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COPY**

Company Registration No. 08850177 (England and Wales)

**J BRAND EUROPE LTD.  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 AUGUST 2015**

TUESDAY



A22 \*A5LRRN23\* 13/12/2016 #16  
COMPANIES HOUSE

# J BRAND EUROPE LTD.

## COMPANY INFORMATION

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### Directors

A Rosen  
Y Arieven  
T Okazaki  
T Yanai (Appointed 30 November 2015)

### Secretary

Jordan Company Secretaries Limited

### Company number

08850177

### Registered office

7 Westbourne Grove Mews  
Notting Hill  
London  
W11 2RU

### Auditor

Haines Watts Farnborough LLP  
30 Camp Road  
Farnborough  
Hampshire  
GU14 6EW

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# J BRAND EUROPE LTD.

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# J BRAND EUROPE LTD.

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 AUGUST 2015**

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The directors present the strategic report and financial statements for the year ended 31 August 2015.

### Review of the business

The loss for the year, after taxation, is £1,185,965 (2014 - £399,637). The directors do not recommend the payment of a dividend (2014 - £nil).

During the year the company transitioned from UK GAAP to Financial Reporting standard 101 - *Reduced Disclosure Framework* ("FRS101") and has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, Fast Retailing Co., Ltd, ("the Parent Company") was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions.

### Key performance indicators

The directors consider the key performance indicator for the business to be sales. During the year sales of £8,480,789 (2014 - £2,804,017) were obtained. The directors are satisfied with the performance in this area given the economic conditions.

### Principal risks and uncertainties

The principal risks and uncertainties facing the company are broadly exchange rate risk and economic risk.

#### *Exchange rate risk*

Purchases are sourced from group companies situated in the USA and are made in US Dollars. Any fluctuation in exchange rate could impact on the gross profit of the business.

#### *Economic risk*

The on-going difficult economic environment in the UK and most major European markets is the main challenge to the future prospects of J Brand Europe Limited. The company aims to attract consumer spending by offering premium quality products and service levels that are above those of its competitors. The J Brand product is well positioned to strengthen its base and build market share in an overall uncertain environment.

On behalf of the board



Director

Dated: December 5, 2016

# **J BRAND EUROPE LTD.**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 AUGUST 2015**

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The directors present their annual report and financial statements for the year ended 31 August 2015.

#### **Principal activities**

The principal activity of the company was the sale of fashion clothing manufactured and supplied by group companies and sold via wholesale channels.

#### **Results and dividends**

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

#### **Directors**

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

A Rosen

Y Arieven

I J S Vliegen

(Resigned 21 April 2015)

T Okazaki

T Yanai

(Appointed 30 November 2015)

#### **Directors' indemnities**

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.

#### **Financial instruments**

The company finances its activities with a combination of intercompany borrowings and cash. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

Financial instruments give rise to foreign currency, interest rate, credit, price, cash flow and liquidity risk. Information on how foreign currency risk (exchange risk) is set out in the Strategic Report. Other risks are discussed below as follows:

#### ***Credit risk, price risk, liquidity and cash flow risk***

The company purchases inventory from group undertakings, at prices and terms set by the parent companies. In addition, the principal financing comes from intercompany borrowings. Accordingly all of these risks are interlinked and managed on a group-wide basis by the parent company.

#### **Future developments**

The company plans to expand into new markets in the Middle East and Africa, as well as continuing to expand in the UK and across Europe. As a result the company expects to double its customer base within 12-18 months.

#### **Going concern**

The financial statements have been prepared on the going concern basis as the Company's parent undertaking has agreed to provide financial support as necessary for a period of at least twelve months from the date the directors approve the financial statements of the company. The directors, having made sufficient enquiries, are satisfied that Fast Retailing France SAS is in a position to provide the level of support required and hence have concluded that it is appropriate to prepare the financial statements on a going concern basis.

## J BRAND EUROPE LTD.

### DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2015

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#### Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

#### 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



Y ARIEVEN  
Director

Dated: December 5, 2016

# **J BRAND EUROPE LTD.**

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF J BRAND EUROPE LTD.**

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We have audited the financial statements of J Brand Europe Ltd: for the year ended 31 August 2015 set out on pages 6 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2015 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.

