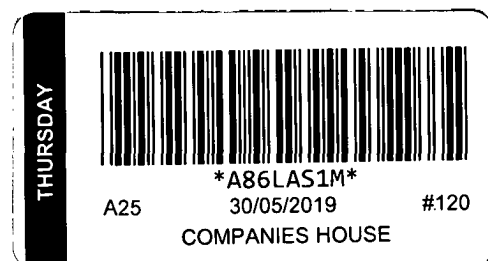


Registered number: 06763257

THE CAMBRIDGE SACHEL COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018



THE CAMBRIDGE SACHEL COMPANY LIMITED

COMPANY INFORMATION

Directors	J Deane G Zocco
Registered number	06763257
Registered office	Lower Ground 5 Copley Hill Business Park Cambridge Road Cambridge CB22 3GN
Independent auditors	Berg Kaprow Lewis LLP Chartered Accountants & Statutory Auditor 35 Ballards Lane London N3 1XW

THE CAMBRIDGE SACHEL COMPANY LIMITED

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THE CAMBRIDGE SACHEL COMPANY LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

Introduction

The directors present their Strategic Report for the year ended 30 June 2018

Business review

The Company continued to manufacture and sell leather goods through its own company retail outlets, a vast number of global retail outlets and through its own website. The results for the year are set out in the Statement of Comprehensive Income on page 12.

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 active role and vision of the original founder continue to drive the brand forward in a way that connects with the customer and celebrates the Britishness of the company. The senior team has never been stronger and we remain confident that the business can react swiftly to any change in market conditions. Owning our own manufacturing allows this to happen in a uniquely efficient way.

Brexit risks

The board has considered the risk of Brexit to the business and has concluded that there will be minimal impact. Leather is purchased in sterling and the vast majority of costs are also paid in local currency. A celebration of British craftsmanship will continue regardless of our EU status.

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 has no material interest bearing borrowings and hence has no significant exposure to interest rate risk other than on cash deposits.

THE CAMBRIDGE SACHEL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

Financial key performance indicators

The key financial and other performance indicators during the year were as follows:

	2018 £ '000	2017 £ '000	Change %
Turnover	11,209	11,713	(4%)
Gross Profit	4,891	6,257	(22%)
Gross profit margin	44%	53%	(18%)
Operating loss	(1,146)	(484)	137%
Raw material stocks	589	822	(28%)
Work in progress stocks	148	90	64%
Finished good stocks	1,248	2,099	(41%)

The business continued to invest in the strategy of building for future growth by refining the product offering, investing in a strong product team and British production. Solid progress has been made on establishing a business network in China which will enable the launch of a website to function within the Chinese firewall – the Chinese market is important to the brand and the directors feel that spending time and money on developing a solid base from which to grow is the correct approach.

Stock has been controlled more effectively and the current stock holding is in line with business needs. An off-price channel has now been developed which will enhance the strategic management of lines whilst also minimising waste, this is in line with the commitment to sustainability and a responsible approach to manufacturing. New product has been developed which will launch in the next financial year and investment in skills at the British workshops is continuing.

A decrease in operating expenses and an increase in efficiency has helped balance the increase in Flagship Rent and Rates of £487k. All retail units have performed well throughout the year we thank the strong retail leadership within the senior team and the individual shop teams.

An investment in brand and internal managing of communications has already started to pay off with wonderful customer feedback and levels of engagement across social media channels.

Strong collaborations with Cambridge University and support of other British charities has continued to engage customers and strengthen the brand globally. A five page article in Vanity Fair provided great brand awareness in the USA. And underlined our fashion credentials worldwide.

Post year end, the company has focused on the following:

- i) Building a Chinese website (hosted inside the Chinese Firewall) with full control of content, customer details and pricing.
 - ii) To use the 10th anniversary as a platform to launch an exciting new product range which will extend the customer base and to celebrate a great British brand.
-

THE CAMBRIDGE SACHEL COMPANY LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

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



J Deane
Director

Date: 23 May 2019.

THE CAMBRIDGE SACHEL COMPANY LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2018**

The directors present their report and the financial statements for the year ended 30 June 2018.

Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity

The principal activity of the company is the manufacture and retail of leather goods and accessories under the Cambridge Satchel Company brand.

Results and dividends

The loss for the year, after taxation, amounted to £1,411,434 (2017 - loss £804,592).

