

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

5. Staff costs (continued)

During the start of the Covid-19 crisis in March 2020, following an initial unprecedented drop in customer orders and Government instructions for people to stay at home, the company initially placed 118 employees on furlough leave in line with the HMRC Coronavirus Job Retention Scheme. As sales recovered this reduced to 35 employees by 26 June 2020. There were no employees on furlough leave after 7 September 2020. During the year, the company received £47,000 (2020 - £213,000) assistance from HMRC to help pay salary, National Insurance and pension costs for these employees. This amount has not been deducted from staff costs in the above disclosure but has been disclosed separately in note 4 and is deducted from staff costs in the income statement. There are no unfulfilled conditions or contingencies relating to this assistance.

(b) Directors' remuneration

	2021 £000	2020 £000
Aggregate remuneration in respect of qualifying services	466	461
Aggregate compensation for loss of office	-	-
	<u>466</u>	<u>461</u>
Number of directors accruing benefits under:		
Defined benefit schemes	-	-
Defined contribution schemes	<u>2</u>	<u>2</u>
Number of directors who received shares in respect of qualifying services	-	-
Number of directors who exercised share options	<u>-</u>	<u>-</u>

Share-based payments are made in some years by Damartex S.A. under the Damartex S.A. Stock-Options and Free Shares Plans using Damartex S.A. shares. The aggregate amount included in the total directors' remuneration amounted to £nil (2019 - £nil).

In respect of the highest paid director:

	2021 £000	2020 £000
Aggregate remuneration	<u>251</u>	<u>258</u>
Accrued pension at the end of the year	-	-
Accrued lump sum at the end of the year	<u>-</u>	<u>-</u>

6. Net interest payable and similar charges

	2021 £000	2020 £000
Net interest on defined benefit liability	(64)	(7)
On inter-group loans	70	110
Lease interest	23	31
Total interest expense	<u>29</u>	<u>134</u>

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

7. Other income

	2021	2020
	£000	£000
Dividends received	1,200	-
Total other income	1,200	-

8. Tax

(a) Tax charged in the income statement

	2021	2020
	£000	£000
Current income tax:		
Current income tax charge	1,230	-
Adjustments in respect of prior periods	(13)	-
Total current income tax	1,217	-
Deferred tax:		
Origination and reversal of timing differences	114	(34)
Change in tax rates	(43)	22
Total deferred tax (note 8(d))	71	(12)
Tax expense/(credit) in the income statement	1,288	(12)

(b) Tax relating to items charged or credited to other comprehensive income:

	2021	2020
	£000	£000
Deferred tax:		
Actuarial gains on defined benefit pension schemes	186	766
Total deferred tax	186	766
Tax expense in the statement of other comprehensive income	186	766

(c) Reconciliation of the total tax charge/(credit)

The tax charge/(credit) in the income statement for the year and prior year differs from the standard rate of corporation tax in the UK of 19%. The differences are reconciled below:

	2021	2020
	£000	£000
Accounting profit before income tax	8,011	272
Tax calculated at UK standard rate of corporation tax of 19%	1,522	51
Effects of:		
Other permanent differences	37	(85)
Change in tax rates	(43)	22
Non-taxable income	(228)	-
Total tax charge/(credit) reported in the income statement	1,288	(12)

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

8. Tax (continued)

(d) Deferred tax

The deferred tax included in the company balance sheet is as follows:

<i>Deferred tax asset</i>	<i>2021</i> <i>£000</i>	<i>2020</i> <i>£000</i>
Trading losses carried forward	-	101
	<u>-</u>	<u>101</u>
<i>Deferred tax liability</i>	<i>2021</i> <i>£000</i>	<i>2020</i> <i>£000</i>
Accelerated capital allowances	(114)	(145)
Pension costs	(1,036)	(849)
	<u>(1,150)</u>	<u>(994)</u>
	<i>2021</i> <i>£000</i>	<i>2020</i> <i>£000</i>
<i>Disclosed on the balance sheet</i>		
Deferred tax asset	-	101
Deferred tax liability	(1,150)	(994)
Included in provisions for liabilities (note 19)	<u>(1,150)</u>	<u>(893)</u>
	<i>£000</i>	<i>£000</i>
<i>Deferred tax in the income statement</i>		
Pensions	1	49
Utilisation/recognition of tax losses	101	(57)
Accelerated capital allowances	(31)	(4)
Deferred tax charge/(credit)	<u>71</u>	<u>(12)</u>
<i>Including deferred tax on defined benefit pension liability/asset</i>		<i>£000</i>
At 26 June 2020		(893)
Deferred tax credited in the income statement		(71)
Amounts relating to items (charged) or credited to other comprehensive income		<u>(186)</u>
At 2 July 2021		<u>(1,150)</u>

(e) Unrecognised tax losses

The company has unutilised tax losses arising in the UK of £1,152,000 (2020 - £1,152,000) relating to capital losses arising from capital restructuring of former subsidiaries in the past that are available indefinitely against future capital gains. Deferred tax assets have not been recognised in respect of these losses as there is uncertainty over the recoverability.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

8. Tax (continued)

(f) Tax rates

The standard rate of tax applied to the reported loss on ordinary activities is 19% (2020 – 19%). Legislation to reduce the corporation tax rate from 19% to 17% with effect from 1st April 2020 was enacted on 12th February 2019. The Finance Act 2020 cancelled this reduction and re-imposed a corporation tax rate of 19% for financial years beginning on 1st April 2020 and 2021, consequently the rate of 19% had been used to measure the company's deferred tax assets and liabilities in the prior year.

On 10 June 2021 the Finance Bill 2021 was enacted which included a provision to increase the standard rate of corporation tax to 25% with effect from 1 April 2023. This rate was therefore used to measure the deferred tax liabilities that are anticipated to unwind from 1 April 2023 onwards. A significant majority of the deferred tax liability arises as a result of the defined benefit pension scheme surplus. The directors do not anticipate that the new tax rate of 25% will apply to any part of this timing difference.

9. Dividends paid and proposed

	2021 £000	2020 £000
Declared and paid during the year	2,000	–
Dividends paid	2,000	–
<i>Approved by shareholders at the AGM:</i>		
Final dividend for 2021: £nil (2020: £nil)	–	–

10. Intangible assets

	<i>Internally generated software £000</i>	<i>Other software £000</i>	<i>Total £000</i>
Cost:			
At 26 June 2020	2,219	1,035	3,254
Additions	–	15	15
Disposal	–	–	–
At 2 July 2021	2,219	1,050	3,269
Amortisation:			
At 26 June 2020	1,624	1,011	2,635
Charge for the year	271	19	290
Disposal	–	–	–
At 2 July 2021	1,895	1,030	2,925
Net book value:			
At 2 July 2021	324	20	344
At 26 June 2020	595	24	619

Amortisation is provided on all software whether internally generated or not, on a straight-line basis over its expected useful life as follows:

Software – 20% to 25%

Amortisation is included on the Income Statement within Other Operating Expenses.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

11. Tangible fixed assets

	<i>Freehold land and buildings £000</i>	<i>Plant, machinery, fixtures and vehicles £000</i>	<i>Total £000</i>
Cost:			
At 26 June 2020	11,854	11,820	23,674
Additions	140	330	470
At 2 July 2021	11,994	12,150	24,144
Depreciation:			
At 26 June 2020	7,231	11,264	18,495
Charge for the year	376	370	746
At 2 July 2021	7,607	11,634	19,241
Net book value:			
At 2 July 2021	4,387	516	4,903
At 26 June 2020	4,623	556	5,179

12. Right-of-use assets

	<i>Total £000</i>
Cost:	
At 26 June 2020	2,048
Disposals	(10)
At 2 July 2021	2,038
Depreciation:	
At 26 June 2020	502
Charge for the year	500
Disposals	(3)
At 2 July 2021	999
Net book value:	
At 2 July 2021	1,039
At 26 June 2020	1,546

At the inception of a lease, the company recognises a right-of-use asset at cost, which comprises the present value of minimum lease payments determined at the inception of the lease. Right-of-use assets are depreciated using the straight-line method over the shorter of estimated life or the lease term. Depreciation is included within other operating expenses within the income statement. Amendment to lease terms resulting in a change in payments or length of the lease results in an adjustment to the right-of-use asset and liability. Right of-use-assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable.

