

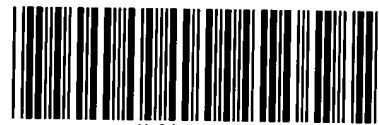
The Cambridge Satchel Company Limited

**Annual report and financial
statements**

Registered number 06763257

For the year ended 30 June 2016

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Strategic Report

The directors present their annual report and the audited financial statements for the year ended 30 June 2016.

Business review

The company continued to manufacture and sell leather goods through its own retail outlets, a vast number of global retail outlets and through the company's website. The results for the year are set out in the profit and loss account on page 9.

Key financial performance indicators

	2016 £'000	2015 £'000	Change %
Turnover	11,079	7,452	48.7
Gross profit	4,208	2,998	40.4
Gross profit margin	38%	40.2%	(2.2)
Operating loss	3,395	3,524	3.7

Turnover grew by 48.7% in the year from £7.45 million to £11.08 million. It is anticipated that there will be modest growth in turnover during the coming year.

The underlying operating loss decreased by 3.7% in the year.

Post year end, the company has taken initiatives to improve gross profit margin whilst maintaining turnover. The company has also reviewed its cost base and has taken a series of cost reducing measures.

Principal risks and uncertainties

The company has carried out a review to evaluate the risks and uncertainties facing the company. The principal risks and uncertainties are broadly grouped as:

Competitive Risks

The markets we serve are subject to fluctuation in demand by customers, which are linked to the wider economic environment. The company actively monitors movements in customer trends and reflects those in its business planning processes.

Regulatory Risks

The company carries out an annual review of quality management systems and reviews upcoming changes in legislation and regulation to assess the impact and plan changes required to business processes.

Financial Risks

The directors assess the risk of possible business interruption caused by external factors on an ongoing basis. They ensure appropriate internal controls are in place to minimise the impact of any disruption.

The company is subject to transactions in foreign currency and fluctuations and does not use hedge accounting. The impact of such movements are monitored closely by the company in order to reduce any exposure. The company has no interest bearing borrowings and hence has no significant exposure to interest rate risk other than on cash deposits.

By order of the board



J Deane
Director

28th June 2017

Directors' report

The directors present their directors' report and financial statements for the year ended 30 June 2016.

Principal activities

The principal activity of the company is the manufacture and retail of leather goods.

Results

The loss for the year after taxation amounted to £1,332,624 (2015: £5,370,289).

Directors

The directors who held office during the year were as follows:

JP Deane
G Zocco

Political and charitable contributions

The company made no political or charitable donations or incurred any political expenditure during the year (2015: £nil).

Future developments

The Company has undertaken initiatives to improve gross profit margin, whilst also reviewing its cost base and implementing cost reducing measures. The financial year ending 30 June 2017 is forecast to have a significantly reduced loss and the following financial year is forecast to return back to profitability.

Research and development activities

The company continues to invest in product development and has many exciting product launches in the pipeline.

Employee involvement

It is the management's policy to encourage employees to participate in the company's affairs. The directors seek to keep staff informed and involved in the progress of the company.

Disabled employees

All applications for employment from disabled persons are given full and fair consideration, due regard being given to the aptitude and ability of the individual and the requirements of the position concerned. Disabled persons are treated on equal terms with other employees as regards training, career development and promotion. In the event of an existing employee becoming disabled, every effort is made to ensure continuity of employment and that appropriate training is given where necessary.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Directors' report *(continued)*

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



J Deane
Director

Lower Ground
5 Copley Hill Business Park
Cambridge Road
Cambridge
CB22 3GN
28th June 2017

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including *FRS 102 Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Botanic House
100 Hills Road
Cambridge
CB2 1AR
United Kingdom

Independent auditor's report to the members of The Cambridge Satchel Company Limited

We have audited the financial statements of The Cambridge Satchel Company Limited for the year ended 30 June 2016 set out on pages 9 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

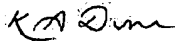
In our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements.

