

# Temperley Limited

## FINANCIAL STATEMENTS

for the year ended

31 December 2018



*Company number 04038659*

# Temperley Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

Ms A Temperley  
Mr L Donnini

### SECRETARY

Mr A Murray

### COMPANY NUMBER

04038659 (England and Wales)

### REGISTERED OFFICE

Phoenix Brewery, 13 Bramley Road  
London W10 6SZ

### AUDITOR

RSM UK Audit LLP  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

# Temperley Limited

## STRATEGIC REPORT

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### BUSINESS OVERVIEW

Temperley London is an independent British designer of luxury women's clothing and accessories founded in 2002 by Alice Temperley. The core business focuses on women's ready-to-wear collections, which have evolved to offer a comprehensive range of daywear, cocktail and eveningwear.

Temperley London is distributed in over 30 countries across upwards of 150 wholesale accounts. Currently 56% of sales come from overseas. The company's main overseas markets are US & Canada, UAE & China and Hong Kong.

### BUSINESS MODEL

Since 2016, the Group has focussed on an operational transformation program to reposition itself within the market, concentrate its wholesale customer base and focus on operational improvements. This theme has continued in 2018 and in the months since, with the consolidation of our bridal offering at our flagship store in Mayfair under the "House of Temperley". In late 2019 we opened a directly operated store in The Dubai Mall, replacing the underperforming franchise operation that had existed in the region for the previous five years.

The Group operates through the following channels:

- Wholesale: Temperley is sold through selected department and boutique fashion stores
- Retail: the Group operates two standalone UK stores, Mayfair (flagship) and Bicester Village (outlet) and a further store in Dubai.
- Franchise: franchise stores Qatar.
- E-commerce.

### BUSINESS REVIEW AND FUTURE DEVELOPMENTS

In 2018 the company suffered from difficult prevailing retail trading conditions and as a result, revenues decreased by 15%. An additional provision against slow-moving stocks was made in 2018 to the value of £0.4m which contributed to gross margins deterioration from 51% to 43%. The Company has net liabilities of £16.6m, up from £13.3m in 2017.

Through 2018 and 2019, management have fine-tuned our offering to market to achieve economies of scale through narrower but deeper seasonal collections and a greater focus on daywear over eveningwear to broaden our customer base. There has been a focus on the retail and ecommerce channels as key areas for growth which have included online partnerships with FarFetch, consolidation of our UK retail offering under the "House of Temperley" and taking back control of our Dubai retail operations from our Franchise partner.

Management feel that the business now has the right operational structure, personnel and trading plans in place to leverage the brand's popularity in a competitive market.

### POST BALANCE SHEET EVENTS

Following the year-end, the Group, of which the Company belongs to completed a new equity raise of £1,887,200 through issue of shares. A total of 1,572,667 shares were issued at £1.20 per share to both existing and new shareholders.

In December 2019, the holders of the Convertible Loan Notes agreed to convert £2,439,750 of the total £2,940,000 Loan Notes (83%) into equity at a price of £1.50 per share resulting in 1,626,500 new shares being issued. In addition, the loan note holders agreed to write off the interest accrued to date on the loan notes of £1,474,750 and there will be an interest free period on the remaining Loan Notes until January 2021.

### MANAGEMENT TEAM

Former CEO Patricia Sancho left the business in September 2018 to return to Spain. Sally Hughes was appointed on 4 September 2018.

# Temperley Limited

## STRATEGIC REPORT (continued)

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### KEY RISKS AND UNCERTAINTIES

The Directors understand the need for robust risk management and continue to monitor trading performance on a regular basis.

The Directors consider the following to be the principal risks and uncertainties to the Company:

- *Foreign Exchange Risks* – The Company has some exposure to exchange rate movements through its non-UK operations but does not consider this to be material and does not enter into derivative contracts.
- *Business Risk* – The Company is susceptible to changing fashion trends and customer preferences which may cause sharp increases or decreases in product. This would result in inventory shortages or excesses as well as impacting annual revenues and branding. The Company mitigate the risk by monitoring market activity and careful management of stock.
- *Economic Risk* – The Company could be affected by changes in the macro-economic environment such as falling consumer confidence. The risk is mitigated by the Company's diverse distribution channels and global customer base.
- *Liquidity Risk* – The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Primarily this is achieved through close management control of working capital and utilisation of existing debt facilities. The Board has the continued support of the shareholders in driving the transformation programme, an additional £1.7m of loan finance has been raised in 2018.

