Registered number: 4200853

Bendon UK Limited

Report and Financial Statements

Year ended 30 June 2014

Contents

Company Information

Director
Justin Davis-Rice

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Strategic Report

The Director presents his strategic report for the year ended 30 June 2014.

Principle activities, review of the business and future developments

The company's principal activity during the year was wholesaler of branded lingerie.

The company's financial performance is assessed by turnover and operating profit as disclosed in the profit & loss account.

	2014	*2013*
	£000	*£000*
Turnover	11,291	9,908
Gross Profit	4,007	3,415
Profit on ordinary activities before taxation	169	192
Profit for the financial period	163	185

The business has continued to show sales growth during the year and was mainly driven by our licensed brands. UK, being our established business, achieved growth of 11% while the European region grew at 12%. The business expects the European region to drive further revenue growth in the future.

Gross margin has benefitted from stronger buying power due to the improved GBP/USD rate given that our manufacturers are paid in USD.

The business also focussed on tight cost control of brand management costs. Overall, the business achieved a reduction in brand management costs of 18%.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company. The company manages this risk by providing added value services to its customers.

Trade pressure is continuing to increase with more and more entries by competing brands into the company's core markets. The company however continues to spread its sales base and its continuing mix of customers in order to negate the effect of market dilution.

The company has sales in Euro and continues to benefit from favourable exchange translations when comparing to long term average rates.

Credit risk is managed by strict credit setting and credit control procedures. Liquidity risk is managed by funding all being sourced through the parent undertaking.

Economic and market risk

The economic market can affect the performance of the company in terms of both sales and costs. Through product development and consumer research management works to ensure that value is delivered to all our customers and consumers. Management works hard to mitigate the impact of external cost on customers and its overall profitability through the delivery of cost savings.

International operations

The Company sells in certain international markets. Management continually reviews all relevant requirements to ensure appropriate policies and controls are developed when trading continually.

Strategic Report

Competitor risk

The Company operates in competitive markets where the activities of multinational, local and regional companies which have branded and private label businesses may adversely affect the company's market share, cash flow, turnover, profits and profit margins. Management focuses on investing in innovation and product development where it can build competitive advantage and where it can consistently grow sales and margins.

On behalf of the Board

Justin Davis-Rice
Director 13/7/15

Director's report

The director presents his report and financial statements for the year ended 30 June 2014.

Results and dividends

The results for the year are set out on page 8. The director does not propose the declaration of a dividend (2013 – £nil).

Principal activity and review of the business

The company's principal activity during the year continued to be a wholesaler of branded lingerie.

Turnover has increased to £11,291,229 (2013: £9,907,919) and operating profit has increased to £168,755 (2013: £191,586). The director believes the performance of the business in the year to be satisfactory and that future performance will improve.

The balance sheet on page 9 of the financial statements shows the company's financial position at the year end. There has been a decrease in net liabilities from the prior period. This is almost entirely funded through amounts owed to group undertakings which are shown in note 10.

Given the economic climate for retailers the company has performed well during the year. Expansion of the portfolio of brands and territories into which they are sold will continue to add value and help to minimise reliance on key products and traditional markets.

Significant Changes

There have been no significant changes to the business for the year ended 30 June 2014.

On 26th September 2014, the Group entered into a licencing agreement with Heidi Klum LLC for an initial term of seven years, for the worldwide right to use variants of Heidi Klum naming on its products.

On 31st December 2014, the licencing agreement with Elle McPherson expired, and will not be renewed.

Principal risks and uncertainties

Competitive pressure in the UK is a continuing risk for the company. The company manages this risk by providing added value services to its customers.

Trade pressure is continuing to increase with more and more entries by competing brands into the company's core markets. The company however continues to spread its sales base and its continuing mix of customers in order to negate the effect of market dilution.

The company has sales in Euro and continues to benefit from favourable exchange translations when comparing to long term average rates.

Credit risk is managed by strict credit setting and credit control procedures. Liquidity risk is managed by funding all being sourced through the parent undertaking.

Going concern

The company is reliant on continued support from its parent undertaking in order to continue as a going concern. See details in note 1 for the consideration of this and the director's conclusion for preparing the accounts on a going concern basis.

Director

The director who served the company during the period was as follows:
Justin Davis-Rice

Director's report

Supplier payment policy

It is the company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

Employment policies

Employees of the company are regularly consulted by directors and managers and kept informed of matters affecting them and the overall development of the company.

Environment

The company recognises the importance of environmental responsibility.