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

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

# **J BRAND EUROPE LTD.**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

### **TO THE MEMBERS OF J BRAND EUROPE LTD.**

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

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

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



**Andrew Parsons (Senior Statutory Auditor)**  
**for and on behalf of Haines Watts Farnborough LLP**

9 December 2016

**Chartered Accountants**  
**Statutory Auditor**

30 Camp Road  
Farnborough  
Hampshire  
GU14 6EW



## J BRAND EUROPE LTD.

### PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 AUGUST 2015

		Year ended 31 August 2015 £	Period ended 31 August 2014 £
	Notes		
Turnover	5	8,480,789	2,804,017
Cost of sales		(6,707,450)	(2,401,875)
<b>Gross profit</b>		<b>1,773,339</b>	<b>402,142</b>
Administrative expenses		(2,943,325)	(769,547)
<b>Operating loss</b>	6	<b>(1,169,986)</b>	<b>(367,405)</b>
Interest payable to group undertakings	9	(15,979)	(32,232)
<b>Loss before taxation</b>		<b>(1,185,965)</b>	<b>(399,637)</b>
Tax on loss	10	-	-
<b>Loss for the financial year</b>	17	<b>(1,185,965)</b>	<b>(399,637)</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.


# J BRAND EUROPE LTD.

## BALANCE SHEET

AS AT 31 AUGUST 2015

	Notes	2015 £	2014 £
<b>Fixed assets</b>			
Tangible fixed assets	11	31,696	31,523
<b>Current assets</b>			
Stocks	12	1,354,356	480,106
Debtors	13	2,558,527	1,733,708
Cash at bank and in hand		395,599	7,299,664
		4,308,482	9,513,478
<b>Creditors: amounts falling due within one year</b>			
Trade creditors and other payables	14	4,684,257	8,586,816
Taxation and social security		41,523	157,822
		4,725,780	8,744,638
<b>Net current (liabilities)/assets</b>		(417,298)	768,840
<b>Total assets less current liabilities</b>		(385,602)	800,363
<b>Net assets</b>		(385,602)	800,363
<b>Capital and reserves</b>			
Called up share capital	16	1,200,000	1,200,000
Profit and loss account	17	(1,585,602)	(399,637)
<b>Total equity</b>		(385,602)	800,363

The financial statements were approved by the Board of directors and authorised for issue on 22 October 2016  
Signed on its behalf by:

  
Y. GUEVEN  
Director

Company Registration No. 08850177

# **J BRAND EUROPE LTD.**

## **STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 AUGUST 2015**

		Share capital £	Share premium account £	Retained earnings £	Total £
Balance at 17 January 2014		-	-	-	-
Loss and total comprehensive income for the period		-	-	(399,637)	(399,637)
Issue of share capital	16	1,200,000	-	-	1,200,000
Balance at 31 August 2014		1,200,000	-	(399,637)	800,363
Loss and total comprehensive income for the period		-	-	(1,185,965)	(1,185,965)
Balance at 31 August 2015		1,200,000	-	(1,585,602)	(385,602)

# J BRAND EUROPE LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

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### 1 Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of J Brand Europe Limited (the "Company") for the year ended 31 August 2015 were authorised for issue by the board of directors on 5 December 2016 and the balance sheet was signed on the board's behalf by Y Arieven. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The results of J Brand Europe Limited are included in the consolidated financial statements of Fast Retailing Co., Ltd.

J Brand Europe Limited is incorporated and domiciled in England and Wales.

The principal accounting policies adopted by the Company are set out in note 2.

### 2 Accounting policies

#### Company information

J Brand Europe Ltd. is a company limited by shares incorporated in England and Wales. The registered office is 7 Westbourne Grove Mews, Notting Hill, London, W11 2RU.

#### 2.1 Accounting convention

The Company transitioned from UK GAAP to FRS 101 for all periods presented, refer to note 2.15 below for details. The Company has adopted FRS 101 early which is permitted under the Standard.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 August 2015.

The financial statements are prepared under the historical cost convention except for certain financial assets and liabilities which are recognised at fair value as mentioned in note 2.7.

The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38C and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group accounts of Fast Retailing Co., Ltd. The group accounts of Fast Retailing Co., Ltd are available to the public and can be obtained as set out in note 21.

The company's financial statements are presented in sterling and all values are rounded to the nearest pound except when otherwise indicated.

# J BRAND EUROPE LTD.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2015

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### 2 Accounting policies

(Continued)

#### 2.2 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the report and financial statements. This is discussed further in the directors' report on page 2.

#### 2.3 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Turnover is measured at the fair value of the consideration received and represents amounts receivable for goods and services provided in the normal course of business, net of returns, discounts, VAT and other sales related taxes. Sales of merchandise are recognised when title passes to the customer. A provision for sales returns is made based on average historic return rates.

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.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### 2.4 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.

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Fixtures, fittings & equipment	20% straight line
Plant and machinery	20% straight line

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the assets may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the period of de-recognition.