Directors

The directors who served during the year were:

J Deane
G Zocco

Future developments

The company has undertaken initiatives to improve the gross profit margin by reducing cost of sales. The company has decided to proceed with relocating the serviced pick and pack warehouse to our manufacturing site saving the company in excess of £400k per annum. This will lead to further control of stock and distribution. The company continues reviewing its cost base and implementing cost reducing measures. The financial year ending 30 June 2019 is forecast to breakeven and the following year is forecast to return back to profitability.

THE CAMBRIDGE SACHEL COMPANY LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2018

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 auditors

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

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

Post balance sheet events

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

Auditors

Under section 487(2) of the Companies Act 2006, Berg Kaprow Lewis LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

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

J Deane

J Deane
Director

Date: *23 May 2019*

THE CAMBRIDGE SACHEL COMPANY LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE CAMBRIDGE SACHEL
COMPANY LIMITED**

Opinion

We have audited the financial statements of The Cambridge Satchel Company Limited (the 'Company') for the year ended 30 June 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our

THE CAMBRIDGE SACHEL COMPANY LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE CAMBRIDGE SACHEL
COMPANY LIMITED (CONTINUED)**

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

THE CAMBRIDGE SACHEL COMPANY LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE CAMBRIDGE SACHEL
COMPANY LIMITED (CONTINUED)**

Auditors' responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements; including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

THE CAMBRIDGE SACHEL COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE CAMBRIDGE SACHEL
COMPANY LIMITED (CONTINUED)

Use of our report

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



Myfanwy Neville FCA (Senior Statutory Auditor)

for and on behalf of

Berg Kaprow Lewis LLP

Chartered Accountants

Statutory Auditor

London

Date: 23 MAY 2019

THE CAMBRIDGE SACHEL COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 £	2017 £
Turnover	4	11,209,437	11,712,859
Cost of sales		(6,317,512)	(5,455,531)
Gross profit		4,891,925	6,257,328
Administrative expenses		(6,037,905)	(6,741,600)
Operating loss	5	(1,145,980)	(484,272)
Interest receivable and similar income		62	-
Interest payable and expenses		(370,794)	(261,568)
Loss before tax		(1,516,712)	(745,840)
Tax on loss		105,278	(58,752)
Loss for the financial year		(1,411,434)	(804,592)

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 15 to 33 form part of these financial statements.

THE CAMBRIDGE SACHEL COMPANY LIMITED
REGISTERED NUMBER: 06763257

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	11	45,781	56,875
Tangible assets	12	751,741	1,189,028
		<u>797,522</u>	<u>1,245,903</u>
Current assets			
Stocks	13	1,985,330	3,012,052
Debtors: amounts falling due within one year	14	1,110,896	1,172,580
Cash at bank and in hand	15	732,344	431,281
		<u>3,828,570</u>	<u>4,615,913</u>
Creditors: amounts falling due within one year	16	(2,266,030)	(2,099,133)
Net current assets		<u>1,562,540</u>	2,516,780
Total assets less current liabilities		<u>2,360,062</u>	<u>3,762,683</u>
Creditors: amounts falling due after more than one year	17	(220,249)	(79,757)
Provisions for liabilities			
Deferred tax	19	-	(105,278)
		<u>-</u>	<u>(105,278)</u>
Net assets		<u>2,139,813</u>	<u>3,577,648</u>
Capital and reserves			
Called up share capital	21	3,790	3,790
Share premium account	22	12,406,390	12,406,390
Other reserves	22	67,348	93,749
Profit and loss account	22	(10,337,715)	(8,926,281)
		<u>2,139,813</u>	<u>3,577,648</u>

THE CAMBRIDGE SACHEL COMPANY LIMITED
REGISTERED NUMBER: 06763257

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 30 JUNE 2018

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

J Deane
J Deane
Director

Date:

23/5/2019
The notes on pages 15 to 33 form part of these financial statements.

