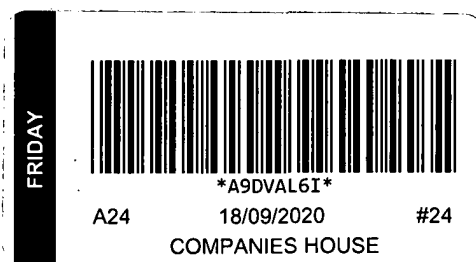


Temperley Limited

FINANCIAL STATEMENTS

for the year ended

31 December 2019



Company number 04038659

Temperley Limited

DIRECTORS AND OFFICERS

DIRECTORS	Ms A Temperley Mr L Donnini (appointed 14 November 2019)
SECRETARY	Miss Emma Davis
COMPANY NUMBER	04038659 (England and Wales)
REGISTERED OFFICE	27 Bruton Street, London, W1J 6QN
AUDITOR	Shaw Gibbs Limited 264 Banbury Road Oxford OX2 7DY

Temperley Limited

STRATEGIC REPORT

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 60 wholesale accounts. Currently 58% of sales come from overseas. The Group's main overseas markets are US & Canada, UAE & China, Europe and Hong Kong.

BUSINESS MODEL

The Group operates through the following channels:

- Wholesale: Temperley is sold through selected department and boutique fashion stores worldwide
- Retail: The Group operates two standalone UK stores, Mayfair (flagship) and Bicester Village (outlet).
- Franchise: a franchise store in Qatar and since December 2019 a new franchise store in Dubai.
- E-commerce.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

In March 2019 the Company appointed a new CEO, Luca Donnini, to initiate a significant business transformation and restructuring programme. The future growth plan is centred on re-energising Temperley from a British fashion brand into an International iconic luxury lifestyle brand with British heritage.

In order to achieve this, management has put in place a number of key strategic initiatives. This includes broadening our product offering to daywear, a key area of opportunity, whilst continuing to maximise the existing evening and bridal collections.

In addition to its successful wholesale business, the Company will continue to focus on its key retail and ecommerce channels. In 2019, this has been supported by the opening of a new franchise store in Dubai in December 2019 and ongoing investment in our website, including a new ecommerce platform.

The business continued to be well supported by its shareholders and during 2019 the Group, which the Company is part of, completed a new equity raise of £1,887,200 through the issue of shares to both existing and new shareholders.

To further support the business for the future, the holders of the Convertible Loan Notes agreed to convert £2,439,750 of the total £2,940,000 Loan Notes into equity and agreed to write off the interest accrued to date on the loan notes of £1,474,750, with an interest free period on the remaining notes to January 2021.

In 2019, the Company's revenues were challenged due to historical issues with both range and quality and as a result turnover dropped by 13% to £8.5m. These issues have been addressed for future seasons as part of the new business strategy.

Despite the sales decline, an improvement in Gross Margin % and strong cost control resulted in an EBITDA loss improvement from -£3m in 2018 to -£2.9m in 2019 (excluding the impact of the 2019 £653k bad debt provision against potentially irrecoverable intercompany debts).

The Company's loss before tax increased from -£3.3m in 2018 to -£3.7m in 2019, mainly as a result of the above bad debt provision. Net liabilities have increased from £16.6m in 2018 to £20.4m in 2019.

Looking ahead, Temperley enters its 20th year of the brand in 2020 and, under the new direction of CEO Luca Donnini, is confident it now has the right operational structure and strategic plans to leverage the brand's popularity in the luxury retail market.

Temperley Limited

STRATEGIC REPORT (continued)

POST BALANCE SHEET EVENTS

Following the year end, the business experienced a significant downturn in trading as a result of the impact of Covid-19. As a result, Temperley Limited gained additional funding of £1.9m in the form of convertible loan notes, from some of the shareholders of Temperley Holdings Limited, to further support the cash needs of the business.