Right-of-use assets exclude leases with low values and terms of 12 months or less. These leases are expensed to the income statement as incurred.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

13. Investments – non-current

Interests in group undertakings

<i>Name of company</i>	<i>Description of shares held</i>	<i>Held by Group</i>	<i>Proportion of nominal value of issued shares Company</i>
S.H.C. Limited	Ordinary £1	100%	100%

The principal business activity of the trading subsidiary, S.H.C. Limited, is that of operating retail outlets branded as “Damart”. The registered office address is the same as Damartex UK Limited.

14. Stocks

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Finished goods and goods for resale	17,474	12,080

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The right of return asset within stocks relating to the customer returns provision amounted to £466,000 (2020: £398,000).

15. Debtors

	<i>2021</i>	<i>2020</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	16,901	15,213
Amounts owed by group undertakings	9,112	3,699
Corporation tax debtor	-	141
Other debtors	-	-
Prepayments and accrued income	1,408	1,662
	<u>27,421</u>	<u>20,715</u>

The allowance for expected credit loss on trade debtors is £366,000 as at 2 July 2021 (2020: £367,000).

Trade debtor balances comprise of balances due from customers using the Damart and Afibel Personal Account credit facilities. These facilities allow customers to place orders on their account and make no payment up front but choose to either pay in full or spread the cost, in a similar way to a credit card.

Where the customer has spread the cost of an order, the balance becomes interest bearing at a representative Annual Percentage Rate (“APR”) of 37.7% and the income is classified as interest income (see note 3).

The company registered a floating charge on 12 December 2015, granted to the trustees of the Damartex UK Limited (DB) Pension Scheme, over its customers’ consumer credit balances (within Trade Debtors) to a maximum value of £2,500,000 – see note 22.

For terms and conditions relating to related party receivables, refer to note 24.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

16. Creditors: amounts falling due within one year

	2021	2020
	£000	£000
Bank loans and overdrafts	1,419	928
Trade creditors	7,670	4,326
Amounts owed to group undertakings	2,440	3,455
Other taxation and social security costs	3,075	4,423
Other creditors	582	148
Accruals and deferred income	9,998	5,675
Lease liabilities	456	501
Corporation Tax	1,076	-
	<u>26,716</u>	<u>19,456</u>

Trade creditors are non-interest bearing and are settled on terms agreed with the supplier, with the company's preferred terms being payment 60 days from invoice date.

The company chose to take advantage of HM Revenue & Customs' scheme to defer VAT payments due between 20 March 2020 and 30 June 2020. The total benefit received was a delay until 31 March 2021 of £1,396,000 of VAT liabilities of which £1,123,000 would otherwise have been payable by 26 June 2020.

For terms and conditions relating to related party payables, refer to Note 24.

17. Creditors: amounts falling due after more than one year

	2021	2020
	£000	£000
Lease liabilities	607	1,067
	<u>607</u>	<u>1,067</u>

Following the adoption of IFRS 16 at 29 June 2019, hire purchase liabilities are recognised as lease liabilities.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

18. Leases

The company leases various items of plant, machinery, fixtures and vehicles under non-cancellable operating leases. In accordance with IFRS 16, from 29 June 2019 these leases are now recognised as right-of-use assets, further information on the amounts recognised in the balance sheet are included within notes 2 and 12.

	2021	2020
	£000	£000
<i>Undiscounted lease payments due:</i>		
Within one year	473	524
In two to five years	613	1,087
Over five years	-	-
	<u>1,086</u>	<u>1,611</u>
	2021	2020
	£000	£000
<i>Amounts recognised in the Profit and Loss Account</i>		
Depreciation	500	502
Interest expense	23	31
Expense relating to short-term leases (included in operating expenses)	-	5
	<u>523</u>	<u>538</u>

The total cash outflow for leases during the year was £522,000 (2020: £530,000).