THE CAMBRIDGE SACHEL COMPANY LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Called up share capital £	Share premium account £	Other reserves £	Profit and loss account £	Total equity £
At 1 July 2016	3,790	12,406,390	121,178	(8,121,689)	4,409,669
Comprehensive income for the year					
Loss for the year	-	-	-	(804,592)	(804,592)
Movement in share based payment reserve	-	-	(27,429)	-	(27,429)
Total transactions with owners	-	-	(27,429)	-	(27,429)
At 1 July 2017	3,790	12,406,390	93,749	(8,926,281)	3,577,648
Comprehensive income for the year					
Loss for the year	-	-	-	(1,411,434)	(1,411,434)
Movement in share based payment reserve	-	-	(26,401)	-	(26,401)
Total transactions with owners	-	-	(26,401)	-	(26,401)
At 30 June 2018	3,790	12,406,390	67,348	(10,337,715)	2,139,813

The notes on pages 15 to 33 form part of these financial statements.

THE CAMBRIDGE SACHEL COMPANY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(1,411,434)	(804,592)
Adjustments for:		
Amortisation of intangible assets	11,094	8,574
Depreciation of tangible assets	649,121	760,668
Impairments of fixed assets	74,795	-
Interest paid	370,794	261,568
Interest received	(62)	-
Taxation charge	(105,278)	58,752
Decrease/(increase) in stocks	1,026,722	(42,812)
Decrease/(increase) in debtors	61,840	(236,580)
Increase/(decrease) in creditors	166,741	(307,956)
Equity settled share-based payment expenses	(26,401)	(27,429)
Net cash generated from operating activities	817,932	(329,807)
Cash flows from investing activities		
Purchase of tangible fixed assets	(286,629)	(184,584)
Sale of tangible fixed assets	-	539
Interest received	62	-
Net cash from investing activities	(286,567)	(184,045)
Cash flows from financing activities		
Repayment of/new finance leases	140,492	79,757
Interest paid	(370,794)	(261,568)
Net cash used in financing activities	(230,302)	(181,811)
Net increase/(decrease) in cash and cash equivalents	301,063	(695,663)
Cash and cash equivalents at beginning of year	431,281	1,126,944
Cash and cash equivalents at the end of year	732,344	431,281
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	732,344	431,281
	732,344	431,281

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

1. General information

The principal activity of The Cambridge Satchel Company Limited ('the Company') is the manufacture and retail of leather goods and accessories under the Cambridge Satchel Company brand.

The company is a private company limited by shares and is incorporated in England and Wales. The address of its Registered Office is Lower Ground 5, Copley Hill Business Park, Cambridge Road, Babraham, CB22 3GN.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The following principal accounting policies have been applied:

2.2 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.

Post year end, the directors have taken a number of measures to improve the working capital of the business as described in the Strategic Report, they also secured further working capital of £175k by raising finance on existing assets.

On the basis of the directors' assessment of the financial position, together with the additional facilities put in place, 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.

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.3 Revenue

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

Sale of goods

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

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

2.4 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

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

The estimated useful lives range as follows:

Goodwill	-	10	years
Trademarks	-	10	years

2.5 Tangible fixed assets

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

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.5 Tangible fixed assets (continued)

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

Depreciation is provided on the following basis:

Long-term leasehold property	- 7 years
Plant and machinery	- 4 years
Fixtures and fittings	- 3 years
Other fixed assets	- 3 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

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

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.9 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:

1) 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

2) 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.

2.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors and loans to related parties.

(i) Financial assets

Basic financial assets, including trade and other debtors, and amounts due from related companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Income and Retained Earnings.

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 the Statement of Comprehensive Income. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in the Statement of Comprehensive Income. Other investments are measured at cost less impairment in the Statement of Comprehensive Income.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and accruals, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.10 Financial instruments (continued)

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

2.11 Share based payments

The company issues equity settled share-based payments to certain employees and directors.

Where share options are awarded, the fair value of the options at the date of grant is charged to the Statement of Comprehensive Income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modifications, is also charged to the Statement of Comprehensive Income over the remaining vesting period.

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.13 Finance costs

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

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Current and deferred taxation

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

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

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

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

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

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following judgements which also involve estimates have been made in the process of applying the above accounting policies:

a) 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 by management.

b) Allocation of labour and overheads

The company allocates labour and overheads to stock. The rates used are subject to estimates and judgements by management. The absorption rates used are calculated based on expected costs.

c) Share based payments

Certain employees have been granted share options by the company that require a fair value methodology to value the options at the date of grant.

d) Amortisation of intangible fixed assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually.

e) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

f) Deferred tax asset

The company makes a judgement as to whether or not to account for a deferred tax asset in respect of trading losses. This is based on the expectation to be able to utilise the losses in the coming year.