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 it does not consider this to be material and during the year it did not enter into derivative contracts. Following the year end, an agreement was signed with Alpha FX Group PLC to mitigate its foreign exchange (USD, EUR, AED) risk exposure by way of forward currency 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 mitigates the risk by monitoring market activity and careful management of stock. In addition, the company has adopted insured policies on credit management and clients' assessment by appointing Euler Hermes and Webhelp respectively.
- *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 £1.9m of equity raised in 2019 and an additional £1.9m was raised in the form of convertible loan notes in July 2020.

KEY PERFORMANCE INDICATORS

The Directors use various measures to assess performance of the business. These indicators are assessed by channel (wholesale, retail & e-commerce) and location. The Directors believe that the most appropriate measure of business performance is earnings before interest, tax, depreciation and amortisation (EBITDA). During 2019 the Company made an EBITDA loss of £3.5m, the revenue stepped back 13% as the company enters a key period of business transformation and continued investment.

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.

Temperley Limited

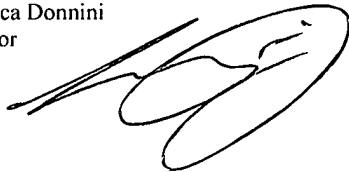
STRATEGIC REPORT (continued)

FINANCIAL INSTRUMENTS

The company aims to minimise foreign exchange risk and did not speculate on currency exchange rate movements during the year. 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. Following the year end, an agreement was signed with Alpha FX Group PLC to further mitigate the company's foreign exchange (USD, EUR, AED) risk exposure by way of forward currency contracts.

Approved by order of the board.

Mr Luca Donnini
Director



18/8/2020

Temperley Limited

DIRECTORS' REPORT

The directors submit their report and the financial statements of Temperley Limited for the year ended 31 December 2019.

DIRECTORS

The following directors have held office since 1 January 2019:

Ms A Temperley

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 were in office on the date of approval of these financial statements have confirmed, as far as they are 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 directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

The auditor Shaw Gibbs Limited has indicated its willingness to continue in office.

By order of the board

Mr Luca Donnini
Director



18/8/2020

Temperley Limited

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 period. 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 of the profit or loss of the company for that period.

In preparing those financial statements, the director is 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

Opinion

We have audited the financial statements of Temperley Limited (the 'company') for the year ended 31 December 2019 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 2019 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 9 of the financial statements, which indicates that the company's loss for the year ended 31 December 2019 was £3,745,773 (2018: £3,348,638) and, as at that date, the company had net liabilities of £20,384,492 (2018: £16,638,719). As stated on page 12, 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 directors are 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Temperley Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued)

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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

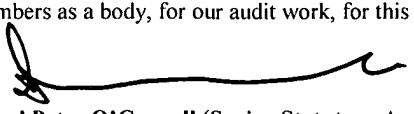
Auditor's responsibilities for the audit of the financial statements

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.


Donal Peter O'Connell (Senior Statutory Auditor)
for and on behalf of Shaw Gibbs Limited

Chartered Certified Accountants
Statutory Auditor

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264 Banbury Road
Oxford
OX2 7DY

Temperley Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	<i>Notes</i>	2019 £	2018 £
TURNOVER	1	8,461,963	9,694,637
Cost of sales		(4,655,960)	(5,573,599)
Gross profit		<u>3,806,003</u>	<u>4,121,038</u>
Administrative expenses		(7,456,687)	(7,361,960)
OPERATING LOSS		<u>(3,650,684)</u>	<u>(3,240,922)</u>
Interest payable and similar charges	2	(95,089)	(107,716)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(3,745,773)</u>	<u>(3,348,638)</u>
Taxation	5	-	-
LOSS FOR THE YEAR AFTER TAXATION		<u>(3,745,773)</u>	<u>(3,348,638)</u>
OTHER COMPREHENSIVE INCOME/ (LOSS)		-	-
TOTAL COMPREHENSIVE LOSS		<u>(3,745,773)</u>	<u>(3,348,638)</u>

The notes on pages 12 to 23 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 2019