Independent auditor's report to the members of The Cambridge Satchel Company Limited *(continued)*

Matters on which we are required to report by exception

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

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



Kelly Dunn (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR

Date: 28th June 2017

Profit and loss account
for the year ended 30 June 2016

	<i>Note</i>	2016 £	2015 £
Turnover	2	11,079,085	7,451,697
Cost of sales		(6,871,248)	(4,454,167)
		<hr/>	<hr/>
Gross profit		4,207,837	2,997,530
Administrative expenses		(7,602,695)	(6,522,358)
		<hr/>	<hr/>
Operating loss		(3,394,858)	(3,524,828)
Interest receivable and similar income	6	2,159,738	13,028
Interest payable and similar charges	7	(182,463)	(2,155,841)
		<hr/>	<hr/>
Loss before taxation	3	(1,417,583)	(5,667,641)
Tax on loss	8	84,959	297,352
		<hr/>	<hr/>
Loss for the year	19	(1,332,624)	(5,370,289)
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2016 (2015: £Nil).

The notes on pages 13 to 27 form part of these financial statements.

Balance sheet
at 30 June 2016

	<i>Note</i>	2016	2015
		£	£
Fixed assets			
Intangible assets	<i>10</i>	65,449	73,685
Tangible assets	<i>11</i>	1,765,650	1,166,447
		<u>1,831,099</u>	<u>1,240,132</u>
Current assets			
Stocks	<i>12</i>	2,969,239	3,303,153
Debtors	<i>13</i>	1,272,937	1,318,644
Cash at bank and in hand		790,008	3,328,939
		<u>5,032,184</u>	<u>7,950,736</u>
Creditors: amounts falling due within one year	<i>14</i>	<u>(2,407,088)</u>	<u>(1,233,260)</u>
Net current assets		<u>2,625,096</u>	<u>6,717,476</u>
Total assets less current liabilities		<u>4,456,195</u>	<u>7,957,608</u>
Creditors: amounts falling due after one year	<i>15</i>	-	(14,562,269)
Provisions for liabilities and charges	<i>16</i>	<u>(46,526)</u>	<u>(131,485)</u>
Net assets/(liabilities)		<u>4,409,669</u>	<u>(6,736,146)</u>
Capital and reserves			
Called up share capital	<i>18</i>	3,790	2,526
Share premium		12,406,390	-
Share based payment reserve		121,178	50,393
Profit and loss account		<u>(8,121,689)</u>	<u>(6,789,065)</u>
Shareholders' funds/(deficit)		<u>4,409,669</u>	<u>(6,736,146)</u>

The notes on pages 13 to 27 form a part of these financial statements.

These financial statements were approved by the board of directors on 28th June 2017 and were signed on its behalf by:



J Deane
Director

Company registered number: 06763257

Statement of changes in equity

	Called up share capital £	Share premium £	Share-based payment reserve £	Profit and loss account £	Total equity £
Balance at 1 July 2014	2,526	-	-	(1,418,776)	(1,416,250)
Total comprehensive income for the year					
Loss for the year	-	-	-	(5,370,289)	(5,370,289)
Movement in share based payment reserve	-	-	50,393	-	50,393
Balance at 30 June 2015	2,526	-	50,393	(6,789,065)	(6,736,146)
Balance at 1 July 2015	2,526	-	50,393	(6,789,065)	(6,736,146)
Total comprehensive income for the year					
Loss for the year	-	-	-	(1,332,624)	(1,332,624)
Reclassification of preference shares	1,264	12,406,390	-	-	12,407,654
Movement in share based payment reserve	-	-	70,785	-	70,785
Balance at 30 June 2016	3,790	12,406,390	121,178	(8,121,689)	4,409,669

The notes on pages 13 to 27 also form part of these financial statements.

