

Company Registration No. 03062727 (England and Wales)

WELSPUN HOME TEXTILES UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

WELSPUN HOME TEXTILES UK LIMITED

COMPANY INFORMATION

Directors	Mr G E Gosnell Mr M Jansal Mr M Percoc	(Appointed 1 April 2018)
Secretary	Mr M Jansal	
Company number	05802727	
Registered office	Park Square Bird Hall Lane Stockport Cheshire England SK9 6XF	
Auditor	AKS Accountants Corporate Limited Floor 2 5 Portland Street Manchester M1 3DL	

WELSPUN HOME TEXTILES UK LIMITED

CONTENTS

	Page
Strategic report	1
Directors' report	2-3
Independent auditor's report	4-6
Group statement of comprehensive income	7
Group balance sheet	8
Company balance sheet	9
Group statement of changes in equity	10
Company statement of changes in equity	11
Notes to the financial statements	12-27

WELSPUN HOME TEXTILES UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2020

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

Business Review

The Christy brand is a premier UK towel and bedding brand. The business was originally established in 1880 by members of the Christy family. The company was acquired by Welspun India Ltd. in June 2016.

The group's profit and loss accounts is shown on page 7 and the balance sheet on page 8. Sales for the current year were 23% higher compared to 20% higher for the previous year.

During the year, substantial work was undertaken to re-organise the business which has involved taken cost out of the business by streamlining operations and improving working capital.

Principal risks and uncertainties

Financial risk management

The group's operations expose it to a variety of financial risks that include credit risk, liquidity risk, interest rate risk and foreign exchange risk. The policies established are implemented and monitored.

Credit risk

Various appropriate, relevant credit checks are performed on potential customers before sales are made. The amount of exposure to any individual customer is controlled by means of a credit limit that is monitored regularly by management and, in the case of a financial credit limit, by the executive directors.

Liquidity and interest rate risk

Throughout the year, the group was primarily funded through an interest bearing loan from its bankers, Bank of Baroda and Barclays Bank.

The Group is exposed to interest rate risk on this loan (the rate is based on a fixed margin above six month Sterling LIBOR), however, the directors do not consider this risk to be so significant as to warrant the need for formal policies to be put in place so as to manage this risk.

Foreign exchange risk

Foreign exchange risk is managed upon a group-wide basis by the executive directors. There is a written foreign exchange policy, with the principal aim of minimising fluctuations in business performance arising from exchange rate movements. The group's main trading currencies are Sterling, US Dollars and the Euro. As a result of the group's sourcing routes, transactional hedges are maintained, supplemented as necessary by forward foreign exchange contracts.

Financial Key Performance Indicators

The group has moved from a loss before taxation of £5.7M to a profit before tax of £0.0M.

On behalf of the Board



Mr. V. Barwal
Director

23 August 2020

WELSPUN HOME TEXTILES UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2020

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

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D B Gowrie

Mr M Bansal

Mr B Gouran

Mr M Parsh

(Resigned 14 October 2019)

(Appointed 1 Apr 2020)

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Post reporting date events

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

Auditor

AVS Accountants Corporate Limited were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, and of the profit or loss of the group 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 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors and auditor have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of the information.

WELSPUN HOME TEXTILES UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

On behalf of the board



M. W. Baines
Director

26 Aug. 2020

WELSPUN HOME TEXTILES UK LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF WELSPUN HOME TEXTILES UK LIMITED

Opinion

We have audited the financial statements of Welspun Home Textiles UK Limited (the parent company) and its subsidiaries (the group) for the year ended 31 March 2020 which comprise the group statement of comprehensive income, the group balance sheet, the company balance sheet, the group statement of changes in equity, the company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Framework for Reporting Financial Statements 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 group's and the parent company's affairs as at 31 March 2020 and of the group's profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Basis for opinion

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

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent 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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

WELSPUN HOME TEXTILES UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WELSPUN HOME TEXTILES UK LIMITED

Opinions on other matters presented by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 group and the parent company and its subsidiaries obtained in the course of the audit, we have not identified material irregularities in the strategic report and the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of financial information 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, 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 group and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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


A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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 in the company's members' financial statements we are required to state to them in an auditor's report and for no other purpose. In 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 opinion we have formed.