Company number 04038659

	<i>Notes</i>	2019 £	2018 £
FIXED ASSETS			
Tangible assets	6	239,777	249,883
Intangible assets	7	34,433	55,283
Investments	8	-	-
		<u>274,210</u>	<u>305,166</u>
CURRENT ASSETS			
Stocks	9	2,201,618	1,863,241
Debtors	10	1,105,393	2,826,264
Cash at bank and in hand		510,501	241,077
		<u>3,817,512</u>	<u>4,930,582</u>
CREDITORS: Amounts falling due within one year	11	(24,476,214)	(21,874,467)
NET CURRENT LIABILITIES		<u>(20,658,702)</u>	<u>(16,943,885)</u>
NET LIABILITIES		<u>(20,384,492)</u>	<u>(16,638,719)</u>
CAPITAL AND RESERVES			
Called up share capital	12	165	165
Share premium account	13	5,589,149	5,589,149
Profit and loss account	13	(25,973,806)	(22,228,033)
SHAREHOLDER'S DEFICIT		<u>(20,384,492)</u>	<u>(16,638,719)</u>

The notes on pages 12 to 23 form an integral part of these financial statements.

The financial statements on pages 9 to 23 were approved by the board and authorised for issue on
16 August 2020 and signed on its behalf by:

Mr Luca Donnini
Director



Temperley Limited
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	<i>Notes</i>	Share Capital £	Share Premium £	Profit and loss account £	Total £
At 1 January 2018	13	165	5,589,149	(18,879,395)	(13,290,081)
Total comprehensive loss for the year		-	-	(3,348,638)	(3,348,638)
At 1 January 2019	13	<u>165</u>	<u>5,589,149</u>	<u>(22,228,033)</u>	<u>(16,638,719)</u>
Total comprehensive loss for the year		-	-	(3,745,773)	(3,745,773)
At 31 December 2019	14	<u>165</u>	<u>5,589,149</u>	<u>(25,973,806)</u>	<u>(20,384,492)</u>

Temperley Limited

ACCOUNTING POLICIES

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 27 Bruton Street, London, W1J 6QN. 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 which include the results of Temperley Limited and its subsidiaries. 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 £3,745,773 for the year ended 31 December 2019 (2018: £3,348,638) and had net liabilities of £16,638,719 (2018: £20,384,492) as at that date. The Group that the company is part of, 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 and further cost control during 2019 and first half of 2020. The Group's operating loss was £2,992,319 for the year ended 31 December 2019 (2018 as restated: £3,304,105) and, as at that date, the Group had net liabilities of £2,187,357 (2018 as restated: £4,787,956).

At Group level, to further support this transformation and the future business strategy, funding of £1.9m of equity and £1.3m of loans was raised in 2019. In November 2019 holders of £2.9m of loan notes converted £2.4m of these into 1.6m shares and agreed to waive £1.5m of accrued interest attributable to the notes, whilst also offering an interest free period to January 2021.

Following the year end date, the ongoing outbreak of Covid-19 has significantly impacted the business. The Group's shops remained closed for a period of approximately 3 months, during which sales were predominately made online. Despite the fact that the management took appropriate measures to mitigate the relevant implications (rent and rates, VAT holidays etc) to the minimum, the impact of Covid-19 resulted in a short term cash deficit which however, was met by £1.9m of additional funding in the form of convertible loan notes which was obtained by Temperley Limited from existing shareholders in the period to July 2020 in addition to various cost saving initiatives performed in June and July 2020. Considering the forecast cash flows and expected trading performance, the additional funding secured after the balance sheet date is considered to be sufficient to steer the company through the aftermath of the pandemic, assuming that a further longer term lockdown will not be imposed, something that is currently considered fairly unlikely and it can be further mitigated by the Group's ongoing focus on online sales and the ongoing support from the existing shareholders as already demonstrated.

After careful consideration of forecast cash flows and expected trading performance in addition to the post balance sheet transactions, the directors believe that the Group (and 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 directors have therefore concluded that it is appropriate to adopt the going concern basis for the preparation of these financial statements.

Temperley Limited

ACCOUNTING POLICIES (continued)

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.

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
----------	-------------------------

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.

Temperley Limited

ACCOUNTING POLICIES (continued)

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.

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.

Temperley Limited

ACCOUNTING POLICIES (continued)

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.