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Sales	<u>11,209,437</u>	<u>11,712,859</u>

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	6,930,973	7,010,238
Rest of Europe	967,895	300,878
Rest of the world	3,310,569	4,401,743
	<u>11,209,437</u>	<u>11,712,859</u>

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	649,121	760,668
Impairment of tangible fixed assets	74,795	-
Amortisation of intangible assets, including goodwill	11,094	8,574
Exchange differences	62,248	(8,618)
Other operating lease rentals	1,331,707	943,139
Defined contribution pension cost	73,907	70,946
Stock recognised as an expense	<u>3,697,782</u>	<u>3,077,928</u>

6. Auditors' remuneration

Fees payable to the Company's auditor and its associates in respect of:

Audit-related assurance services	17,000	14,000
Taxation compliance services	3,000	2,500
	<u>20,000</u>	<u>16,500</u>

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

7. Employees

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

	2018 £	2017 £
Wages and salaries	2,780,431	3,052,921
Social security costs	221,329	259,834
Cost of defined contribution scheme	73,907	70,946
	<u>3,075,667</u>	<u>3,383,701</u>

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

	2018 No.	2017 No.
Directors	2	2
Production	50	47
Sales	41	40
Administration	38	40
	<u>131</u>	<u>129</u>

8. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	100,000	100,000
Company contributions to defined contribution pension schemes	2,400	5,000
	<u>102,400</u>	<u>105,000</u>

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of defined contribution pension schemes.

There are no key management personnel other than the directors.

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	353,680	261,568
Other loan interest payable	17,114	-
	370,794	261,568

10. Taxation

	2018 £	2017 £
Deferred tax		
Origination and reversal of timing differences	(105,278)	58,752
Total deferred tax	(105,278)	58,752

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.75%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(1,516,712)	(745,840)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.75%)	(288,175)	(147,309)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	606	573
Non-taxable income	(5,016)	(5,417)
Other differences leading to an increase (decrease) in the tax charge	29,496	61,392
Deferred tax not recognised	157,811	149,513
Total tax charge for the year	(105,278)	58,752

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

10. Taxation (continued)

Factors that may affect future tax charges

The company has losses of £6,102,000 (2017: £5,410,000) available to carry forward against future trading profits. No deferred tax asset has been recognised in respect of these losses.

11. Intangible assets

	Trademarks £	Goodwill £	Total £
Cost			
At 1 July 2017	85,784	17,300	103,084
At 30 June 2018	85,784	17,300	103,084
Amortisation			
At 1 July 2017	31,182	15,027	46,209
Charge for the year	8,821	2,273	11,094
At 30 June 2018	40,003	17,300	57,303
Net book value			
At 30 June 2018	45,781	-	45,781
At 30 June 2017	54,602	2,273	56,875

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

12. Tangible fixed assets

	Long-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment and software £	Total £
Cost or valuation					
At 1 July 2017	596,471	698,165	416,003	1,418,021	3,128,660
Additions	88,422	6,700	45,295	146,212	286,629
At 30 June 2018	<u>684,893</u>	<u>704,865</u>	<u>461,298</u>	<u>1,564,233</u>	<u>3,415,289</u>
Depreciation					
At 1 July 2017	305,511	408,087	316,938	909,096	1,939,632
Charge for the year on owned assets	126,826	56,767	77,763	387,765	649,121
Impairment charge	-	-	-	74,795	74,795
At 30 June 2018	<u>432,337</u>	<u>464,854</u>	<u>394,701</u>	<u>1,371,656</u>	<u>2,663,548</u>
Net book value					
At 30 June 2018	<u>252,556</u>	<u>240,011</u>	<u>66,597</u>	<u>192,577</u>	<u>751,741</u>
At 30 June 2017	<u>290,960</u>	<u>290,078</u>	<u>99,065</u>	<u>508,925</u>	<u>1,189,028</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2018 £	2017 £
Plant and machinery	228,123	256,938
Other fixed assets	12,842	-
	<u>240,965</u>	<u>256,938</u>

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

13. Stocks

	2018 £	2017 £
Raw materials and consumables	589,468	822,007
Work in progress	147,776	90,193
Finished goods and goods for resale	1,248,086	2,099,852
	<u>1,985,330</u>	<u>3,012,052</u>

Stock recognised in cost of sales during the year as an expense was £3,697,782 (2017 - £3,077,928).