Cash flow statement
for the year ended 30 June 2016

	<i>Note</i>	2016 £	2015 £
Cash flows from operating activities			
Loss for the year		(1,417,583)	(5,370,289)
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		677,793	331,728
Equity settled share-based payment expenses		70,786	50,393
Taxation		-	(297,352)
Interest receivable and similar income		(2,159,738)	(13,028)
Interest payable and similar charges		182,463	2,155,841
		<hr/>	<hr/>
Decrease/(increase) in trade and other debtors		(2,646,279)	(3,142,707)
Decrease/(increase) in stocks		45,707	(246,097)
Increase in trade and other creditors		333,914	(1,005,479)
		1,173,828	430,374
		<hr/>	<hr/>
		(1,092,830)	(3,963,909)
Interest paid		(182,463)	-
Tax paid		-	(5,100)
		<hr/>	<hr/>
Net cash from operating activities		(1,275,293)	(3,969,009)
Cash flows from investing activities			
Interest received		5,122	13,028
Acquisition of tangible fixed assets		(1,268,760)	(1,167,035)
Acquisition of other intangible assets		-	(15,650)
		<hr/>	<hr/>
Net cash from investing activities		(2,538,931)	(5,138,666)
		<hr/>	<hr/>
Decrease in cash in period		(2,538,931)	(5,138,666)
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds/(debt)			
Net decrease in cash and cash equivalents		(2,538,931)	(5,138,666)
Cash and cash equivalents at 1 July 2015		3,328,939	8,467,605
		<hr/>	<hr/>
Cash and cash equivalents at 30 June 2016		790,008	3,328,939
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 27 form a part of these financial statements.

*In the prior year preference shares classified as liabilities formed part of net debt. In the current year, as detailed in note 24, preference shares have been reclassified to equity and no longer form a part of net funds.

Notes

(forming part of the financial statements)

1 Accounting policies

The Cambridge Satchel Company Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 06763257 and the registered address is Lower Ground 5, Copley Hill Business Park, Cambridge Road, Babraham, CB22 3GN.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements are presented in pounds sterling.

An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 23.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 22.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss, tangible fixed assets and intangible assets measured in accordance with the revaluation model and investments in associates and joint ventures measured at fair value.

No such assets as described above existed at the either financial year end date.

1.2 Going concern

The directors have considered the factors that impact the company's future development, performance, cash flows and financial position along with the company's current liquidity in forming their opinion on the going concern basis. The directors have performed a review of forward looking cash flow projections in making their assessment considering sensitivity analyses in the forming of their judgement.

On the basis of the directors' assessment of the financial position, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for at least twelve months from the date of signing of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

1.4 Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

1 Accounting policies (continued)

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.12 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 4 years
- fixtures and fittings 3 years
- computer equipment 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.7 Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Positive goodwill is amortised to nil by equal annual instalments over its useful life which has been estimated as being 10 years.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.9 Employee benefits

Defined contribution Pension plan

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share-based payment transactions

The Company operates an equity-settled share based compensation plan for both employees and service providers to the Company.

The fair value of the share options granted is recognised over the vesting period to reflect the value of the services received. The charge relating to grants to employees and service providers is recognised as an expense in the profit and loss account.

The fair value of options granted, excluding the impact of any non-market vesting conditions is calculated using a Black-Scholes model which is an established option pricing model.

Employees and service providers are responsible for settling any tax liability that arises on the exercise of any options.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.11 Turnover

Turnover comprises revenue recognised by the Company in respect of goods supplied during the year, exclusive of Value Added Tax and trade discounts.

Turnover is recognised when goods are despatched representing the transfer of the risks and rewards of ownership.