EMPLOYEE BENEFITS

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

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

RETIREMENT BENEFITS

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

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

- In relation to the Company's tangible fixed assets, 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.
- 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 and intercompany 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 2019

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:

	2019 £	2018 £
United Kingdom	3,543,372	4,282,469
Europe	1,330,418	1,251,862
United States of America	1,804,792	1,995,856
Middle East and Asia	1,065,244	1,853,681
Other	718,137	310,769
	<u>8,461,963</u>	<u>9,694,637</u>

2 INTEREST PAYABLE

	2019 £	2018 £
On bank loans and overdrafts	95,089	107,716
	<u>95,089</u>	<u>107,716</u>

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2019 £	2018 £
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible fixed assets:		
- owned assets	107,966	121,473
Amortisation of intangible assets	26,892	38,554
Exchange (gains) / losses	(10,492)	67,084
Operating lease rentals:		
- land and buildings	843,400	980,375
- plant and machinery	-	-
Auditor's remuneration - statutory audit	27,000	37,000
Non-audit services - tax compliance	5,000	7,000
	<u>998,766</u>	<u>1,251,486</u>

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

4	STAFF COSTS	2019 No	2018 No
	The average monthly number of persons (including directors) employed by the company during the period was:		
	Administration	14	15
	Production	26	26
	Selling	26	27
		<u>66</u>	<u>68</u>
	The aggregate payroll costs incurred during the year, relating to the above, were	£	£
	Wages and salaries	2,515,202	2,802,585
	Social security costs	249,811	289,297
	Pension costs	40,352	25,765
		<u>2,805,365</u>	<u>3,117,647</u>
	In respect of the directors of Temperley Limited:	2019 £	2018 £
	Emoluments (and benefits in kind)	270,179	392,446
	Pension Contributions	1,129	963
		<u>271,308</u>	<u>393,409</u>
	The directors' fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:	2019 £	2018 £
	The highest paid director	<u>271,308</u>	<u>269,353</u>

Pension contributions accrued for one director in 2019 and 1 director in 2018.

Temperley Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

5	TAXATION	2019 £	2018 £
	Current tax		
	UK corporation tax	-	-
	Adjustments in respect of previous years	-	-
	Total current tax	-	-
	Deferred tax		
	Origination and reversal of timing differences	-	-
	Total deferred tax	-	-
	Total tax on profit on ordinary activities	-	-

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

Loss on ordinary activities before tax	(3,745,773)	(3,348,638)
Loss on ordinary activities multiplied by the standard rate of corporation tax UK of 19.00% (2018: 19%)	(711,697)	(636,241)
Effects of:		
Expenses that are not deductible in determining taxable profit	139,389	4,476
Fixed asset differences	6,694	4,001
Other permanent differences	-	-
Group relief surrendered	14,947	23,530
Adjust closing deferred tax to average rate	-	381,736
Adjust opening deferred tax to average rate	-	(317,139)
Tax losses not recognised as a deferred tax asset	550,667	539,637
Tax expense	-	-

The company has losses of £21,669,211 (2018: £18,770,965) 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 £4,103,272 (2018: £3,202,920).

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

6	TANGIBLE FIXED ASSETS	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Office & Computer equipment	Total
		£	£	£	£	£
	COST					
	1 January 2019	661,941	102,052	368,420	714,959	1,847,372
	Additions	40,708	3,874	73	53,205	97,860
	31 December 2019	<u>702,649</u>	<u>105,926</u>	<u>368,493</u>	<u>768,164</u>	<u>1,945,232</u>
	DEPRECIATION					
	1 January 2019	514,587	98,867	309,869	674,166	1,597,489
	Charged in the year	60,734	325	20,936	25,971	107,966
	31 December 2019	<u>575,321</u>	<u>99,192</u>	<u>330,805</u>	<u>700,137</u>	<u>1,705,455</u>
	NET BOOK VALUE					
	31 December 2019	<u>127,328</u>	<u>6,734</u>	<u>37,688</u>	<u>68,027</u>	<u>239,777</u>
	31 December 2018	<u>147,354</u>	<u>3,185</u>	<u>58,551</u>	<u>40,793</u>	<u>249,883</u>
7	INTANGIBLE ASSETS					Software £
	Cost					
	1 January 2019					211,260
	Additions					6,042
	31 December 2019					<u>217,302</u>
	Amortisation					
	1 January 2019					155,977
	Charge in the year					26,892
	31 December 2019					<u>182,869</u>
	Net book value					
	31 December 2019					<u>34,433</u>
	31 December 2018					<u>55,283</u>