14. Debtors

	2018 £	2017 £
Trade debtors	212,108	386,601
Other debtors	48,759	34,737
Prepayments and accrued income	850,029	751,242
	<u>1,110,896</u>	<u>1,172,580</u>

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	732,344	431,281
	<u>732,344</u>	<u>431,281</u>

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	1,548,141	1,616,741
Other taxation and social security	127,622	129,820
Other creditors	503,140	109,047
Accruals and deferred income	87,127	243,525
	<u>2,266,030</u>	<u>2,099,133</u>

The following liabilities were secured:

	2018 £	2017 £
Net obligations under finance leases	<u>97,489</u>	<u>-</u>

Details of security provided:

The liabilities under the finance leases are secured by way of fixed and floating charges over all assets other than the non vesting debts, others debts and stock.

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

	2018 £	2017 £
Net obligations under finance leases	<u>220,249</u>	<u>79,757</u>

The following liabilities were secured:

	2018 £	2017 £
Net obligations under finance leases	<u>138,797</u>	<u>-</u>

Details of security provided:

The liabilities under the finance leases are secured by way of fixed and floating charges over all assets other than the non vesting debts, others debts and stock.

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

18. Financial instruments

	2018 £	2017 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>260,867</u>	<u>421,337</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(2,437,995)</u>	<u>(2,049,070)</u>

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

Financial liabilities measured at amortised cost comprise trade creditors, accruals and deferred income.

19. Deferred taxation

	2018 £
At beginning of year	(105,278)
Charged to profit or loss	105,278
At end of year	<u>-</u>

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	<u>-</u>	<u>(105,278)</u>

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

20. Share based payments

The Company operates a share-based payments scheme for its key employees.

The Option Plan was introduced in April 2015. Options were 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.

A reconciliation of share option movements over the year to 30 June 2018 is shown below:

	Weighted average exercise price (pence) 2018	Number £ 2018	Weighted average exercise price (pence) 2017	Number £ 2017
Outstanding at the beginning of the year	40	570,000	40	990,000
Granted	-	-	40	-
Forfeited	40	(210,000)	40	(420,000)
Exercised	-	-	-	-
		360,000		570,000

The Company is unable to directly measure the fair value of employee services received. Instead, the 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:

Options granted in year ended 30 June 2015

Grant date	30-Apr-15
Share price at grant date	£ 0.40
Exercise date (pence)	£ 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 of option	£ 0.19

Options granted in year ended 30 June 2016

Grant date	01-Jul-15
Share price at grant date	£ 0.40
Exercise date (pence)	£ 0.40
Shares under option	210,000
Vesting period	4 years
Expected volatility	37%
Option life	10 years
Risk free interest rate	1.36%
Dividend yield	0
Fair value of 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.

THE CAMBRIDGE SACHEL COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

The charge for the year in respect of the share based payments was a credit of £26,401 (2017: credit of £27,429) as the options expected to vest reduced due to leavers, and the credit in respect of this, was greater than the charge for the year for the options previously granted to the remaining key employees.

21. Share capital

	2018	2017
	£	£
Allotted, called up and fully paid		
25,255,000 Ordinary shares of £0.0001 each	2,526	2,526
12,635,000 Series A shares of £0.0001 each	1,264	1,264
	<u>3,790</u>	<u>3,790</u>

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.

22. Reserves

Share premium account

The share premium account includes any consideration received for share capital above the nominal value, totalling £12,406,390.

Profit and loss account

This reserve includes all current and prior period losses.

Share based payment reserve

This reserve relates to the fair value of share options awarded by the company that are charged to the Statement of Comprehensive Income over their vesting period. Once the options are exercised, the reserve is reclassified to the profit and loss reserve.

23. 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 pension cost charge represents contributions payable by the Company to the fund and amounted to £71,507 (2017: £70,947). The unpaid contributions at the year end, included in other creditors are £91 (2017: £7,754).

THE CAMBRIDGE SACHEL COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

24. Commitments under operating leases

At 30 June 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	1,175,600	1,138,050
Later than 1 year and not later than 5 years	4,208,200	3,743,200
Later than 5 years	1,153,300	1,946,600
	<u>6,537,100</u>	<u>6,827,850</u>

25. Controlling party

The ultimate controlling party of the company is the director, J Deane.