

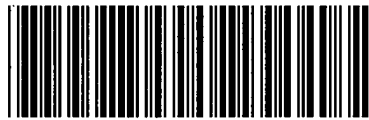
Registered number: 04200853

# Bendon UK Limited

## Annual Report and Financial Statements

For the Year Ended 30 June 2016

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**For the Year Ended 30 June 2016**

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## **Company Information**

### **Director**

Justin Ashley Davis-Rice

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Donington Court  
Pegasus Business Park  
Herald Way  
East Midlands  
DE74 2UZ

### **Banker**

HSBC Bank plc  
75-77 High Street  
Sutton  
Surrey  
SM1 1DU

### **Registered Office**

Second Floor  
10 Golden Square  
London W1F 9JA

## **Strategic Report**

The Director presents his strategic report for the year ended 30 June 2016.

### **Principal activities, review of the business and future developments**

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

### **Key performance indicators ('KPIs')**

The company's financial performance is assessed by KPIs in respect of turnover and operating profit as disclosed in the Income Statement.

### **Review of the business**

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

Turnover has decreased to £8,581,254 (2015: £9,261,106) and operating profit has decreased to £207,600 (2015: £242,138). 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 year. 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.

	2016 £000	2015 £000
Turnover	8,581	9,261
Gross profit	2,542	3,270
Operating profit	208	242
Profit for the financial year	129	176

Third party sales decreased 12% year on year. This was mainly driven by slower than expected sales from the transition from Elle MacPherson as our brand ambassador to Heidi Klum as our new brand ambassador. Management have introduced a new range of swimwear from the 2016 season and is focused on its direct customer strategy to drive further sales in both the UK and the European region.

Gross Profit decreased 23% year on year. This was due to the changes in customer mix and also impacted by decreased sales.

The business also focused on tight cost control of indirect costs during the year. Overall, the business achieved a reduction in administrative expenses of 23%.

### **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.

Part of the company's sales are denominated in euros. Bendon group manages this risk by monitoring cross rates and is able to take out forward cover when deemed necessary.

## **Strategic Report (continued)**

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

### **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 increases 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.

### **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.

### **Going concern**

As set out in Note 1 to the financial statements, the company is reliant on its ultimate parent undertaking for financial support to continue as a going concern.

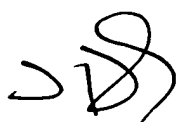
### **Transition to FRS 101**

During 2016, the company adopted new UK GAAP and elected to prepare these financial statements under FRS 101. Therefore, in these financial statements, the company has adopted FRS 101 for the first time.

Accordingly, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EJ ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006. Note 1 sets out where advantage of the FRS 101 disclosure exemptions have been taken.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company is provided in note 21 to the financial statements

On behalf of the Board



Justin Ashley Davis-Rice  
Director

Date: 11 August 2018

## **Director's report**

The director presents his report and the audited financial statements for the year ended 30 June 2016.

### **Results and dividends**

The results for the year are set out on page 8. The director does not propose the declaration of a dividend (2015 – £nil).

### **Director**

The director who served the company during the year was as follows:

Justin Ashley Davis-Rice

### **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.

### **Qualifying third-party indemnity provisions**

The Bendon Group maintains liability insurance for its director, which is a qualifying third party indemnity provision for the purposes of the Companies Act. This indemnity was in place during the financial year and continues to be in place at the date of the approval of these financial statements.

The company recognises the importance of environmental responsibility.

### **Statement of director's responsibilities**

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the director must not approve the financial statements unless he is 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 the financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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.

The director is 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.

## Director's report (continued)

In the case of each director in office at the date the Director's Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware;
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



Justin Ashley Davis-Rice  
Director

11 August 2018

# ***Independent auditors' report to the members of Bendon UK Limited***

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Bendon UK Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its profit and cash flows 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.

### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 30 June 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### **Opinion on other matter prescribed by the Companies Act 2006**

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

### **Other matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.



# ***Independent auditors' report to the members of Bendon UK Limited***

## **Report on the financial statements**

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### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Director's Responsibilities set out 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.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

*David Martin*

David Martin (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

*11 August 2018*

# Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 £	2015 £
<b>Turnover</b>	2	<b>8,581,254</b>	9,261,106
Cost of sales		<u>(6,038,788)</u>	<u>(5,991,294)</u>
<b>Gross profit</b>		<b>2,542,466</b>	<b>3,269,812</b>
Administrative expenses		<u>(2,334,866)</u>	<u>(3,027,674)</u>
<b>Operating profit</b>	3	<b>207,600</b>	242,138
Interest receivable and similar income	6	-	-
Interest payable and similar charges		<u>-</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>		<b>207,600</b>	242,138
Tax	6	<u>(78,170)</u>	<u>(65,998)</u>
<b>Profit for the financial period</b>	13	<u><b>129,430</b></u>	<u>176,140</u>

All activities derive from continuing operations.

There is no comprehensive income other than the profit for the financial year of £129,430 (year ended 30 June 2015: gain of £176,140).

These financial statements should be read in conjunction with the notes on pages 11 to 23.

# Statement of Financial Position

As at 30 June 2016

	Notes	2016 £	2015 £
<b>Non-Current Assets</b>			
Tangible fixed assets	7	<u>59,971</u>	64,517
		<b>59,971</b>	<b>64,517</b>
<b>Current Assets</b>			
Inventories	8	2,130,980	2,305,834
Trade and other receivables	9	1,915,976	1,945,242
Cash at bank and in hand		<u>175,928</u>	106,362
		<b>4,222,884</b>	<b>4,357,438</b>
<b>Creditors: amounts falling due within one year</b>	10	<u>(4,380,083)</u>	(4,648,613)
<b>Net current liabilities</b>		<u>(157,199)</u>	(291,175)
<b>Total assets less current liabilities</b>		<u>(97,228)</u>	(226,658)
<b>Net liabilities</b>		<u>(97,228)</u>	(226,658)
<b>Capital and reserves</b>			
Called up share capital	11	300,000	300,000
Profit and loss account	12	<u>(397,228)</u>	(526,658)
<b>Shareholders' deficit</b>	13	<u>(97,228)</u>	(226,658)

The financial statements on pages 8 to 23 were approved by the Board on 11 August 2018 and signed on its behalf by:



Justin Ashley Davis-Rice  
Director

Registered no: 04200853

## Statement of Changes in Equity

for the year ended 30 June 2016

	Notes	Share Capital £	Retained Earnings £	Total Equity
<b>Balance at 1 July 2014</b>		300,000	(702,798)	(402,798)
<b>Changes in equity for the year 2015</b>				
Issue of share capital		-	-	-
Profit for the year		-	176,140	176,140
<b>Balance at 30 June 2015</b>	13	300,000	(526,658)	(226,658)
<b>Changes in equity for the year 2016</b>				
Issue of share capital		-	-	-
Profit for the year		-	129,430	129,430
<b>Balance at 30 June 2016</b>	13	300,000	(397,228)	(97,228)

## Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016 £ Inflows/ (Outflows)	2015 £ Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Receipts from customers		9,426,856	10,197,264
Payments to suppliers and employees		(9,301,841)	(10,462,291)
Income taxes paid		(49,458)	(57,070)
<b>Net cash provided / (used) by operating activities</b>	14	75,557	(322,097)
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(36,395)	(33,763)
<b>Net cash used in investing activities</b>		(36,395)	(33,763)
<b>Cash flows from financing activities</b>			
Funding from related parties		30,404	347,875
Interest paid		-	-
<b>Net cash used in financing activities</b>		30,404	347,875
Net increase/(decrease) in cash and cash equivalents		69,566	(7,985)
Cash and cash equivalents at the beginning of the financial year		106,362	114,347
<b>Cash and cash equivalents at the end of the financial</b>		<b>175,928</b>	<b>106,362</b>

## Notes to the Financial Statements

at 30 June 2016

### 1. Accounting policies

#### ***Basis of preparation***

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time.