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 2019

8	FIXED ASSET INVESTMENTS	Investments in subsidiary companies 2019 £	Investments in subsidiary companies 2018 £
	Cost or valuation:		
	At 31 December	538,169	538,169
	Provision:		
	At 31 December	(538,169)	(538,169)
	Net book value:		
	At 31 December	-	-

The company has provided against the full carrying value of its investments in subsidiary undertakings.

Subsidiary Undertakings

The following are subsidiary undertakings of the company with registered address at 27 Bruton Street, London, W1J 6QN.

Name	Business	Country of Incorporation	Class of shares	Holding (direct)
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%

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 2019

9	STOCKS	2019 £	2018 £
	Raw materials and consumables	460,900	630,871
	Finished goods and goods for resale	1,740,718	1,232,370
		<u>2,201,618</u>	<u>1,863,241</u>
10	DEBTORS	2019 £	2018 £
	Due within one year:		
	Trade debtors	170,023	1,212,279
	Amounts owed by group undertakings	-	796,718
	Other debtors	565,454	584,006
	Prepayments and accrued income	369,916	233,261
		<u>1,105,393</u>	<u>2,826,264</u>
11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2019 £	2018 £
	Bank loans and overdrafts	478,985	377,550
	Trade creditors	1,609,879	1,844,738
	Amounts owed to group undertakings	21,744,208	18,601,241
	Corporation tax	27,059	-
	Other taxation and social security	108,577	77,334
	Proceeds of factored debts	13,487	230,302
	Other creditors	69,459	31,892
	Accruals and deferred income	424,560	711,410
		<u>24,476,214</u>	<u>21,874,467</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.

Temperley Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2019

12	SHARE CAPITAL	2019 £	2018 £
	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.

13 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.

14 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2019 the company had annual commitments under non-cancellable operating leases as follows:

	2019 £	2018 £
Total future minimum lease payments:		
Not later than one year	313,517	636,847
Later than one year but less than five years	-	104,092
Later than five years	-	-
	<u>313,517</u>	<u>740,939</u>

15 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 2019 the net amount drawn under the facility was £492,472 (2018: £607,852).

In December 2019, the facility provider Bibby Financial Services Limited, terminated the above facility and an agreement was put in place regarding the repayment of the above outstanding amount.

Temperley Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2019

16 RETIREMENT BENEFIT SCHEMES

The charge to profit and loss in respect of defined contribution schemes was £40,352 (2018: £25,765). The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

17 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS102 and has not disclosed transactions and outstanding balances with its subsidiary undertakings, its parent company Temperley Holdings Limited and fellow subsidiary undertakings on the basis that all the relevant companies are directly or indirectly wholly owned by Temperley Holdings Limited.

During the year, the company made stock sales of £147,492 (2018: £nil) to TLD Trading LLC, a company incorporated in the United Arab Emirates, in which the director of the company Mr L Donnini is also director and shareholder. At the year end, the company was owed £147,492 (2018: £nil) by TLD Trading LLC.

Rent of £nil (2018: £69,933) was paid to Ms A Temperley, a director of the company, in respect of property rental during the period. There were no year end balances outstanding in respect of this rental agreement (2018: £nil).

Included within other debtors due is a loan to the following director: Ms A Temperley of £208,443 (2018: £197,175). The maximum amount outstanding in the year was £208,443. There was no interest charged on the loan.

18 POST BALANCE SHEET EVENTS

The implications of the ongoing Covid-19 pandemic, especially in light of going concern, have been discussed in the relevant accounting policy. As it is noted in the relevant policy, £1.9m of funding was obtained by Temperley Limited in the period to July 2020 from some of the existing shareholders (some of whom are also directors of the parent company) in the form of interest free unsecured convertible loan notes.

19 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.