

Company Registration No. 07499836 (England and Wales)

SKINNYDIP LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

SKINNYDIP LIMITED

COMPANY INFORMATION

Directors	L Blitz R Gold J Gold
Secretary	N Blitz
Company number	07499836
Registered office	30 City Road London EC1Y 2AB
Auditor	Arram Berlyn Gardner LLP 30 City Road London EC1Y 2AB

SKINNYDIP LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 24

SKINNYDIP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report for the year ended 31 December 2018.

Fair review of the business

Skinnydip was born in 2011 to satisfy the demand for fashion led designed phone cases. The brand has since expanded to include clothing, jewelry, beauty and technology driven by a desire to be innovative, unique, imaginative, ethical and on-trend.

Sales are delivered through four channels; owned physical stores, concessions, wholesale and on-line. Products are designed and sourced by teams at our London HQ and delivered to customers around the world.

Performance during the period

Sales were only 0.4% lower than 2017, however both online and stores showed significant uplifts of 25% and 40% respectively. The latter was principally driven by several new store openings in the last few months of 2017. This expansion resulted in significantly increased associated overheads in the form of property and wage costs and consequently an increase in central service overheads to support them. Gross profit reduced from 39.5% to 37.4% as a result of a higher level of discounting to clear through slow moving stock. The effect of this over expansion impacted profitability resulting in a Loss after Taxation of £740,222 for the year ended 31st December 2018.

Principal risks and uncertainties

<u>Risk</u>	<u>Impact</u>	<u>Mitigation</u>
Strategic Risk:		
The retail landscape continues to undergo significant structural change	Reduced sales, lost customers, loss making stores.	Multi-Channel approach cushions and spreads risk.
Operational Risk:		
Hardware or software failure could disable the website	Lost sales, customers and reputational damage.	Test reliability of 3rd party system robustness and competency.
Competition offers similar products	Lower sales and stock overhang.	Review competitor pricing and product. Design new on trend product.
Fraud	Reduced profits, reputational damage.	Continual monitoring and development of robust internal controls.

SKINNYDIP LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

<u>Risk</u>	<u>Impact</u>	<u>Mitigation</u>
Financial Risk:		
Margin protection and growth	Reduction in profits.	Collaborate with supply chain to maximise quality and minimize cost. Tender contracts to suppliers. Moderate buy quantities with aim to sell out pre discount. Regular monitoring of gross margin.
Foreign Exchange exposure	Product costs increase.	Develop and implements a hedging strategy.
Import/Export Duty and Taxes increase	Reduced profits.	Close relationships with supply chain and flexible transport routes.
Cash headroom reduction	Working Capital restriction.	Appropriate short and medium term cash forecasting and maintaining strong banking relationship.

Future developments

In the autumn of 2019, following a business review, several loss making stores were closed, a leased warehouse was given notice to close in early 2020 and central service headcount reduced by one third. Additionally the business has recently refinanced its working capital facilities from Barclays to HSBC, securing a more fit for purpose solution. This and the aforementioned restructuring provides the foundation for the business to return to profitability and growth during 2020.

On behalf of the board

J Gold

Director

20 December 2019

SKINNYDIP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company continued to be that of wholesalers and retailers of fashion accessories.

Directors

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

L Blitz
R Gold
J Gold

Results and dividends

The results for the year are set out on page 8.

Ordinary dividends were paid amounting to £210,000. The directors do not recommend payment of a final dividend.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement of employees in the company's performance.

Auditor

Arram Berlyn Gardner LLP were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

SKINNYDIP LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

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

On behalf of the board

J Gold

Director

20 December 2019

SKINNYDIP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SKINNYDIP LIMITED

Opinion

We have audited the financial statements of Skinnydip Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the statement of financial position, the 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our 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.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to 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 our audit:

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

SKINNYDIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF SKINNYDIP LIMITED

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 directors' report.

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

- adequate accounting records have not been kept, 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, 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 directors either intend 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Other matters which we are required to address

In the previous accounting period, the directors of the company took advantage of the audit exemption under S477 of the Companies Act. Therefore, the prior period financial statements were not subject to an audit.

SKINNYDIP LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBER OF SKINNYDIP LIMITED

Use of our report

This report is made solely to the company's member 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 member 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 member for our audit work, for this report, or for the opinions we have formed.