WELSPUN HOME TEXTILES UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF WELSPUN HOME TEXTILES UK LIMITED



David Clegg (Senior Statutory Auditor)
for and on behalf of A&S Accountants Corporate Limited

28 August 2010

Chartered Accountants
Statutory Auditor

Floor 2
9 Portland Street
Manchester
M1 3BE

WELSPUN HOME TEXTILES UK LIMITED

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

		2020 £000	2019 £000
	Notes		
Turnover	3	92,640	25,516
Cost of sales		(73,118)	(11,968)
Gross profit		19,522	13,548
Administrative expenses		(11,891)	(13,058)
Other operating income		2,472	2,561
Depreciation	4	-	(5,537)
Operating profit/(loss)	5	410	(2,982)
Interest receivable and similar income	8	6	-
Interest payable and similar expenses	8	(97)	(444)
Profit/(loss) before taxation		38	(3,422)
Tax on profit/(loss)	10	(1)	(18)
Profit/(loss) for the financial year	24	32	(3,418)
Other comprehensive income			
Currency translation differences		-	(57)
Total comprehensive income for the year		32	(3,475)

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

Total comprehensive income for the year is all attributable to the owners of the parent company.

WELSPUN HOME TEXTILES UK LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020		2019	
		£000	£000	£000	£000
Fixed assets					
Goodwill	11		2,973		2,839
Tangible assets	12		124		190
			<u>3,097</u>		<u>3,029</u>
Current assets					
Stocks	16	4,140		4,130	
Debtors	17	7,853		4,325	
Cash at bank and in hand		1,827		1,527	
		<u>14,020</u>		<u>10,182</u>	
Creditors: amounts falling due within one year	18	(16,161)		(12,020)	
Net current liabilities			<u>(2,141)</u>		<u>(1,838)</u>
Total assets less current liabilities			<u>956</u>		<u>1,191</u>
Provisions for liabilities	20		(1,188)		(2,142)
Net liabilities			<u>(212)</u>		<u>(951)</u>
Capital and reserves					
Called up share capital	23		13,093		13,082
Profit and loss reserves	24		(12,885)		(13,027)
Total equity			<u>(812)</u>		<u>(814)</u>

The financial statements were approved by the Board of Directors and authorized for issue on 25 August 2020 and are signed on its behalf by



Mr M James
Director

WELSPUN HOME TEXTILES UK LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2020

	Notes	2020		2019	
		£000	£000	£000	£000
Fixed assets					
Investments	14		11,353		11,363
Current assets					
Debtors	17	5		3,475	
Cash at bank and in hand		1		5	
				<u>3,480</u>	
Creditors: amounts falling due within one year	18	(2,173)		(3,559)	
Net current liabilities			(2,168)		(2,079)
Total assets less current liabilities			2,120		2,137
Capital and reserves					
Called up share capital	23		18,053		18,083
Profit and loss reserves	24		(14,915)		(14,905)
Total equity			8,165		8,167

As permitted by IFRS Company Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was 52,000 (2019 - 115,100).