Disclosure of information to the auditors

So far as the director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. The director has taken all the steps that he is obliged to take as director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

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

On behalf of the Board

Justin Davis-Rice
Director 13/7/15

Statement of Director's responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent Auditors' Report to the Members of Bendon UK Limited

We have audited the financial statements of Bendon UK Limited for the year ended 30 June 2014 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the director and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 and of its 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Fraser Bull (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Luton

14 July 2015

Profit and Loss Account
for the year ended 30 June 2014

	Notes	2014 £	2013 £
Turnover	2	11,291,229	9,907,919
Cost of sales		(7,284,392)	(6,492,612)
Gross Profit		4,006,837	3,415,307
Administrative expenses		(3,838,082)	(3,223,721)
Operating profit	3	168,755	191,586
Profit on ordinary activities before taxation		168,755	191,586
Tax	6	(6,108)	(6,572)
Profit for the financial period	13	162,647	185,014

All activities derive from continuing operations.

Statement of total recognised gains and losses
for the year ended 30 June 2014

There are no recognised gains and losses other than the gain for the year of £162,647 (year ended 30 June 2013: gain of £185,014).

These financial statements should be read in conjunction with the notes on pages 10 to 18.

Balance Sheet
As at 30 June 2014

	Notes	2014 £	2013 £
Non-Current Assets			
Tangible fixed assets	7	62,025	40,406
		62,025	40,406
Current Assets			
Stocks	8	1,679,709	2,438,691
Debtors	9	1,700,860	1,503,397
Cash at bank and in hand		114,347	130,392
		3,494,916	4,072,480
Creditors : amounts falling due within one year	10	(3,959,739)	(4,678,331)
Net current liabilities		(464,823)	(605,851)
Total assets less current liabilities		(402,798)	(565,445)
Net liabilities		(402,798)	(565,445)
Capital and reserves			
Called up share capital	11	300,000	300,000
Profit and loss account	12	(702,798)	(865,445)
Shareholders' deficit	13	(402,798)	(565,445)

The financial statements were approved by the Board on 13 JULY 2015 and signed on its behalf by:

Justin Davis-Rice
Director

Registered no: 4200853

Notes to the Financial Statements
at 30 June 2014

1. Accounting policies
Basis of preparation

The financial statements are prepared under the historical cost convention in accordance with the reporting requirements of the Companies Act 2006, together with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently in both the current and previous financial year, are described below.

Fundamental accounting concept

The company has net liabilities at the year-end amounting to £402,798 and has made a profit of £162,647 during the period. Accordingly the company is reliant on the continuing financial support of the parent undertaking, Bendon Limited, incorporated in New Zealand, in order to meet liabilities as they fall due. The parent company has indicated that they will not seek repayment of any of the group balances due until the company is able to pay them for a period of at least 12 months from the approval of these financial statements and will continue to provide further support as required during that period.

On 11th September 2014, in conjunction with the bank, the Group restructured its facility agreement with the Australian and New Zealand Banking Group Limited, which included the amendment of covenant targets. Based on this the director has prepared the accounts on a going concern basis.

Statement of cash flows

The company is exempt from the requirement of FRS 1 (revised) to prepare a statement of cash flows, as it is a wholly owned subsidiary undertaking of a company which prepares publicly available consolidated financial statements.

Tangible fixed assets

Fixed assets are stated at cost less provision for any impairment and depreciation. Depreciation is provided on a straight line basis over the estimated useful lives of the assets. The useful lives used to calculated depreciation are as follows:

Leasehold land and buildings	- over the lease term
Store, fixtures and office equipment	- 3 to 5 years straight line

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all appropriate production overheads. Net realisable value is the actual or estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements
at 30 June 2014

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership pass to the customer. Risk and rewards are transferred to the customer when goods are delivered.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the average exchange rate for the period. All exchange differences are dealt with through the profit and loss account.

Operating leases

Rental costs under operating leases are charged to the profit and loss account as the leasing charges are incurred.

Notes to the Financial Statements
at 30 June 2014

2. Turnover

Turnover represents sales less returns and discounts and excludes Value Added Tax and is generated exclusively from the retail and wholesale of lingerie and sleepwear.

	2014	*2013*
	£	*£*
UK	7,306,029	6,593,466
Rest of Europe	2,786,042	2,498,209
Rest of World	1,199,158	816,244
	11,291,229	9,907,919

3. Operating Profit

This is stated after charging:

	2014	*2013*
	£	*£*
Depreciation of fixed assets (note 7)	34,515	67,042
Operating lease rentals - land and buildings	215,764	215,705
Auditors' remuneration - audit services	12,000	12,000

4. Director's emoluments

Emoluments in respect of the director services are considered inconsequential to the company.

Notes to the Financial Statements
at 30 June 2014

5. Staff costs

	2014	2013
	£	£
Wages and salaries	836,795	824,108
Social security costs	78,373	86,351
	915,168	910,459

The average monthly number of employees during the period was made up as follows:

	2014	2013
	No.	No.
Sales and administration	27	21

6. Tax

(a). Tax on profit on ordinary activities
The tax charge is made up as follows:

	2014	2013
	£	£
Current tax (note 6(b))	34,145	-
Deferred tax (note 6(c))	(28,037)	6,572
Total tax	6,108	6,572

Notes to the Financial Statements
at 30 June 2014

6. (b). Factors affecting current tax charge

The standard rate of current tax for the period, based on the UK standard rate of corporation tax, is 21% (2013 - 23%).