In the transition to FRS 101, the company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the company is provided in note 21.

The financial statements of Bendon UK Limited have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and derivative financial assets and financial liabilities measured at fair value through profit and loss, and in accordance with the Companies Act 2006.

In these financial statements the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- comparative period reconciliations for property, plant and equipment;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRS;
- an additional statement of financial position for the beginning of the earliest comparative period following the retrospective change in accounting policy; and
- disclosure in respect of the compensation of Key Management Personnel.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 statement of financial position at 1 July 2014 for the purposes of the transition to FRS101.

Judgements have been made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3.

#### ***Going Concern***

The company has net liabilities at the year-end amounting to £97,228 and has made a profit of £129,430 during the period. Accordingly the company is reliant on the continuing financial support of the parent undertaking, Bendon Limited (the Group), 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.

For the financial year ended 31 January 2018 the business experienced a loss after income tax from continuing operations of NZ\$37.593 million and operating cash outflows of NZ\$4.116 million. As at 31 January 2018, the business is in a net current liability position of NZ\$20.752 million and has negative net assets of \$5.710 million.

## Notes to the Financial Statements

at 30 June 2016 (continued)

### 1. Accounting policies (continued)

#### *Going Concern (continued)*

The business continued to experience losses in the 31 January 2018 financial year as a result of reduced revenue from wholesale customers, increased rebates and discounts, and the plateauing of sales in retail outlets. The business is experiencing challenging trading conditions which have been impacted by the recent confirmation that the Stella McCartney licence held by the Group expires on 30 June 2018 and the cancelled licence will restrict the Group from selling Stella McCartney product beyond the termination date of the licence. The business has accumulated trade creditors that are trading beyond their original credit terms.

In response management has taken steps to raise further capital to fund new inventory that will restock stores and supply wholesale customers. Management has also engaged in restructuring the businesses operations including reducing costs across channels, renegotiating supplier contracts, resetting customer supply commitments, updating leadership roles, and managing the opening of new stores. The impact from the capital raising and the restructure will take time to have a positive impact on the profit of the business. The Group expects the business will trend to be operating cash flow positive towards the third quarter of the 2019 financial year.

Since the end of the 31 January 2018 financial year the Group has raised further equity which is planned to support the working capital requirements of the Group which in turn is expected to reduce the cost of finance and provide working capital for the purchase of inventory and reduction of aged creditors to free up supply of new season inventory which will assist the Group deliver its forecast.

As at the date of this report and since the end of the 31 January 2018 financial year the Group had received all of the planned equity of USD\$23.5 million and has reduced the Bank facilities to the new facility limit and has started to pay creditors.

Prior to the date of this report the Group had executed a new Bank borrowing facility agreement to replace the facilities as at 31 January 2018. The new facility is subject to covenants and has a 12 month term. The Bank has advised that they will revisit the term of the new facility in 12 months after they have assessed the Group's performance over the next year. However the Group feels comfortable they will be able to manage rollover of the Bank facility on its maturity.

The Bank facilities as at 31 January 2018 are presented on the Group Balance Sheet as a current liability due to the facilities having an expiry date of 30 June 2018 and having been breached during the lending period. The amount outstanding as at that date was the amount outstanding under the previous facility and amounted to US\$25.5 million.

The Group has also obtained a standby facility from an entity associated with a major shareholder, Cullen Investments Limited, to provide funding to the Group if required to deal with any creditor, debt or working capital required by the Group over the next 17 months.

The Group also confirms that it received approval from the shareholders of Naked Brand Group Inc ("Naked"), a U.S. public corporation listed on Nasdaq to complete a merger between the Group and Naked. Under the terms of the merger, the Group has registered as a foreign private issuer with the U.S. Securities and Exchange Commission and to list on Nasdaq. The shareholder vote occurred at a merger meeting on 14 June 2018.

In conjunction with the restructure of the Group, management has prepared a forecast income statement, balance sheet, and cash flow statement for the next 12 months following the date of this financial report which indicates they expect to be able to pay their commitments as and when they fall due through negotiation of terms. The forecast includes a number of assumptions regarding the trading of the business and what the business plans to do to return the business to cash flow positive which are consistent with the current trading activities.