The financial statements were approved by the board of directors and authorised for issue on 26 August 2020 and are signed on its behalf by:



Mr N Bansal
Director

Company Registration No. 00882727

WELSPUN HOME TEXTILES UK LIMITED

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

	Notes	Share capital £000	Profit and loss reserves £000	Total £000
Balance at 1 April 2018		6,293	(8,279)	(2,485)
Year ended 31 March 2019:				
Loss for the year		-	(5,414)	(5,414)
Other comprehensive income:				
Currency translation differences		-	187	187
		<u>-</u>	<u>187</u>	<u>187</u>
Total comprehensive income for the year		-	(5,485)	(5,485)
Issue of share capital	23	7,000	-	7,000
Other movements		-	67	67
Balance at 31 March 2019		<u>13,293</u>	<u>(13,597)</u>	<u>(904)</u>
Year ended 31 March 2020:				
Profit and total comprehensive income for the year		-	92	92
Balance at 31 March 2020		<u>13,293</u>	<u>(13,505)</u>	<u>(812)</u>

WELSPUN HOME TEXTILES UK LIMITED

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

		Share capital	Profit and loss reserve	Total
	Notes	£000	£000	£000
Balance at 1 April 2019		3,033	(4,821)	4,732
Year ended 31 March 2019:				
Loss and total comprehensive income for the year (eg. profit share credit)	23	3,500	(15)	3,500
Balance at 31 March 2019		13,292	(4,205)	8,187
Year ended 31 March 2020:				
Loss and total comprehensive income for the year		-	(2)	(2)
Balance at 31 March 2020		13,292	(4,205)	8,187

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

Company information

Welspun Home Textiles UK Limited (the company) is a private limited company domiciled and incorporated in England and Wales. The registered office is:

The group consists of Welspun Home Textiles UK Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland 2019' and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest 000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

In the parent company financial statements, the cost of a business combination is the fair value of the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, if any costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably and is adjusted for changes in contingent consideration after the acquisition date. Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date. Intra-group transactions, joint ventures and associates are accounted for as set out below.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative goodwill.

The consolidated financial statements incorporate those of Welspun Home Textiles UK Limited and all of its subsidiaries. It is noted that the group continues through its owner to govern the financial and operating policies so as to obtain economic benefits. Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 March 2020. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains or transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Entities other than subsidiary undertakings or joint ventures, in which the group has a participating interest and over which operating and financial policies the group exercises a significant influence are treated as associates. In the group financial statements, associates are accounted for using the equity method.

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Entities in which the group holds an interest and which are jointly controlled by the group and one or more other venturers under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the equity method.

1.3 Going concern

The group has, with parent support, sufficient resources to pay its debts as they fall due for the foreseeable future. The parent undertaking has confirmed its intention to support the group for at least 12 months from the date of signature of these financial statements.

1.4 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is a net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group 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 Group 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.

1.5 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of a business over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is ten years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating unit expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fresh and land and buildings	2% per annum
Fleet and equipment	up to 6 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

1.7 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method. Any difference between the cost of acquisition and the share of the fair value of the net identifiable assets of the associate on acquisition is recognised as goodwill. Any non-monetary balance of goodwill is included in the carrying value of the investment in associates.

Losses in excess of the carrying amount of an investment in an associate are recorded as a provision only when the company has incurred legal or constructive obligations or has made payments on behalf of the associate.

In the parent company financial statements, investments in associates are accounted for at cost less impairment.

Partners in which the group has a long term interest and shared control under a contractual arrangement are classified as jointly controlled entities.

1.8 Impairment of fixed assets

At each reporting period end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The carrying amount of the investments accounted for using the equity method is tested for impairment as a single asset. Any goodwill included in the carrying amount of the investment is not tested separately for impairment.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

Recognised impairment losses are reversed if and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost cannot exceed net realisable cost, where applicable. Costs include labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over the estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. They are always measured at their carrying amount and liabilities.

1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic financial instruments' and Section 12 'Other financial financial assets/liabilities' of FRS 18 to all of its financial instruments.

Financial instruments are recognised in the group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement contains a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivables with a one year or more duration.