John Donohoe FCA (Senior Statutory Auditor)
for and on behalf of Arram Berlyn Gardner LLP

20 December 2019

Chartered Accountants
Statutory Auditor

30 City Road
London
EC1Y 2AB

SKINNYDIP LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	14,912,797	14,965,412
Cost of sales		(9,333,412)	(9,060,866)
Gross profit		5,579,385	5,904,546
Administrative expenses		(6,608,655)	(4,457,715)
Other operating income		236,695	202,630
(Loss)/profit before taxation		(792,575)	1,649,461
Tax on (loss)/profit	8	52,353	(187,575)
(Loss)/profit for the financial year		(740,222)	1,461,886

The income statement has been prepared on the basis that all operations are continuing operations.

SKINNYDIP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £	£	2017 £	£
Fixed assets					
Tangible assets	10		604,398		411,353
Current assets					
Stocks	11	981,298		1,103,561	
Debtors	12	3,613,275		2,559,729	
Cash at bank and in hand		1,384,556		1,711,720	
		<u>5,979,129</u>		<u>5,375,010</u>	
Creditors: amounts falling due within one year	13	<u>(4,604,704)</u>		<u>(2,948,384)</u>	
Net current assets			<u>1,374,425</u>		<u>2,426,626</u>
Total assets less current liabilities			<u>1,978,823</u>		<u>2,837,979</u>
Provisions for liabilities	15		<u>(91,066)</u>		<u>-</u>
Net assets			<u><u>1,887,757</u></u>		<u><u>2,837,979</u></u>
Capital and reserves					
Called up share capital	17		99		99
Profit and loss reserves	18		<u>1,887,658</u>		<u>2,837,880</u>
Total equity			<u><u>1,887,757</u></u>		<u><u>2,837,979</u></u>

The financial statements were approved by the board of directors and authorised for issue on 20 December 2019 and are signed on its behalf by:

R Gold
Director

J Gold
Director

Company Registration No. 07499836

SKINNYDIP LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

		Share capital	Profit and loss reserves	Total
	Notes	£	£	£
Balance at 1 January 2017		99	1,586,324	1,586,423
Year ended 31 December 2017:				
Profit and total comprehensive income for the year		-	1,461,886	1,461,886
Dividends	9	-	(210,330)	(210,330)
Balance at 31 December 2017		99	2,837,880	2,837,979
Year ended 31 December 2018:				
Loss and total comprehensive income for the year		-	(740,222)	(740,222)
Dividends	9	-	(210,000)	(210,000)
Balance at 31 December 2018		99	1,887,658	1,887,757

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

Company information

Skinnydip Limited is a private company limited by shares incorporated in England and Wales. The registered office is 30 City Road, London, EC1Y 2AB.

The principal place of business is 1 Whittlebury Mews, Primrose Hill, London, NW1 8JB.

1.1 Accounting convention

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

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

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

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position': Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Skinnydip Group Limited. These consolidated financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.2 Going concern

Skinnydip Limited is part of a group of companies where Skinnydip Group Limited is the largest and smallest group for which consolidated financial statements are prepared. The going concern assessment has been conducted on the group (headed up by Skinnydip Group Limited) as a whole.

The company made a loss after tax of £740,222 (2017: £1,461,886 profit) for the year ended 31 December 2018 and at that date had net assets of £1,887,757 (2017: 2,837,979).

The directors have reviewed the 2019 management accounts and have prepared financial forecasts for 2019 and 2020. Based on the forecasting exercise, the group continues to be loss making in 2019 but is expected to be profitable in 2020.

The company have negotiated and signed off on new financing arrangements in 2019 including new banking facilities and a company loan which provides adequate working capital.

The directors have no reason to believe that such support will not continue for a period of at least 12 months from the date of approval of these financial statements.

Taking these factors into account, the directors conclude that it is reasonable to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Wholesale and online sales are recognised when goods are despatched from the warehouse.

In store products and concessions are recognised when control of the good is transferred to the customer, generally upon pickup at the store.

Royalty income is recognised when the amount of revenue can be measured reliably.

1.4 Tangible fixed assets

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

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

Plant and machinery	20% on reducing balance method
Fixtures, fittings & equipment	20% on reducing balance method
Motor vehicles	20% on reducing balance method

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

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

1.5 Impairment of fixed assets

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

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

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Cost of finished goods is determined on weighted average cost method.