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Notes (continued)

1 Accounting policies (continued)

1.12 Expenses (continued)

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Analysis of turnover

	2016 £	2015 £
<i>By geographical market</i>		
UK	6,359,323	4,711,894
EU	419,016	670,270
Rest of world	4,300,746	2,069,533
	<u>11,079,085</u>	<u>7,451,697</u>

Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £	2015 £
Depreciation and other amounts written off tangible fixed assets:		
Owned	669,557	326,427
Amortisation and other amounts written off intangible fixed assets:		
Owned	6,436	5,301
Amortisation of goodwill	1,800	1,800
Hire of other assets - operating leases	759,848	654,944
	<u> </u>	<u> </u>
<i>Auditor's remuneration:</i>		
Audit of these financial statements	21,000	24,000
Amounts receivable by the company's auditor and its associates in respect of:		
Taxation compliance services	5,000	3,200
	<u> </u>	<u> </u>

4 Remuneration of directors

	2016 £	2015 £
Directors' emoluments	99,680	60,000
Company contributions to defined contribution pension schemes	4,583	4,258
	<u> </u>	<u> </u>
	<u>104,263</u>	<u>64,258</u>

The highest paid director received remuneration of £60,000 (2015: £60,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £4,583 (2015: £4,258).

Total key management remuneration for the year was £104,263 (2015: £64,258).

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Directors	2	1
Production	48	50
Sales	33	27
Administration	49	40
	<u> </u>	<u> </u>
	<u>132</u>	<u>118</u>

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	3,577,811	2,700,639
Social security costs	291,875	241,421
	<u> </u>	<u> </u>
	<u>3,869,686</u>	<u>2,942,060</u>

Notes (continued)

6 Interest receivable and similar income

	2016 £	2015 £
Other interest receivable	2,159,738	13,028

Post year end, the Shareholders Agreement and the Articles of Association were amended to reflect the true substance of the original investment. This has resulted in an adjusting Post Balance Sheet Event (note 24) and the shares previously classed as liabilities have been reclassified as equity. The shares do not attract interest, as such the interest accrued to 30 June 2015 of £2,154,616 has been credited to the Profit and Loss account.

7 Interest payable and similar charges

	2016 £	2015 £
Interest payable and similar charges	182,463	2,155,841

£nil (2015: £2,154,616) of the above charge relates to the unwinding of the shares classified as liabilities, more information can be found in note 24.

8 Taxation

Analysis of charge in period

	2016 £	£	2015 £	£
<i>UK corporation tax</i>				
Current tax on losses for the period	-		-	
Adjustments in respect of prior periods	-		(384,988)	
	-		-	(384,988)
Total current tax (see below)		-		
<i>Deferred tax (see note 16)</i>				
Origination/reversal of timing differences	84,959		48,997	
Adjustments in respect of prior periods	-		38,639	
Total deferred tax		84,959		87,636
Tax on loss		84,959		(297,352)

Notes (continued)

8 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2014: higher) than the standard rate of corporation tax in the UK of 20% (2015: 20.75%). The differences are explained below.

	2016 £	2015 £
<i>Total tax reconciliation</i>		
Loss on ordinary activities before tax	(1,417,583)	(5,370,289)
	<hr/>	<hr/>
Total tax at 20% (2014: 20.75%)	(283,517)	(1,172,426)
<i>Effects of:</i>		
Fixed asset differences	(3,000)	-
Expenses not deductible	34,681	50,941
Income not taxable	(430,923)	-
Adjustments in respect of rate changes – deferred tax	141,883	-
Deferred tax not recognised	455,917	814,922
Adjustments in respect of prior periods	-	(346,349)
Loss carried back	-	355,560
	<hr/>	<hr/>
Total tax credit (see above)	(84,959)	(297,352)
	<hr/> <hr/>	<hr/> <hr/>

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax position at 30 June 2016 has been calculated based on these rates.

An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge and deferred tax accordingly.

9 Dividends

The aggregate amount of dividends comprises:

	2016 £	2015 £
Dividends paid in respect of the current year	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

10 Intangible fixed assets

	Trademarks £	Goodwill £	Total £
Cost			
At beginning and end of year	85,784	17,300	103,084
Amortisation			
At beginning of year	18,446	10,953	29,399
Charged in year	6,436	1,800	8,236
At end of year	24,882	12,753	37,635
Net book value			
At 30 June 2016	60,902	4,547	65,449
At 30 June 2015	67,338	6,347	73,685