Other financial assets

Other financial assets, including investments in equity instruments, which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. 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 profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are waived, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has been transferred to another party that is able to sell the asset in its ordinary course of business to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deduction of all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preferred shares that are classified as debt, 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable 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 measured in full at transaction price and subsequently measured at amortised cost, using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

Decognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.12 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as recorded in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further includes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the periods when the liability is settled or the asset is realised. Deferred tax is charged or credited to the profit and loss account except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset, and only if there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Provisions

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies (Continued)

1.15 Employee benefits

The costs of short term employee benefits are recognised as a liability and an expense unless these costs are required to be recognised as part of the cost of stock or non-current assets.

The cost of annualised holiday entitlement is recognised in the period in which the employee's work has been received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to create termination benefits.

1.16 Retirement benefits

Payments to defined contribution benefit schemes are charged as an expense as they fall due.

1.17 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.18 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting and date monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.19 Exceptional items

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

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period or in the period of the revision and future periods where the revision affects both current and future periods.

Judgements are applied in calculating stock provisions which are based on the age of the stock and management assessment of realisable values.

3 Turnover and other revenue

	2020	2019
	£000	£000
Other significant revenue		
Interest income	5	-

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

3 Turnover and other revenue		(Continued)	
		2020	2019
		£000	£000
Turnover analysed by geographical market			
United Kingdom		20,429	22,683
Rest of Europe		4,413	2,134
Rest of the world		7,811	5,000
		<u>32,653</u>	<u>29,817</u>
4 Exceptional item		2020	2019
		£000	£000
Expenditure			
Restructuring costs		-	3,537
		<u>-</u>	<u>3,537</u>
The exceptional costs represent costs of the planned restructure, which includes costs in respect of store closures, stock reduction and relocation of operations.			
5 Operating profit/loss		2020	2019
		£000	£000
Operating profit/(loss) for the year is stated after charging/(crediting):			
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss		(257)	(8)
Depreciation of owned tangible fixed assets		56	209
Profit on disposal of long lease free assets		(20)	-
Amortisation of intangible assets		656	656
Operating lease charges		844	854
		<u>1285</u>	<u>1611</u>
6 Auditor's remuneration		2020	2019
		£000	£000
Fees payable to the company's auditor and associates:			
For audit services:			
Audit of the financial statements of the group and company		-	-
Audit of the financial statements of the company's subsidiaries		19	19
		<u>19</u>	<u>19</u>

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

7 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Sales, distribution and marketing	151	201	-	-
Administration	21	30	-	-
Total	172	231	-	-

Their aggregate remuneration comprised:

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Wages and salaries	3,600	4,047	-	-
Social security costs	214	396	-	-
Pension costs	26	75	-	-
	4,070	5,318	-	-

8 Interest receivable and similar income

	2020 £000	2019 £000
Interest income		
Interest on bank deposits	6	(22)
Interest receivable from group companies	-	77
Total income	6	55

Investment income includes the following:

Interest on financial assets measured at fair value through profit or loss	6	-
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9 Interest payable and similar expenses

	2020 £000	2019 £000
Interest on financial liabilities measured at amortised cost: interest on bank overdrafts and loans	127	444

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

10 Taxation

	2020 £000	2019 £000
Current tax		
UK corporation tax on profits for the current period	1	
Adjustments in respect of prior periods	-	(20)
Total UK current tax	1	(20)
Foreign current tax on profits for the current period	-	0
Total current tax	<u>1</u>	<u>(20)</u>
Deferred tax		
Crymation and reversal of timing differences	-	20
Total tax charge	<u>-</u>	<u>16</u>

The net tax charge for the year can be reconciled to the expected charge(s) as follows: The year based on the profit or loss and the standard rate of tax as follows:

	2020 £000	2019 £000
Profit/(loss) before taxation	<u>87</u>	<u>(5,412)</u>
Expected tax charge/(credit) based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	16	(1,028)
Tax effect of expenses that are not deductible in determining taxable profit	3	97
Tax effect of utilisation of tax losses not previously recognised	(195)	11
Unutilised tax losses carried forward	85	65
Permanent capital allowances in excess of depreciation	(25)	0
Depreciation on assets not qualifying for tax allowances	84	-
Amortisation on assets not qualifying for tax allowances	28	27
Non-tax deductible amortisation of goodwill and impairment	-	120
Taxation charge	<u>1</u>	<u>16</u>