## Notes to the Financial Statements

at 30 June 2016 (continued)

### 1. Accounting policies (continued)

#### *Going Concern (continued)*

The Director and management are confident the Group will be able to deliver the restructured business and the forecast that sets out a plan to return the Group to profit and operating cash flow positive and that if there is any delay in this process the Group is confident of continuing as a going concern through having adequate financial reserves in its standby facility from Cullen Investments Limited.

The major shareholder has committed to a facility for at least the next 18 months to cover a worst case scenario of cash requirements should the Group experience a shortfall in cash from either not meeting its forecast income statement and cash flow, or needing to accelerate a payment to an outstanding creditor or debt provider.

As a result the Director has prepared the financial report on a going concern basis.

#### **Non-derivatives financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

#### **Trade and other receivables**

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### **Trade and other payables**

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### **Investments in debt and equity securities**

Investments in subsidiary and associate undertakings are carried at cost less impairment, where required.

#### **Intra-group financial instruments**

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

#### **Property, plant and equipment**

Property, plant and equipment 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 calculate depreciation are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

## Notes to the Financial Statements

at 30 June 2016 (continued)

### 1. Accounting policies (continued)

#### *Inventories*

Inventories are 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.

#### *Taxation*

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

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

#### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position 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.

#### *Turnover*

Turnover 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 received by the customer. Turnover excludes value added tax and trade discounts.

#### *Foreign currencies*

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



## **Notes to the Financial Statements**

**at 30 June 2016 (continued)**

### **1. Accounting policies (continued)**

#### ***Operating leases***

Rental costs under operating leases are charged to the income statement as the leasing charges are incurred.

#### **Accounting estimates and judgements**

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.

#### **Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### **a) Useful economic lives of property, plant and equipment**

The annual depreciation charge for property, plant and equipment 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. See note 7 for the carrying amount of the property, plant and equipment and note 1 for the useful economic lives for each class of assets.

##### **b) Inventory provisioning**

The company sells products and is subject to changing customer demands and economic trends. As a result it is necessary to consider the recoverability of the cost of the inventory and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of the finished goods and future usage of raw materials. See note 8 for the net carrying amount of the inventory and associated provision.

##### **c) Impairment of trade receivables**

The company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and the historical experience. See note 9 for the net carrying amount of the receivables and associated impairment provision.

**Notes to the Financial Statements****at 30 June 2016 (continued)****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.

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
UK	<b>4,140,142</b>	5,825,421
Rest of Europe	<b>2,413,630</b>	2,053,661
Rest of World	<b>2,027,482</b>	1,382,024
	<b>8,581,254</b>	<b>9,261,106</b>

**3. Operating profit**

This is stated after charging:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Purchases in the year	<b>4,213,515</b>	4,946,163
Foreign exchange losses	<b>49,308</b>	201,950
Depreciation of fixed assets (note 7)	<b>40,947</b>	31,271
Operating lease rentals - land and buildings	<b>193,190</b>	227,525
Auditors' remuneration - audit services	<b>30,000</b>	12,000
Impairment of inventories	-	25,248
Impairment of trade debtors	<b>22,136</b>	42,561

**4. Director's emoluments**

No emoluments or fees were paid to the director during the year in respect of his services to the company. These costs are borne by other companies in the group and no such costs have been recharged to the company.