### KEY PERFORMANCE INDICATORS

The Directors uses various measures to assess performance of the business. These indicators are assessed by channel (wholesale, retail & e-commerce) and location. The Director believes that the most appropriate measure of business performance is earnings before interest, tax, depreciation and amortisation (EBITDA). During 2018 the Company made an EBITDA loss of £3.1m, the revenue stepped back 15% as the company enters a key period of business transformation and continued investment in 2019 as set out in post balance sheet disclosure.


Other commercial performance measures include stock turnover and increasing demand for products through the different sales channels:

- Online KPIs include conversion rate, order value and return rate.
- Wholesale performance is measured by order book size, number of new doors and seasonal sell-through.
- Retail store performance is measured in units sold, average transaction value and conversion rate.

### FINANCIAL INSTRUMENTS

The Company aims to minimise foreign exchange risk and does not speculate on currency exchange rate movements. A large proportion of trade is made in US Dollar and Euros and the company manages the exchange risk by using its Dollar and Euro bank accounts.

Approved by order of the board.

  
Ms A Temperley  
Director

27 January 2020

# Temperley Limited

## DIRECTOR'S REPORT

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The directors submit their report and the financial statements of Temperley Limited for the year ended 31 December 2018.

### DIRECTORS

The following directors have held office since 1 January 2018:

Ms A Temperley

Ms Patricia Sancho (resigned 1 September 2018)

Mr Luca Donnini (appointed 14 November 2019)

### THIRD PARTY INDEMNITY PROVISION FOR DIRECTORS

Qualifying third party indemnity provision is in place for the benefit of all directors of the company.

### STRATEGIC REPORT

In accordance with section 414c (ii) of the Companies Act and included in the Strategic Report is the review of the business, principal risks and uncertainties and key performance indicators.

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who are in office on the date of approval of these financial statements has confirmed, as far as she is aware, that there is no relevant audit information of which the auditor is unaware. The directors have confirmed that they have taken all the steps that they ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that it has been communicated to the auditor.

### AUDITOR

The auditor RSM UK Audit LLP has indicated its willingness to continue in office.

By order of the board



Ms A Temperley  
Director

27 January 2020

# Temperley Limited

## DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the director has 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 she 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 those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. 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.

# Temperley Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

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### Opinion

We have audited the financial statements of Temperley Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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 Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the 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.

### Material uncertainty related to going concern

We draw attention to page 11 of the financial statements, which indicates that the company's operating loss was £3,240k for the year ended 31 December 2018 (2017: £1,505k) and, as at that date, the company had net liabilities of £16,639k (2017: £13,290k). As stated on page 11, these events or conditions, along with the other matters as set forth on page 11, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information. 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 determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the director's report have been prepared in accordance with applicable legal requirements.

# Temperley Limited

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued)

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### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

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

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

### Responsibilities of directors

As explained more fully in the director's responsibilities statement set out on page 5, the director is 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

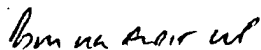
### Auditor's responsibilities for the audit of the financial statements

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 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.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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.



ANDREW WESTBROOK (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street  
London  
EC4A 4AB

Date... 25 January 2020



**Temperley Limited**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended 31 December 2018**

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	<i>Notes</i>	2018 £	2017 £
TURNOVER	1	9,694,637	11,375,788
Cost of sales		(5,573,599)	(5,608,143)
Gross profit		<u>4,121,038</u>	<u>5,767,645</u>
Administrative expenses		(7,361,960)	(7,272,858)
OPERATING LOSS		<u>(3,240,922)</u>	<u>(1,505,213)</u>
Interest payable and similar charges	2	(107,716)	(30,157)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,348,638)</u>	<u>(1,535,370)</u>
Taxation	5	-	-
LOSS FOR THE YEAR AFTER TAXATION		<u><u>(3,348,638)</u></u>	<u><u>(1,535,370)</u></u>

The notes on pages 15 to 22 form an integral part of these financial statements.

Turnover and operating loss are derived from the company's continuing operations.