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

11 Intangible fixed assets

Group	Goodwill £000
Cost	
At 1 April 2019 and 31 March 2020	9,188
Amortisation and impairment	
At 1 April 2019	6,324
Amortisation charged for the year	565
At 31 March 2020	<u>6,790</u>
Carrying amount	
At 31 March 2020	<u>2,372</u>
At 31 March 2019	<u>2,535</u>

The Company had no intangible fixed assets at 31 March 2020 or 31 March 2019.

12 Tangible fixed assets

Group	Freehold land and buildings £000	Plant and equipment £000	Total £000
Cost			
At 1 April 2019	5	4,202	4,208
Additions	-	44	44
Disposals	-	(370)	(370)
At 31 March 2020	<u>5</u>	<u>3,876</u>	<u>3,882</u>
Depreciation and impairment			
At 1 April 2019	-	4,118	4,118
Depreciation charged in the year	-	20	20
Eliminated in respect of disposals	-	(345)	(345)
At 31 March 2020	-	<u>3,858</u>	<u>3,858</u>
Carrying amount			
At 31 March 2020	<u>5</u>	<u>118</u>	<u>174</u>
At 31 March 2019	<u>5</u>	<u>124</u>	<u>150</u>

The company has no tangible fixed assets at 31 March 2020 or 31 March 2019.

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

13 Fixed asset investments

		Group 2020	2019	Company 2020	2019
	Notes	£000	£000	£000	£000
Investments in subsidiaries	14	-	-	11,353	11,292
Movements in fixed asset investments					
Company					Balance in group undertakings £000
Cost or valuation					
At 1 April 2019					11,280
Additions					73
At 31 March 2020					<u>11,353</u>
Carrying amount					
At 31 March 2020					<u>11,353</u>
At 31 March 2019					<u>11,292</u>

14 Subsidiaries

Details of the company's subsidiaries as at 31 March 2020 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held
UP Holding Limited	England and Wales	Ordinary	100.00
Clarity Home Textiles Limited	England and Wales	Ordinary	100.00
Welspun JFI Limited	England and Wales	Ordinary	100.00
FR Kingsley (Textiles) Limited	England and Wales	Ordinary	100.00
Clarity UK Limited	England and Wales	Ordinary	100.00
Clarity 2004 Limited	England and Wales	Ordinary	100.00
Clarity Europe GmbH	Germany	Ordinary	100.00
Clarity - India LLC	USA	Ordinary	-

15 Financial instruments

	Group 2020	2019	Company 2020	2019
	£000	£000	£000	£000
Carrying amount of financial assets				
Debt instruments measured at amortised cost	<u>7,703</u>	<u>3,515</u>	<u>3</u>	<u>3,475</u>
Carrying amount of financial liabilities				
Measured at amortised cost	<u>15,728</u>	<u>11,514</u>	<u>3,170</u>	<u>6,653</u>

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

15 Financial Instruments (Continued)

Financial assets measured at amortised cost comprises cash, trade and other debtors and amounts owed from group undertakings.

Financial liabilities measured at amortised cost comprise bank overdrafts and loans, trade and other creditors and amounts owed to group undertakings.