19. Provisions for liabilities

	<i>Deferred tax</i>
	<i>(Note 8(d))</i>
	£000
At 26 June 2020	893
Arising during the year	156
Amount utilised	101
At 2 July 2021	<u>1,150</u>
	<i>Other</i>
	<i>Provisions</i>
	£000
At 26 June 2020	837
Amounts utilised	(337)
Released	(79)
At 2 July 2021	<u>421</u>

After reviewing the structure of the organisation, several roles were made redundant incurring a cost in the prior year of £337,000. All payments were completed by the end of November 2020 and the provision was therefore utilised in the current year.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

19. Provisions for liabilities (continued)

During the prior year, a review was made of financial control procedures and it was identified that various omissions had been made in VAT declarations in previous years. These omissions were disclosed to HM Revenue & Customs and a £500,000 provision was made for potentially underpaid tax, interest and penalties. During the year, further discussion with HM Revenue & Customs were held regarding the case of N Brown Group PLC and JD Williams & Company Ltd (TC/2011/01927) and treatment of marketing costs in relation to the VAT Partial Exemption method. A settlement balance of £421,000 was reached with respect to underpaid tax, including penalties, interest and costs, in March 2022. This was paid in March 2022 and has resulted in a release of provision of £79,000 against the original £500,000 provision, leaving £421,000 provided for as at the balance sheet date of 2 July 2021.

20. Authorised, issued and called up share capital

		2021		2020
<i>Authorised</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Redeemable shares of £1 each	38,136	38	38,136	38
B Redeemable shares of £1 each	400,000	400	400,000	400
Ordinary shares of £20 each	113,000	2,260	113,000	2,260
Ordinary 1 shares of £20 each	242,700	4,854	242,700	4,854
		<u>7,552</u>		<u>7,552</u>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £20 each	113,000	2,260	113,000	2,260
Ordinary 1 shares of £20 each	242,700	4,854	242,700	4,854
		<u>7,114</u>		<u>7,114</u>

Rights of each class of shares

Dividends shall be distributed to holders of Redeemable, Ordinary and Ordinary 1 shares *pari passu*. Holders of B Redeemable shares are not entitled to receive any dividends.

On a return of assets on liquidation, the assets of the company shall be distributed amongst holders of all share classes *pari passu*.

All shares carry one vote each at general meetings.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

21. Reserves

Equity share capital

The balance classified as equity share capital includes the total net proceeds at nominal value on issue of the company's equity share capital, comprising £20 ordinary shares.

Share premium account

Share premium represents the excess of proceeds received over the nominal value of new shares issued.

Capital redemption reserve

Arising from the purchase of own share capital.

22. Pensions

The company operates The Damartex UK Limited (DB) Pension Scheme (the 'scheme'), which is a final salary defined benefit pension scheme in the UK. The scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. Details of the benefits provided by the scheme are set out in the Trust Deed and Rules dated 7 April 2009, as amended by the deed dated 28 September 2012 and 10 January 2017. The scheme is closed and benefit accrual ceased with effect from 1 October 2012. Those members who were active at that date became deferred pensioners from that date.

The disclosures below are based on calculations carried out at 2 July 2021 by a qualified independent actuary.

The scheme's assets are held in a separate trustee-administered fund to meet long-term pension liabilities to beneficiaries. The trustees of the scheme are required to act in the best interest of the beneficiaries. The appointment of trustees is determined by the trust documentation.

The trustees of the scheme invest the assets in line with the Statement of Investment Principles. The Statement of Investment Principles has been established taking into consideration the liabilities of the scheme and the investment risk that the trustees are willing to accept.

Under the Scheme Funding regime introduced by the Pensions Act 2004, the trustees are required to carry out regular scheme funding valuations of the scheme and establish a schedule of contributions and a recovery plan when there is a shortfall in the scheme. The recovery plan, if any, details the amount and timing of the contributions required to eliminate any shortfall in the scheme. Scheme funding valuations are carried out at least every three years. Interim valuations are produced annually in years where a full scheme funding valuation is not being completed.