**Notes to the Financial Statements**

at 30 June 2016 (continued)

**5. Staff costs**

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Wages and salaries	<b>828,772</b>	843,648
Social security costs	<b>80,004</b>	84,153
	<b>908,776</b>	<b>927,801</b>

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

	<b>2016</b> <b>No.</b>	<b>2015</b> <b>No.</b>
Sales and administration	<b>17</b>	27

**6. Tax**

(a). Tax on profit on ordinary activities

The tax charge is made up as follows:

	<b>2016</b> <b>£</b>	<b>2015</b> <b>£</b>
Current tax	<b>46,336</b>	51,452
Adjustments in respect of current income tax of previous years	<b>(1,994)</b>	(12,560)
Deferred tax (note 6(c))	<b>33,828</b>	27,106
Total tax	<b>78,170</b>	<b>65,998</b>

**Notes to the Financial Statements**  
**at 30 June 2016 (continued)**

**6. Tax (Continued)**

(b). Reconciliation of income tax to accounting profit

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	<b>207,600</b>	<b>242,138</b>
Tax at standard rate of corporation in the UK of 20% (2015 - 21%)	<b>41,520</b>	<b>50,849</b>
<i>Tax effect of:</i>		
Expenses not deductible for tax	<b>470</b>	<b>871</b>
Difference between capital allowances and depreciation	<b>3,996</b>	<b>1,379</b>
Other timing differences	<b>350</b>	<b>1,670</b>
Adjustments in respect of current income tax of previous years	<b>(1,994)</b>	<b>(12,560)</b>
Deferred tax assets relating to prior periods no longer recognised	<b>33,828</b>	<b>27,106</b>
Other	<b>-</b>	<b>(3,317)</b>
Income Tax expense (note 6(a))	<b>78,170</b>	<b>65,998</b>

(c). Movement of deferred tax asset

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Balance at 1 July 2015	<b>33,828</b>	<b>60,934</b>
Tax charge	<b>(33,828)</b>	<b>(27,106)</b>
Balance at 30 June 2016	<b>-</b>	<b>33,828</b>

## Notes to the Financial Statements

### at 30 June 2016 (continued)

<b>7. Tangible Fixed Assets</b>	<b>Short - leasehold land and buildings £</b>	<b>Store, fixtures and office equipment £</b>	<b>Total £</b>
Cost:			
At 1 July 2015	7,442	636,676	644,118
Additions	-	36,401	36,401
<b>At 30 June 2016</b>	<b>7,442</b>	<b>673,077</b>	<b>680,519</b>
Accumulated Depreciation:			
At 1 July 2015	(7,442)	(565,563)	(573,005)
Charge for the year	-	(40,947)	(40,947)
<b>At 30 June 2016</b>	<b>(7,442)</b>	<b>(606,510)</b>	<b>(613,952)</b>
Impairment of fixed asset:			
At 1 July 2015	-	(6,596)	(6,596)
Charge for the year	-	-	-
<b>At 30 June 2016</b>	<b>-</b>	<b>(6,596)</b>	<b>(6,596)</b>
Net book value:			
<b>At 30 June 2016</b>	<b>-</b>	<b>59,971</b>	<b>59,971</b>
At 30 June 2015	-	64,517	64,517

## 8. Inventories

	<b>2016 £</b>	<b>2015 £</b>
Finished goods and goods for resale	<b>2,156,228</b>	2,331,082
Provision for Obsolescence	<b>(25,248)</b>	(25,248)
	<b>2,130,980</b>	2,305,834

The cost of inventories recognised as an expense and included in "cost of sales" amounted to £4,388,369 (2015: £4,320,038).

## 9. Trade and other receivables

	<b>2016 £</b>	<b>2015 £</b>
Trade debtors	<b>1,756,860</b>	1,794,422
Taxation and social security	<b>68,634</b>	10,613
Amounts due from group undertakings	-	-
Other debtors and prepayments	<b>90,482</b>	106,379
Deferred tax (note 6(c))	-	33,828
	<b>1,915,976</b>	1,945,242

Trade debtors are stated after provisions for impairment of £82,972 (2015 = £105,108)

## Notes to the Financial Statements at 30 June 2016 (continued)

### 10. Creditors: amounts falling due within one year

	2016 £	2015 £
Debenture with parent company	994,002	994,002
Trade creditors	1,315,250	1,290,044
Amounts due to group undertakings	1,635,938	1,605,534
Corporation Tax	10,858	15,968
Accruals	424,035	743,065
	<b>4,380,083</b>	<b>4,648,613</b>

Debenture issued on 1 April 2004 to parent company is a fully paid-up unsecured debenture which has a face value of £994,002.