11 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Motor vehicles £	Total £
Cost						
At beginning of year	371,049	379,429	255,302	677,525	480	1,683,785
Additions	214,562	317,856	149,700	586,642	-	1,268,760
Disposals	-	-	(7,930)	-	-	(7,930)
At end of year	585,611	697,285	397,072	1,264,167	480	2,944,615
Depreciation						
At beginning of year	49,762	221,639	93,734	151,937	266	517,338
Charge for year	122,613	93,911	114,161	338,712	160	669,557
Disposals	-	-	(7,930)	-	-	(7,930)
At end of year	172,375	315,550	199,965	490,649	426	1,178,965
Net book value						
At 30 June 2016	413,236	381,735	197,107	773,518	54	1,765,650
At 30 June 2015	321,287	157,790	161,568	525,588	214	1,166,447

Notes (continued)

12 Stocks

	2016 £	2015 £
Raw materials and consumables	797,578	979,133
Work in progress	52,892	73,107
Finished goods and goods for resale	2,118,769	2,250,913
	<u>2,969,239</u>	<u>3,303,153</u>

13 Debtors

	2016 £	2015 £
Trade debtors	292,124	128,449
Other debtors	392,328	256,262
Prepayments and accrued income	588,485	451,013
Corporation tax	-	479,721
Unpaid share capital	-	3,199
	<u>1,272,937</u>	<u>1,318,644</u>

14 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,410,712	874,901
Other taxation and social security	164,468	82,335
Accruals and deferred income	831,908	276,024
	<u>2,407,088</u>	<u>1,233,260</u>

Notes (continued)

15 Creditors: amounts falling due after one year

	2016 £	2015 £
Shares classified as liabilities (note 18)	-	14,562,269

Post year end, the Shareholders Agreement and the Articles of Association were amended to reflect the true intention of the investment in 2014. This amendment has caused an Adjusting Post Balance Sheet Event, see note 24. At the Balance Sheet date, the shares previously classed as liabilities were recognised as Share Capital and Share Premium. The Shares do not attract interest, which has resulted in the interest accrued in 2015 being reversed to the Profit and Loss account.

16 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	131,485
Movement in year	(84,959)
At end of year	46,526

The deferred tax liability is made up as follows:

	2016 £	2015 £
Accelerated capital allowances	46,526	131,485
Deferred tax liability	46,526	131,485

The deferred tax asset has not been recognised in the financial statements given current year losses. The total value of unrecognised tax losses is £5,003,101 (2015: £3,904,536).

Notes (continued)

17 Share Based Payments

The Option Plan was introduced in April 2015. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of the grant. The contractual life of an option is 10 years. 25% of the shares issued vest one year after issue with the remaining shares vesting quarterly in equal instalments over the following 3 years. Exercise of an option is subject to continued employment/service provision. Options were valued using a Black Scholes model and no performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculation are as follows:

Grant Date	30 April 2015
Share price at grant date	£0.40
Exercise price	£0.40
Shares under option	1,830,000
Vesting period	4 years
Expected volatility	37%
Option life	10 years
Risk free interest rate	1.36%
Dividend yield	0%
Fair value per option	£0.19

The expected volatility is based on a benchmarking exercise against a range of listed UK companies who operate in a similar market to the Cambridge Satchel Company. The risk free rate of return is the yield on a 10 year UK Gilt which is consistent with the assumed life of the option. A reconciliation of options movements over the year to 30 June 2016 can be seen below:

	2016	
	Number	Weighted average exercise price
Outstanding at 1 July 2015	1,830,000	£0.40
Granted	210,000	£0.40
Forfeited	(1,050,000)	£0.40
Exercised	-	-
Outstanding at 30 June 2016	990,000	£0.40

18 Called up share capital

	2016	2015
	£	£
<i>Allotted, called up and fully paid</i>		
25,265,500 ordinary shares of £0.0001 each (2015: 25,265,500)	2,526	2,526
12,635,000 series A shares of £0.0001 each (2015: 12,635,000)	1,264	1,264
	<hr/>	<hr/>
	3,790	3,790
<i>Shares classified as liabilities</i>		
Nil series A shares of £0.0001 each (2015: 12,635,000) (note 15)	-	(1,264)
	<hr/>	<hr/>
Shares classified as shareholders' funds	3,790	2,526
	<hr/>	<hr/>

Notes (continued)

18 Called up share capital (continued)

In the prior year, the Series A Shares were classified as liabilities. As a result of an amendment to the Articles of Association post year end, the Series A Shares have been reclassified to equity (See note 24).