At each scheme funding valuation, the present value of the contributions detailed in the then current recovery plan, if any, is compared with any shortfall revealed. Where the contributions under a current recovery plan are no longer sufficient to remove the shortfall by the end of period specified in the recovery plan, extra contributions will need to be agreed between the trustees and the principal employer. Options include increasing contributions due from the principal employer, extending the recovery period with additional contributions paid after the expiry of the current recovery period or a combination of the two. The affordability to the principal employer of any increase in contributions is a primary factor in the agreement of any new recovery plan.

Where the contributions in the then current recovery plan, if any, are more than sufficient to remove the shortfall by the end of the recovery period, options include reducing contributions due, keeping the recovery period the same, or shortening the recovery period.

Following a Scheme Funding Assessment made as at 30 September 2016 where a deficit of £2,500,000 was identified, a recovery plan was agreed with the company making deficit reduction contributions of £250,000 per annum for 10 years with the first payment of £250,000 made in September 2017 and subsequent payments made in equal monthly instalments.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

22. Pensions (continued)

After a triennial valuation as at 30 September 2019 the deficit was assessed at £900,000 but by using more prudent asset growth assumptions than in 2016 due to a change in the investment strategy agreed by the scheme's trustees. It was agreed by the trustees and the directors of the company in July 2020 for the company's monthly contributions to be suspended between August 2020 and February 2021 and to terminate by September 2024.

At 2 July 2021, the IAS 19 valuation of the scheme showed a surplus of £5,452,000 (2020: surplus of £4,469,000).

The assets and liabilities of the schemes at 2 July 2021 were:

	2021	2020	2019
	£000	£000	£000
<i>Scheme assets at fair value</i>			
Equities	2,654	9,614	8,969
Gilts and bonds	23,885	18,153	16,214
Other	613	102	118
Fair value of scheme assets	27,152	27,869	25,301
Present value of scheme liabilities	(21,700)	(23,400)	(25,100)
Defined benefit pension plan surplus	5,452	4,469	201

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

Recognised in the Income Statement

	2021	2020
	£000	£000
Past service costs and curtailments	(40)	-
Administration expenses paid	(126)	(21)
Settlements	-	-
Net interest on defined benefit liability	64	7
Recognised in the Income Statement	(102)	(14)

Taken to the Statement of Comprehensive Income

	2021	2020
	£000	£000
Return on plan assets (excluding amounts included in net interest expense)	391	2,364
Actuarial changes arising from changes in demographic assumptions	(100)	-
Actuarial changes arising from changes in financial assumptions	690	1,668
Recognised in the Statement of Comprehensive Income	981	4,032

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

22. Pensions (continued)

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2021 £000	2020 £000
Opening present value of defined benefit obligation	23,400	25,100
Current service cost (including administration expenses)	126	21
Interest on benefit obligation	329	583
Actuarial gains	(590)	(1,668)
Benefits paid	(1,479)	(615)
Administration expenses paid	(126)	(21)
Past service costs and curtailments	40	-
Settlements	-	-
Closing defined benefit obligation	<u>21,700</u>	<u>23,400</u>

Changes in the fair value of plan assets are analysed as follows:

	2021 £000	2020 £000
Opening fair value of scheme assets	27,869	25,301
Interest income on plan assets	393	590
Actuarial gains	391	2,364
Contributions by employer	104	250
Benefits paid	(1,479)	(615)
Administration expenses paid	(126)	(21)
Closing fair value of scheme assets	<u>27,152</u>	<u>27,869</u>

The actuarial valuation of the scheme was updated to take account of the requirements of IAS 19 to assess the liabilities of the scheme at 2 July 2021.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

22. Pensions (continued)

The principal actuarial assumptions at the balance sheet date were:

	2021	2020	2019
	%	%	%
Rate of salary increases	n/a	n/a	n/a
Rate of increase in pensions payment	3.25	2.80	3.15
Discount rate	1.90	1.45	2.35
Inflation assumption	3.30	2.85	3.35
Mortality rates	S2PA, YoB, CMI 2020 1.0% long-term trend tables	S2PA, YoB, CMI 2018 1.0% long-term trend tables	S2PA, YoB, CMI 2018 1.0% long-term trend tables
Post retirement mortality (in years)			
Current pensioners at 65 - male	21.4	21.4	21.3
Current pensioners at 65 - female	23.5	23.3	23.2
Future pensioners at 65 - male	22.4	22.4	22.3
Future pensioners at 65 - female	24.7	24.5	24.4

The discount rate is based on published indices for 15-year AA bonds. The assumptions for inflation and for increases in pensions are based on the yield gap between long-term index-linked and long-term fixed interest gilt securities. The post retirement mortality assumptions allow for expected increases in longevity.

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/(increase) by 8.2%/(7.5%)
Inflation assumption	Increase/decrease by 0.5%	(Increase)/decrease by (5.7%)/5.3%
Post retirement mortality	Increase by 1 year	Increase by 3.0%

The level of contributions is based on the expected future cash follows of the defined benefit scheme. The company estimates the present value of the duration of scheme liabilities on average fall due over 16 years.

The company registered a floating charge on 12 December 2015, granted to the scheme trustees, over its customers' consumer credit balances (see note 15). The charge, which has a maximum value of £2,500,000, was created to provide security to the trustees of the scheme in addition to any schedule of deficit contributions put in place following triennial scheme funding valuations.

Damartex UK Limited

Notes to the financial statements

at 2 July 2021

23. Contingent liabilities and commitments

- (a) In an omnibus guarantee and set-off agreement dated 16 July 2019, the company has undertaken to guarantee any amounts owed by fellow group undertaking The Enterprise Department Limited to Lloyds Banking Group.
- (b) At 2 July 2021 the company, through its bankers, had given a guarantee of £500,000 (2020: £500,000) to HM Revenue & Customs in respect of the deferment of import VAT and customs duty.

24. Related party transactions

During the year the company entered into transactions, in the ordinary course of business, with other related parties. The company has taken advantage of the disclosure exemptions under FRS 101 from disclosing transactions with wholly owned related parties that are part of the Damartex S.A. group. Trading balances outstanding with related parties at 26 June 2020 and 2 July 2021, are as follows:

	2021	2020
	£000	£000
Amounts owing to parent undertakings	(495)	(347)
Amounts owing from parent undertakings	9,020	3,600
Amounts owing to fellow subsidiary undertakings	(1,945)	(3,108)
Amounts owing from fellow subsidiary undertakings	92	99

Terms and conditions of transactions with related parties

Balances with fellow subsidiary entities are placed on intercompany accounts with an expectation of payment within 60 days, except for the direct subsidiary S.H.C. Limited where there is no specified credit period. Outstanding balances are unsecured and interest free.

The amounts owing to the company's parent undertaking have no expectation for immediate repayment. Interest is payable on the loan at LIBOR +0.5%.

The company has not provided or benefited from any guarantees for any related party receivables or payables other than that mentioned in note 23(a) above. During the period ended 2 July 2021, the company has not made any provision for doubtful debts relating to amounts owed by related parties.

25. Ultimate parent undertaking and controlling party

The directors are of the opinion that the immediate parent undertaking of the company is Damartex S.A., which is incorporated in France.

Copies of Damartex S.A. consolidated group financial statements, which include the company, can be obtained from 25, Avenue de la Fosse-aux-chênes, 59100 Roubaix, France or at the website address: <https://damartex.com/en/regulated-informations/>

The ultimate parent undertaking and controlling party is J.P.J.D. SCA, which is incorporated in France.

26. Events after the end of the reporting period

The directors declared an interim dividend of £12,000,000 in respect of the 52-week period ending 1 July 2022. The approval of this dividend was after the balance sheet date and has therefore been considered to be a non-adjusting post balance sheet event. This dividend was paid on 17 December 2021.