**Temperley Limited**  
**STATEMENT OF FINANCIAL POSITION**  
as at 31 December 2018

*Company number 04038659*

	<i>Notes</i>	2018 £	2017 £
<b>FIXED ASSETS</b>			
Tangible assets	6	249,883	304,921
Intangible assets	7	55,283	66,877
Investments	8	-	-
		<u>305,166</u>	<u>371,798</u>
<b>CURRENT ASSETS</b>			
Stocks	9	1,863,241	2,639,454
Debtors	10	2,826,264	3,532,925
Cash at bank and in hand		241,077	556,929
		<u>4,930,582</u>	<u>6,729,308</u>
<b>CREDITORS: Amounts falling due within one year</b>	11	(21,874,467)	(20,391,187)
<b>NET CURRENT LIABILITIES</b>		<u>(16,943,885)</u>	<u>(13,661,879)</u>
<b>NET LIABILITIES</b>		<u>(16,638,719)</u>	<u>(13,290,081)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	165	165
Share premium account	14	5,589,149	5,589,149
Profit and loss account	14	(22,228,033)	(18,879,395)
<b>SHAREHOLDER'S DEFICIT</b>		<u>(16,638,719)</u>	<u>(13,290,081)</u>

The notes on pages 15 to 22 form an integral part of these financial statements.

The financial statements on pages 8 to 22 were approved by the board and authorised for issue on  
27 January 2020 and signed on its behalf by:

  
Ms A Temperley  
Director

**Temperley Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
**for the year ended 31 December 2018**

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	<i>Notes</i>	Share Capital £	Share Premium £	Profit and loss account £	Total £
At 1 January 2017	14	165	5,589,149	(17,344,025)	(11,754,711)
Total comprehensive loss for the year		-	-	(1,535,370)	(1,535,370)
<b>At 1 January 2018</b>	14	<u>165</u>	<u>5,589,149</u>	<u>(18,879,395)</u>	<u>(13,290,081)</u>
Total comprehensive loss for the year		-	-	(3,348,638)	(3,348,638)
<b>At 31 December 2018</b>	14	<u>165</u>	<u>5,589,149</u>	<u>(22,228,033)</u>	<u>(16,638,719)</u>

# Temperley Limited

## ACCOUNTING POLICIES

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### COMPANY INFORMATION

Temperley Limited (04038659) is a private company limited by shares domiciled and incorporated in England. The principal place of business and registered office is Phoenix Brewery, 13 Bramley road, London W10 6SZ. The company's principal activity during the period was that of design and distribution of luxury goods for both wholesale and retail sales.

### BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention.

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 £.

The financial statements have been prepared on the historical cost convention.

### CONSOLIDATED FINANCIAL STATEMENTS

The company is itself a subsidiary company of Temperley Holdings Limited and is exempt from the requirement to prepare group accounts by virtue of Section 400 of the Companies Act 2006 as Temperley Holdings Limited produce consolidated accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

### GOING CONCERN

The financial statements have been prepared on a going concern basis. The company incurred trading losses of £3,348,638 for the year ended 31 December 2018 (2017: £1,535,370) and, as at that date, the company had net liabilities of £16,639k (2017: £13,290k). The Group, to which the company belongs, commenced a major transformation programme towards the end of 2016 to reposition the brand, from 2017 the Group focussed on revenue growth and margin improvement. The wider Group's operating loss was £3,142k for the year ended 31 December 2018 (2017: £1,409k) and, as at that date, the Group had net liabilities of £4,625k (2017: £1,215k).

To support this transformation and the future business strategy, additional funding of £1.7m was secured by the Group in 2018. In addition funding of £1.9m of equity and £1.3m of loans was raised in 2019 to continue to support the Group. In November 2019 holders of £2.9m of loan notes converted these into 1.6m shares and agreed to write off £1.5m of accrued interest attributable to the notes as set out in the post balance sheet disclosure.

Management in planning this transformation have assumed the success of post year-end fund-raising and that it will be sufficient to enable the Group to support its future business strategy and perform in line with forecast trading and cash flows. After careful consideration of forecast cash flows and expected trading performance in addition to the post balance sheet transactions, the director believes that the company will be able to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements using existing working capital and, if required, procuring additional funding. The director has therefore concluded that it is appropriate to adopt the going concern basis for the preparation of these financial statements.

### REDUCED DISCLOSURES

The company has taken advantage of the exemption from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS102:

- Section 7 'Statement of cash flows' – presentation of a statement of cash flow and related notes and disclosures.
- Section 11 'Basic financial instruments' 7 Section 12 'Other financial instrument issues' – carrying amounts for financial instruments measured at amortised cost or cost less impairment, interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches and descriptions of hedging relationships.
- Section 33 'Related party disclosures' – compensation for key management personnel.