The consideration received above the nominal value totalled £12,633,737 and has been recognised as Share Premium. Share Premium has been reduced by share issue costs totalling £227,347.

The ordinary shares of £0.0001 each and the series A shares of £0.0001 each rank pari passu in all respects other than redemption rights and liquidation preferences and therefore constitute separate classes of shares. The series A shares take priority in a liquidation preference and can be converted into ordinary shares of £0.0001 each, by notice in writing to the company. The redemption or conversion of these shares are subject to Board approval and therefore meet the requirements to be recognised as equity under FRS 102.

19 Pension commitments

The Company operates defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the Company in independently administered funds. The unpaid contributions at the year end, included in other creditors (note 14) are £10,185 (2015: £Nil).

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016 Land and buildings £	2015 Land and buildings £
Within one year	811,125	802,250
In the second to fifth years inclusive	2,380,750	2,451,500
Over five years	1,493,500	1,824,000
	<u>4,685,375</u>	<u>5,077,750</u>

21 Ultimate controlling party

J Deane, by virtue of her 67% (2015: 67%) ownership of The Cambridge Satchel Company Limited, is the ultimate controlling party.

Notes (continued)

22 Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the 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 items are the judgements that have had the most significant effect on amounts recognised in the financial statements and the key sources of estimation uncertainty.

Stock provisions

The Company makes a provision against slow moving stock to reduce the value of stock to its net realisable value. Provisions are based on the expected future usage of raw materials and the likelihood of sale of finished goods and therefore are subject to estimates and judgements made by management.

Allocation of labour and overheads

The Company allocates labour and overheads to stock, the rates used are subject to levels of both estimates and judgements by management. The absorption rates used are calculated based on expected costs, these are reviewed and updated on a quarterly basis.

23 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016 and the comparative information presented in these financial statements for the year ended 30 June 2015.

In preparing its FRS 102 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 102 has affected the Company's financial position and financial performance is set out in the following table.

Reconciliation of loss and equity from old GAAP to FRS 102

	Note	Loss for the year ended 30 June 2015 £	Equity as at 30 June 2015 £	Equity as at 1 July 2014 £
Amount under old GAAP		(5,352,892)	(6,670,574)	(1,368,075)
Holiday pay accrual		(17,397)	(65,572)	(48,175)
Amount under FRS 102		(5,370,289)	(6,736,146)	(1,416,250)

Under old GAAP there was no requirement to provide for holiday pay accrual. The requirement to accrue for Holiday Pay has therefore been recognised from the Transition date (1 July 2014) and the effects of FRS 102 on previous accounts filed in previous years under old GAAP are shown above.

Notes *(continued)*

24 Post Balance Sheet event

During the year ended 30 June 2016, discussions were held over how to amend the Shareholders Agreement and the Articles of Association to enable the 2014 Investment to be reflected as equity rather than shares classed as liabilities, as this was the true intention of the transaction.

Post year end, the Articles of Association and the Shareholders Agreement were amended to reflect this. As the circumstances relating to this legal amendment existed at 30 June 2016, this has been treated as an adjusting Post Balance Sheet event in these financial statements.

At 30 June 2016, shares classed as liabilities totalling £14,562,269 at the year ended 30 June 2015 were transferred to Equity, split between Share Capital and Share Premium, net of share issue costs. The imputed interest accrued on the shares classed as liabilities, totalling £2,154,616, was credited to the Profit and Loss Account as the shares do not attract interest.