The current and prior period charges are set out in the following reconciliation:

	2014 £	*2013* £
Profit on ordinary activities before tax	168,755	191,586
Profit on ordinary activities multiplied by standard rate of corporation in the UK of 21% (2013 - 23%)	35,439	44,065
Effects of:		
Expenses not deductible for tax	1,496	2,003
Difference between capital allowances and depreciation	356	7,116
Other timing differences	32,642	279
Loss utilised	(35,788)	(53,463)
Current tax for the period (note 6(a)).	34,145	-

(c). Movement of deferred tax asset

	2014 £	*2013* £
Balance at 1 July 2013	32,897	39,468
Movement	28,037	(6,572)
Balance at 30 June 2014	60,934	32,897

Notes to the Financial Statements
at 30 June 2014

7. Tangible Fixed Assets

	Short - leasehold land and buildings	*Store, fixtures and office equipment*	*Total*
	£	£	£
Cost:			
At 1 July 2013	7,442	546,779	554,221
Additions	-	56,134	56,134
At 30 June 2014	7,442	602,913	610,355
Depreciation:			
At 1 July 2013	(7,442)	(499,777)	(507,219)
Charge for the period	-	(34,515)	(34,515)
At 30 June 2014	(7,442)	(534,292)	(541,734)
Impairment of fixed asset:			
At 1 July 2013	-	(6,596)	(6,596)
Change for the period	-	-	-
At 30 June 2014	-	(6,596)	(6,596)
Net book value:			
At 30 June 2014	-	62,025	62,025
At 1 July 2013	-	40,406	40,406

8. Stocks

	2014	*2013*
	£	£
Finished goods and goods for resale	1,679,709	2,438,691

9. Debtors: amounts falling due within one year

	2014	*2013*
	£	£
Trade debtors	1,505,639	1,343,135
Taxation and social security	-	19,510
Other debtors and prepayments	134,287	107,855
Deferred tax (note 6(c))	60,934	32,897
	1,700,860	1,503,397

Notes to the Financial Statements
at 30 June 2014

10. Creditors: amounts falling due within one year

	2014	2013
	£	£
Debenture with related party	994,002	994,002
Trade creditors	1,026,737	847,682
Amounts owed to parent company	1,257,659	2,204,858
Corporation Tax	34,145	-
Taxation and social security	78,410	-
Accruals	568,786	631,789
	3,959,739	4,678,331

11. Issued share capital

	2014	2013
	£	£
Authorised, issued and fully paid:		
300,000 called up, allotted and fully paid ordinary shares of £1 each	300,000	300,000

12. Reserves

	Profit and loss account	
	2014	2013
	£	£
At 1 July 2013	(865,445)	(1,050,459)
Profit for the financial period	162,647	185,014
At 30 June 2014	(702,798)	(865,445)

Notes to the Financial Statements
at 30 June 2014

13. Reconciliation of shareholders' funds

	2014	2013
	£	£
Profit for the financial period	162,647	185,014
Opening equity shareholder' deficit	(565,445)	(750,459)
	(402,798)	(565,445)

14. Operating leases

At 30 June 2014, the company had annual commitments under leases:

	Land and buildings 2014	*Land and buildings* 2013
	£	£
Leases which expire:		
Within one year	-	-
Within one to five years	173,271	97,041
Greater than five years	-	76,230
	173,271	173,271

15. Commitments and contingencies

The company is part of a Borrowing Group comprising other entities within the Bendon Limited group. The Borrowing Group has loan facilities which are secured by a charge over the assets of the Guaranteeing Group. The Guaranteeing Group consists of all Bendon Limited group companies and is required to maintain certain covenants.

Notes to the Financial Statements
at 30 June 2014

16. Provision for liabilities

	2014		2013	
	Provided	*Unprovided*	*Provided*	*Unprovided*
	£	*£*	*£*	*£*
Deferred tax:				
Trading losses	-	-	-	170,419
Short term timing differences	(60,934)	-	(32,896)	-
	(60,934)	-	(32,896)	170,419

The above un-provided deferred tax asset would be recovered through reduced tax charges on future taxable profits.

17. Related party transactions

The company has taken advantage of the exemption contained in FRS 8 'Related Party Transactions' not to disclose transactions with other wholly owned group companies.

For outstanding related party receivable and payable balances at year end please refer to note 10.

18. Ultimate parent undertaking and controlling party

The immediate parent undertaking and smallest group for which consolidated financial statements are prepared is Bendon Limited, a company registered and incorporated in New Zealand.

The ultimate parent company and controlling party is JADR Holdings Pty Limited, a company incorporated in Australia.