The financial statements of the company are consolidated in the results of Temperley Holdings Limited.

# Temperley Limited

## ACCOUNTING POLICIES (continued)

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### TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	over period of lease
Plant and machinery	20% straight line
Fixtures, fittings and equipment	20% reducing balance
Computer equipment	20% - 33% straight line

### INTANGIBLE FIXED ASSETS

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:

Software	20% - 33% straight line
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Amortisation is revised prospectively if there is a significant change in the useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

### INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment.

### IMPAIRMENTS OF FIXED ASSETS

An assessment is made at each reporting date of whether there are indications that a fixed asset may be impaired or that an impairment loss previously recognised has fully or partially reversed. If such indications exist, the Company estimates the recoverable amount of the asset.

Shortfalls between the carrying value of fixed assets and their recoverable amounts, being the higher of fair value less costs to sell and value-in-use, are recognised as impairment losses. Impairments of revalued assets are treated as a revaluation loss. All other impairment losses are recognised in profit or loss.

For fixed asset recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Reversals of impairment losses are recognised in profit or loss or, for revalued assets, as a revaluation gain. On reversal of an impairment loss, the depreciation or amortisation is adjusted to allocate the asset's revised carrying amount (less any residual value) over its remaining useful life.

### LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and the annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

### FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

# Temperley Limited

## ACCOUNTING POLICIES (continued)

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### STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving stocks. Cost is calculated using the standard cost and retail method which includes the purchase price plus direct delivery costs to bring the stock to its present location and condition.

### TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Turnover for retail sales is recognised when the risks and rewards of ownership of goods have been transferred to the customer, which is deemed to have occurred when the goods are purchased by the customer.

Turnover for wholesale sales is recognised when goods are delivered and title has passed.

### TAXATION

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing difference at the reporting date. Unrelieved tax losses and other 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. Deferred tax is measured using the rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply to the reversal of the timing difference.

### FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year. If due after one year, they are classified as noncurrent liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

# Temperley Limited

## ACCOUNTING POLICIES (continued)

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### CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

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 and assumptions 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 discussed below.

In relation to the Company's property, plant and equipment, useful economic lives have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to a potential impairment of the carrying value of such assets. No circumstances have been identified to suggest that this is the case.

In preparing these financial statements, the directors have made the following judgments:

- Determine if there are any indicators of impairment of the stock balance held by the group. In doing this the directors have considered the changes in consumer trends in relation to the stock held. A provision has been put in place for items which are no longer in season.
- Determine if there are any indicators of impairment of trade debtors. The directors have considered specific balances on a case by case basis and provided for those debtors for which it is not expected the full balance will be recovered.

# Temperley Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

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### 1 TURNOVER

The company's turnover and profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	2018 £	2017 £
United Kingdom	4,282,469	5,308,612
Europe	1,251,862	1,185,494
United States of America	1,995,856	1,918,699
Middle East and Asia	1,853,681	2,308,261
Other	310,769	654,722
	<u>9,694,637</u>	<u>11,375,788</u>

### 2 INTEREST PAYABLE

	2018 £	2017 £
On bank loans and overdrafts	<u>107,716</u>	<u>30,157</u>

### 3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2018 £	2017 £
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible fixed assets:		
- owned assets	121,473	155,435
Amortisation of intangible assets	38,554	36,946
Exchange (gains) / losses	67,084	(22,765)
Operating lease rentals:		
- land and buildings	980,375	913,541
- plant and machinery	-	-
Auditor's remuneration - statutory audit	37,000	35,000
Non-audit services - tax compliance	7,000	6,000
Cost of stock recognised as an expense	<u>5,573,599</u>	<u>5,608,143</u>