Amounts owed to group undertakings are unsecured, payable on demand and are non-interest bearing.

### 11. Issued share capital

	2016 £	2015 £
<i>Authorised, issued and fully paid:</i>		
300,000 (2015: 300,000) called up, allotted and fully paid ordinary shares of £1 each	300,000	300,000

### 12. Reserves

	<i>Profit and loss account</i>	
	2016 £	2015 £
At 1 July	(526,658)	(702,798)
Profit for the financial year	129,430	176,140
At 30 June	<b>(397,228)</b>	<b>(526,658)</b>

## Notes to the Financial Statements at 30 June 2016 (continued)

### 13. Reconciliation of shareholders' funds

	2016 £	2015 £
Profit for the financial year	129,430	176,140
Opening equity shareholder deficit	(226,658)	(402,798)
	<u>(97,228)</u>	<u>(226,658)</u>

### 14. Reconciliation of profit for the financial year to net cash flows from operating activities:

	2016 £	2015 £
Profit for the financial year	129,430	176,140
<b>Adjusted for</b>		
Depreciation of non current assets	40,947	31,271
Interest paid	-	-
<b>(Increase)/decrease in assets:</b>		
Current receivables	(4,568)	(271,488)
Inventories	174,853	(626,124)
Deferred tax asset	33,828	27,106
<b>(Increase)/decrease in liabilities:</b>		
Current payables	(293,823)	359,175
Current tax liabilities	(5,110)	(18,177)
Net cash from (used in) operating activities	<u>75,557</u>	<u>(322,097)</u>

### 15. Operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016 £	2015 £
Not later than one year	122,067	150,399
Between one and five years	8,946	204,668
Later than five years	-	-
	<u>131,013</u>	<u>355,067</u>

Operating leases are in place for leased premises and photocopier. Property leases both expire within the next 12 months.

## Notes to the Financial Statements at 30 June 2016 (continued)

### 16. 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.

At the end of the reporting period, for which no provision has been made in these financial statements, were as follows:

	2016 £	2015 £
Guarantee given to UK Customs Department	160,000	160,000

### 17. Provision for liabilities

	2016 Provided £	2016 Unprovided £	2015 Provided £	2015 Unprovided £
<b>Deferred tax:</b>				
Capital allowances	-	-	-	-
Trading losses	-	-	-	-
Short term timing differences	-	-	(33,828)	-
	-	-	(33,828)	-

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

### 18. Related party transactions

The company has taken advantage of the exemption contained in FRS 101.8j) and k) not to disclose transactions with other wholly owned group companies as requested in IAS 24 (para 17).

### 19. 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 Bendon Investment Limited which is incorporated in New Zealand and owns 71.8% of Bendon Limited. The ultimate registered owner and controlling party of Bendon Investments Limited is Cullen Group Limited which is incorporated in New Zealand.

Copies of Bendon Limited consolidated financial statements are available from the following address :  
8 Airpark Drive  
Airport Oaks  
Auckland  
New Zealand



## **Notes to the Financial Statements at 30 June 2016 (continued)**

### **20. Subsequent events**

On 20th June 2018, Bendon Limited and Naked Brand Group Inc. completed the merger of the two companies into wholly-owned subsidiaries of newly-formed Naked Brand Group Limited, a company registered and incorporated in Australia. Shares of the Naked Brand Group Limited are trading on the Nasdaq Stock Market under the symbol "NAKD".

### **21. Transition to FRS 101 from old UK GAAP**

As stated in note 1, these are the company's first, financial statements prepared in accordance with FRS 101. The accounting policies in note 1 have been applied in preparing the financial statements for the year ended 30 June 2016, the comparative information presented in these financial statements for the year ended 30 June 2015 and in preparation of an opening FRS 101 statement of financial position at 1 July 2014 (the company's date of transition).

In preparing its FRS 101 statement of financial position, the company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP). The transition from UK GAAP to FRS 101 has not affected the company's financial position and financial performance.