16 Stocks	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Raw materials and consumables	4,342	-	-	-
Finished goods and goods for resale	108	4,106	-	-
	<u>4,450</u>	<u>4,106</u>	<u>-</u>	<u>-</u>

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

17 Debtors	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Amounts falling due within one year:				
Trade debtors	7,603	3,838	-	-
Amounts owed by group undertakings	16	-	-	3,474
Other debtors	156	27	6	1
Prepayments and accrued income	46	214	-	-
	<u>7,821</u>	<u>4,129</u>	<u>6</u>	<u>3,475</u>
Amounts falling due after more than one year:				
Deferred tax asset (note 21)	176	175	-	-
	<u>8,000</u>	<u>4,305</u>	<u>6</u>	<u>3,475</u>

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

18 Creditors: amounts falling due within one year

	Notes	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Bank loans	19	4,281	5,103	-	-
Trade creditors		5,379	1,583	-	-
Amounts owed to group undertakings		4,711	702	3,076	6,536
Corporation tax payable		29	92	-	-
Other taxation and social security		344	797	-	-
Other creditors		510	3,165	39	7
Accruals and deferred income		617	36	-	-
		<u>19,861</u>	<u>12,568</u>	<u>3,175</u>	<u>6,536</u>

All amounts owed to group undertakings are unsecured and repayable on demand.

A loan deposit account amounting to £650 thousand is secured via a Trust Deed in favour of certain lenders of their retail outlets.

Bank overdrafts with the Bank of India are secured by a debenture over all property and assets of the Company.

Bank overdrafts with the Bank of Baroda are secured by a first pari passu charge ranking with the Bank of India over all property and assets of the Company and a corporate guarantee from Welspun India Limited.

19 Loans and overdrafts

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
Bank loans	<u>4,281</u>	<u>5,103</u>	<u>-</u>	<u>-</u>
Overdrafts within one year	<u>4,261</u>	<u>5,103</u>	<u>-</u>	<u>-</u>

20 Provisions for liabilities

	Group 2020 £000	2019 £000	Company 2020 £000	2019 £000
	<u>1,186</u>	<u>2,140</u>	<u>-</u>	<u>-</u>

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2020

20 Provisions for liabilities (Continued)

Movements on provisions

	Restructuring costs £000
Group	£000
At 1 April 2019	2,140
Utilisation of provision	(954)
At 31 March 2020	<u>1,186</u>

21 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group and company and movements thereon:

	Assets 2020 £000	Assets 2019 £000
Group		
Single year timing differences	<u>175</u>	<u>170</u>

The company has no deferred tax assets or liabilities.

There were no deferred tax movements in the year.

The group has utilised trading tax losses carried forward in 178% of the year and other losses of £2.1m. The £238 thousand of tax losses have been recognised within the deferred tax asset above as the directors considered that this is the amount of losses which will be utilised in the forthcoming year.

22 Retirement benefit schemes

	2020 £000	2019 £000
Defined contribution schemes	£000	£000
Share of profit or loss in respect of defined contribution schemes	<u>80</u>	<u>73</u>

A defined contributory pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

23 Share capital

	Group and company 2020 £000	2019 £000
Ordinary share capital issued and fully paid	£000	1000
13,032,078 Ordinary shares of £1 each	<u>13,032</u>	<u>10,000</u>

WELSPUN HOME TEXTILES UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

24 Reserves

Profit and loss reserves

The profit and loss account is the cumulative retained earnings of the company consisting of both distributable and non-distributable reserves.

25 Operating lease commitments

Lessee

At the reporting end date the group has outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2020	2019	2020	2019
	£000	£000	£000	£000
Within one year	312	628	-	-
Between two and five years	493	352	-	-
In over five years	40	107	-	-
	<u>845</u>	<u>1,087</u>	<u>-</u>	<u>-</u>

26 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows:

	2020	2019
	£000	£000
Aggregate compensation	<u>582</u>	<u>370</u>

Other information

The group is exempt from disclosing related party transactions between wholly owned group members.

There are no other related party transactions to disclose for the year.

27 Controlling party

As at the period end 2020, the ultimate controlling and controlling party is Welspun India Limited, a company incorporated in India and listed on Mumbai (India) Stock Exchange. The Mumbai India stock exchange address is: Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-40001, India.

Welspun India Limited is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2020. The consolidated financial statements of Welspun India are publicly available.

Welspun Home Textiles UK Limited is the parent undertaking of the smallest group of undertakings to consolidate these financial statements.