**Temperley Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2018**

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<b>4</b>	<b>STAFF COSTS</b>	<b>2018</b>	<b>2017</b>
		<b>No</b>	<b>No</b>
	The average monthly number of persons (including directors) employed by the company during the period was:		
	Administration	15	12
	Production	26	26
	Selling	27	26
		<u>68</u>	<u>64</u>
	The aggregate payroll costs incurred during the year, relating to the above, were	<b>£</b>	<b>£</b>
	Wages and salaries	2,802,585	2,681,591
	Social security costs	289,297	263,229
	Pension costs	25,765	14,019
		<u>3,117,647</u>	<u>2,958,839</u>
	In respect of the directors of Temperley Limited:		
		<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	Emoluments (and benefits in kind)	391,483	479,991
	Pension Contributions	963	722
		<u>392,446</u>	<u>480,713</u>
	The directors' fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:		
		<b>2018</b>	<b>2017</b>
		<b>£</b>	<b>£</b>
	The highest paid director	269,353	258,966

Pension contributions accrued for one director in 2018 and 2 directors in 2017. The total remuneration of the directors and the managers of the Temperley Limited division, who are considered to be the key management personnel of Temperley Limited, was £753,476 (2017: £896,828).

**Temperley Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2018**

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5	TAXATION	2018 £	2017 £
	<b>Current tax</b>		
	UK corporation tax	-	-
	Adjustments in respect of previous years	-	-
	<b>Total current tax</b>	-	-
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	-	-
	<b>Total deferred tax</b>	-	-
	<b>Total tax on profit on ordinary activities</b>	-	-

**FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (19.00%).

The differences are explained below:

Loss on ordinary activities before tax	(3,348,638)	(1,535,370)
Loss on ordinary activities multiplied by the standard rate of corporation tax UK of 19.00% (2017: 19.25%)	(636,241)	(295,559)
Effects of:		
Expenses that are not deductible in determining taxable profit	4,476	14,612
Fixed asset differences	4,001	19,749
Other permanent differences	-	254
Group relief surrendered	23,530	56,458
Adjust closing deferred tax to average rate	381,736	346,546
Adjust opening deferred tax to average rate	(317,139)	(329,745)
Tax losses not recognised as a deferred tax asset	539,637	187,685
<b>Tax expense</b>	-	-

The company has losses of £18,840,701 (2017: £15,101,381) available for carrying forward against future trading profits.

No provision has been made for the deferred tax asset in respect of the excess of losses carried forward over accelerated capital allowances, or in addition to any asset on capital allowances because of uncertainty as to when they may prove recoverable. The potential deferred tax asset not provided amounts to £3,202,920 (2017: £2,567,235).

**Temperley Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2018**

6	TANGIBLE FIXED ASSETS	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Office & Computer equipment	Total
		£	£	£	£	£
	COST					
	1 January 2018	661,941	101,512	348,230	669,254	1,780,937
	Additions	-	540	20,190	45,705	66,435
	31 December 2018	661,941	102,052	368,420	714,959	1,847,372
	DEPRECIATION					
	1 January 2018	449,800	98,867	266,697	660,652	1,476,016
	Charged in the year	64,787	-	43,172	13,514	121,473
	31 December 2018	514,587	98,867	309,869	674,166	1,597,489
	NET BOOK VALUE					
	31 December 2018	147,354	3,185	58,551	40,793	249,883
	31 December 2017	212,141	2,645	81,533	8,602	304,921
7	INTANGIBLE ASSETS					Software
						£
	Cost					
	1 January 2018					184,300
	Additions					26,960
	31 December 2018					211,260
	Amortisation					
	1 January 2018					117,423
	Charge in the year					38,554
	31 December 2018					155,977
	Net book value					
	31 December 2018					55,283
	31 December 2017					66,877

The amortisation of software is recognised in profit or loss for the year, included within administrative expenses.

# Temperley Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2018

8	FIXED ASSET INVESTMENTS	Investments in subsidiary companies 2018 £	Investments in subsidiary companies 2017 £
	Cost or valuation:		
	At 31 December	538,169	538,169
	Provision:		
	At 31 December	(538,169)	(538,169)
	Net book value:		
	At 31 December	-	-

During the prior year the company provided against the carrying value of its subsidiaries.

#### Subsidiary Undertakings

The following are subsidiary undertakings of the company with registered address at The Phoenix Brewery, 13 Bramley Road, London, W10 6SZ.