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

1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities when they arise.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Impairment of financial assets

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

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Derecognition of financial assets

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

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors and loans from fellow group companies are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Derecognition of financial liabilities

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

1.9 Equity instruments

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

1.10 Taxation

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

Current tax

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

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

(Continued)

Deferred tax

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

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

1.11 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.

1.12 Retirement benefits

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

1.13 Leases

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

1.14 Foreign exchange

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

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2 Judgements and key sources of estimation uncertainty

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

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

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Stock

The company supplies fashions accessories which is subject to changing consumer demands. As a result it is necessary to consider the recoverability of the cost of stock and the associated provision required. When calculating the stock provision, management considers the nature and condition of the stock, as well as applying assumptions around anticipated saleability of finished goods.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2018	2017
	£	£
Turnover analysed by class of business		
Wholesale sales	4,237,644	5,877,489
Store sales	3,752,132	2,687,482
Web sales	3,575,681	2,850,672
Other income	3,347,340	3,549,769
	<u>14,912,797</u>	<u>14,965,412</u>
	2018	2017
	£	£
Other significant revenue		
Royalty income	<u>236,695</u>	<u>202,630</u>

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

3	Turnover and other revenue	(Continued)	
		2018	2017
		£	£

Turnover analysed by geographical market

UK	12,826,068	12,271,638
Rest of the world	1,639,573	2,095,158
EU	447,156	598,616
	<u>14,912,797</u>	<u>14,965,412</u>

4	Operating (loss)/profit	2018	2017
		£	£
	Operating (loss)/profit for the year is stated after charging/(crediting):		
	Exchange losses/(gains)	287,795	(169,120)
	Depreciation of owned tangible fixed assets	110,473	77,835
	Cost of stocks recognised as an expense	9,333,412	9,060,866
		<u>9,731,680</u>	<u>8,969,581</u>

Exchange differences recognised in profit or loss during the year, except for those arising on financial instruments measured at fair value through profit or loss, amounted to £287,795 loss (2017 - £169,120 gain).

5	Auditor's remuneration	2018	2017
		£	£
	Fees payable to the company's auditor and associates:		
	For audit services		
	Audit of the financial statements of the company	37,000	-
	For other services		
	All other non-audit services	8,167	5,335
		<u>45,167</u>	<u>5,335</u>

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

	2018	2017
	Number	Number
Directors	3	3
Head office	41	19
Warehouse, stores, concessions and other	218	188
	<u>262</u>	<u>210</u>

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

6 Employees (Continued)

Their aggregate remuneration comprised:

	2018 £	2017 £
Wages and salaries	3,571,356	2,690,373
Social security costs	244,796	171,801
Pension costs	62,987	14,027
	<u>3,879,139</u>	<u>2,876,201</u>

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	<u>71,855</u>	<u>65,967</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2017 - 3).

8 Taxation

	2018 £	2017 £
Current tax		
UK corporation tax on profits for the current period	(143,419)	295,968
Adjustments in respect of prior periods	-	(108,393)
Total current tax	<u>(143,419)</u>	<u>187,575</u>
Deferred tax		
Origination and reversal of timing differences	<u>91,066</u>	<u>-</u>
Total tax (credit)/charge	<u>(52,353)</u>	<u>187,575</u>

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8 Taxation

(Continued)

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

	2018 £	2017 £
(Loss)/profit before taxation	(792,575)	1,649,461
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(150,589)	317,521
Tax effect of expenses that are not deductible in determining taxable profit	10,088	3,356
Under/(over) provided in prior years	-	(108,393)
Tax at marginal rate	(3,586)	-
Capital allowances in excess of depreciation	(17,613)	(24,909)
Deferred tax	91,066	-
Group relief	18,281	-
Taxation (credit)/charge for the year	(52,353)	187,575

UK corporation tax rates were substantively enacted as part of the Finance Bill 2015. This reduced the main rate to 19% from 1 April 2017. Further reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 16 March 2016. This reduced the main rate to 19% from 1 April 2017 and remained in place as part of Finance Bill 2018. The deferred tax assets and liabilities reflect these rates.