Name	Business	Country of Incorporation	Class of shares	Holding
Temperley Inc.	Fashion clothing	USA	Ordinary	100%
Temperley USA Inc.	Property	USA	Ordinary	100%
Temperley New York Limited	Fashion retailer	USA	Ordinary	100%
Temperley LA LLC	Fashion retailer	USA	Ordinary	100%
Temperley California Inc.	Property	USA	Ordinary	100%
Bictem Limited	Fashion retailer	England & Wales	Ordinary	100%

Name	Aggregate of Share capital and reserves £	Profit/(loss) £
Temperley Inc.	(44,161)	(165)
Temperley USA Inc.	(221)	(212)
Temperley New York Limited	(2,630)	(358)
Temperley LA LLC	(37,276)	(10,071)
Temperley California Inc.	69	(141)
Bictem Limited	633,240	52,599

#### GROUP FINANCIAL STATEMENTS

In accordance with the Companies Act 2006 the financial statements contain information about Temperley Limited as an individual company but are exempt from presenting consolidated financial information as the parent of a group. It is a subsidiary of Temperley Holdings Limited and is included in the consolidated financial statements of that company.

**Temperley Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 2018**

9	STOCKS	2018 £	2017 £
	Raw materials and consumables	630,871	698,234
	Finished goods and goods for resale	1,232,370	1,941,220
		<u>1,863,241</u>	<u>2,639,454</u>

10	DEBTORS	2018 £	2017 £
	Due within one year:		
	Trade debtors	1,212,279	1,793,097
	Amounts owed by group undertakings	796,718	941,617
	Other debtors	584,006	522,638
	Prepayments and accrued income	233,261	275,573
		<u>2,826,264</u>	<u>3,532,925</u>

Gross debts are trade debtors which have been factored and as such are disclosed separately above.

11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2018 £	2017 £
	Bank loans and overdrafts	377,550	824,338
	Trade creditors	1,844,738	1,334,091
	Amounts owed to group undertakings	18,601,241	17,330,295
	Other taxation and social security	77,334	64,014
	Proceeds of factored debts	230,302	383,770
	Other creditors	31,892	33,614
	Accruals and deferred income	711,410	421,065
		<u>21,874,467</u>	<u>20,391,187</u>

The bank loan and overdraft are secured by a debenture giving fixed or floating charges on all assets of the company, together with personal guarantees from certain directors.

**12 FINANCIAL INSTRUMENTS**

The carrying amount of each category of financial instrument is as follows:

	2018 £	2017 £
<b>Financial assets:</b>		
Debt instruments measured at amortised cost	2,593,003	3,257,352
	<u>2,593,003</u>	<u>3,257,352</u>
<b>Financial Liabilities:</b>		
Measured at amortised cost	21,797,133	20,327,983
	<u>21,797,133</u>	<u>20,327,983</u>

# Temperley Limited

## NOTES TO THE FINANCIAL STATEMENTS

### for the year ended 31 December 2018

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13	SHARE CAPITAL	2018 £	2017 £
	ALLOTTED, ISSUED AND FULLY PAID		
	16,480 ordinary shares of £0.01 each	165	165

The ordinary shares carry all rights normally ascribed to ordinary shares.

#### 14 RESERVES

Reserves of the company represent the following:

Share Premium: consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss account: Cumulative profit and loss net of distributions to owners.

#### 15 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2018 the group had annual commitments under non-cancellable operating leases as follows:

	2018 £	2017 £
Total future minimum lease payments:		
Not later than one year	636,847	863,263
Later than one year but less than five years	104,092	496,994
Later than five years	-	-
	<u>740,939</u>	<u>1,360,257</u>

#### 16 CONTINGENT LIABILITIES

The company, together with other group undertakings Bictem Limited, Temperley Holdings Limited, TLBRUT Limited and ATDL Limited, has entered into a limited multilateral bank guarantee in favour of its bankers in respect of borrowings by the company and other group undertakings under a facility agreement with the bank. At 31 December 2018 the net amount drawn under the facility was £607,852 (2017: £1,152,765).

# Temperley Limited

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2018

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### 17 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS102 that transactions and balances between group companies, eliminated on consolidation do not need to be disclosed.

Rent of £69,933 (2017: £74,668) was paid to Ms A Temperley and Mr L von Bennigsen, directors of Temperley Holdings Limited, in respect of property rental during the period. There were no year end balances in respect of this rental agreement.

Included within other debtors due is a loan to the following director: Ms A Temperley of £165,045 (2017: £114,635), maximum outstanding in the year £165,045. There was no interest charged on the loan.

### 18 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Temperley Holdings Limited, a company incorporated in England and Wales

Group accounts are prepared by the ultimate parent company, Temperley Holdings Limited. These are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The directors do not consider there to be an ultimate controlling party.