9 Dividends

	2018 £	2017 £
Interim paid	210,000	210,330

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

10 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2018	7,070	521,373	7,000	535,443
Additions	-	290,324	13,194	303,518
At 31 December 2018	7,070	811,697	20,194	838,961
Depreciation and impairment				
At 1 January 2018	2,239	120,218	1,633	124,090
Depreciation charged in the year	3,537	104,522	2,414	110,473
At 31 December 2018	5,776	224,740	4,047	234,563
Carrying amount				
At 31 December 2018	1,294	586,957	16,147	604,398
At 31 December 2017	4,831	401,155	5,367	411,353

11 Stocks

	2018 £	2017 £
Finished goods and goods for resale	981,298	1,103,561

Stock is stated after provisions for impairment of £551,246 (2017: £Nil).

12 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	1,205,471	1,083,750
Corporation tax recoverable	143,419	-
Amounts owed by group undertakings	1,012,273	1,047,513
Other debtors	253,833	331,199
Prepayments and accrued income	998,279	97,267
	3,613,275	2,559,729

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

12 Debtors

(Continued)

Trade debtors disclosed above are measured at amortised cost. Trade debtors are stated after provisions for impairment of £31,064 (2017: £2,518).

Included within amounts owed by group undertakings are loan balances that are unsecured, interest free, have no fixed date of repayment and repayable on demand.

Included within other debtors are amounts due from related parties totalling £90,018 (2017: £251,409) that are unsecured, interest free, have no fixed date of repayment and repayable on demand.

13 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans and overdrafts	14	2,267,505	965,680
Trade creditors		1,404,598	1,310,541
Corporation tax		186,127	186,127
Other taxation and social security		305,802	265,338
Other creditors		252,000	214,098
Accruals and deferred income		188,672	6,600
		<u>4,604,704</u>	<u>2,948,384</u>

Included within bank loans and overdrafts is a £2,267,505 (2017: £965,680) bank overdraft.

The bank overdraft is secured by a debenture by virtue of a fixed and floating charge over the company and its assets.

The aggregate of secured liabilities is £2,267,505 (2017: £965,680).

14 Loans and overdrafts

	2018 £	2017 £
Bank overdrafts	<u>2,267,505</u>	<u>965,680</u>
Payable within one year	<u>2,267,505</u>	<u>965,680</u>

Included within bank loans and overdrafts is a £2,267,505 (2017: £965,680) bank overdraft.

The bank overdraft is secured by a debenture by virtue of a fixed and floating charge over the company and its assets.

The aggregate of secured liabilities is £2,267,505 (2017: £965,680).

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15 Provisions for liabilities

	Notes	2018 £	2017 £
Deferred tax liabilities	16	91,066	-

16 Deferred taxation

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

	Liabilities 2018 £	Liabilities 2017 £
Balances:		
Accelerated capital allowances	91,066	-
Movements in the year:		2018 £
Liability at 1 January 2018		-
Charge to profit or loss		91,066
Liability at 31 December 2018		91,066

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

17 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
99 Ordinary shares of £1 each	99	99

There is a single class of Ordinary shares. There are no restrictions on the distribution of dividends and repayment of capital.

18 Reserves

Profit and loss reserves

Retained earnings represents accumulated comprehensive income for the year and prior periods less dividends paid.

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

19 Operating lease commitments

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

	2018 £	2017 £
Within one year	660,708	854,072
Between two and five years	640,080	1,192,103
	<u>1,300,788</u>	<u>2,046,175</u>

Operating lease payments represents rent payable by the company for shop premises and the company's head office. The leases are negotiated for a period ranging from 6 months to 5 years generally from the date of access to the shop. Some of the leases also include obligations to pay turnover geared rental, service charge and insurance.

20 Related party transactions

Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Sales		Purchases	
	2018 £	2017 £	2018 £	2017 £
Other related parties	<u>229,894</u>	<u>317,972</u>	<u>122,261</u>	<u>55,602</u>

The following amounts were outstanding at the reporting end date:

	2018 £	2017 £
Amounts due to related parties		
Key management personnel	<u>229,186</u>	<u>207,584</u>

The following amounts were outstanding at the reporting end date:

	2018 £	2017 £
Amounts due from related parties		
Other related parties	<u>90,018</u>	<u>251,409</u>

The company has taken advantage of the exemption available in FRS 102 "Related party disclosures" whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

SKINNYDIP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

21 Ultimate controlling party

The ultimate parent company is Skinnydip Group Limited, a company incorporated in England and Wales, by virtue of its 100% shareholding.

The smallest and largest group for which consolidated financial statements are prepared is Skinnydip Group Limited. Copies of these group financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.