## 2 Accounting policies (Continued)

**2.5 Impairment of tangible and intangible assets**

Tangible fixed assets are reviewed for impairment whenever events or changes in circumstances indicate the assets may not be recoverable. When such events or changes in circumstances indicate the assets may not be recoverable, the company estimates the future cash flows expected to result from the use of assets and their eventual disposal. If the sum of such expected discounted statement of cash flows is less than the carrying amount of the asset, an impairment loss is recognised for the amount by which the assets' net book value exceeds its fair value. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Fair value can be based on the sale of similar assets, or other estimates of fair value such as discounting estimated future statement of cash flows. Management judgement is necessary to estimate discounted future cash flows. Accordingly, actual outcomes could vary from such estimates.

**2.6 Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, transportation, duty and hanging costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

**2.7 Fair value measurement**

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

**2.8 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

**2.9 Financial assets**

*Initial Recognition and measurement*

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit and loss or loans and receivables as appropriate. The Company determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*Loans and receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the profit or loss account. The losses arising from impairment are recognised in the profit and loss account in other operating expenses.

# J BRAND EUROPE LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2015

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### 2 Accounting policies

(Continued)

#### ***Impairment of financial assets***

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced, with the amount of the loss recognised in administrative expenses.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### ***Derecognition of financial assets***

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

### 2.10 Financial liabilities

#### ***Initial recognition and measurement***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

#### ***Subsequent measurement***

The measurement of financial liabilities depends on their classification as follows:

#### ***Financial liabilities at fair value through profit or loss***

##### ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in profit or loss.

#### ***Other financial liabilities***

##### ***Interest bearing loans and borrowings***

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

# J BRAND EUROPE LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2015

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### 2 Accounting policies

(Continued)

#### *Derecognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

#### 2.11 Equity instruments

Trade and other debtors are recognised and carried at the lower of their original invoiced value and recoverable amount.

#### 2.12 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 profit and loss account 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.

##### *Deferred tax*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 profit and loss account, 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.

#### 2.13 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 inventories 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.



## J BRAND EUROPE LTD.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2015

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#### 2 Accounting policies

(Continued)

##### 2.14 Retirement benefits

The company operates a defined contribution pension scheme. Contributions are charged to the income statement as they become payable in accordance with the rules of the scheme.

##### 2.15 Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to profit or loss on a straight line basis over the lease term.

Lease incentives such as rent free period and capital contributions are credited to profit or loss on a straight line basis over the lease term.

##### 2.16 Foreign exchange

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency), currently GBP.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

##### 2.17 First time adoption of FRS 101

These financial statements, for the year ended 31 August 2015, are the first the Company has prepared in accordance with FRS 101. The company was incorporated on 17 January 2014 the financial statements for the company's first period of trading from 17 January 2014 to 31 August 2014 were prepared in accordance with UK generally accepted accounting practice (UK GAAP).

Accordingly, the Company has prepared financial statements which comply with FRS 101 applicable for periods ending on or after 31 August 2015, together with the comparative period data as at and for the period ended 31 August 2014, as described in the accounting policies. In preparing these financial statements there were no material adjustments required to the Company's opening balance sheet.

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for August 2014 year ends retrospectively. The Company has taken advantage of the following exemptions:

- IFRS 3 *Business Combinations* has not been applied retrospectively to any business combinations that occurred before 17 January 2014, the date of transition to FRS 101.

#### 3 Adoption of new and revised standards and changes in accounting policies

In the current year, the following new and revised Standards and Interpretations have been adopted by the company and have an effect on the current period or a prior period or may have an effect on future periods:

FRS 101, Reduced Disclosure framework

## J BRAND EUROPE LTD.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2015

#### 4 Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements:

##### Critical judgements

###### Stock provision

Management judgement is required to estimate the provision for the devaluation of stock, including estimating the future selling price and the turnover of individual stock lines.

###### Returns Accrual

Management judgement and past experience are used to estimate the sales return accrual.

#### 5 Turnover

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

	2015 £	2014 £
Sale of goods	8,480,789	2,804,017
	<u>8,480,789</u>	<u>2,804,017</u>

##### Geographical market

	Turnover	
	2015 £	2014 £
United Kingdom	2,286,942	624,533
Europe	6,110,510	2,177,846
Non Europe	83,337	1,638
	<u>8,480,789</u>	<u>2,804,017</u>

# **J BRAND EUROPE LTD.**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **FOR THE YEAR ENDED 31 AUGUST 2015**

### **6 Operating loss**

	2015 £	2014 £
Operating loss for the period is stated after charging/(crediting):		
Net foreign exchange losses/(gains)	555,330	21,252
Fees payable to the company's auditor for the audit of the company's financial statements	16,000	10,000
Depreciation of property, plant and equipment	7,527	3,450
Cost of inventories recognised as an expense	4,814,285	1,993,128
Write downs of inventories recognised as an expense	(46,652)	-
	<u>          </u>	<u>          </u>

### **7 Auditors' remuneration**

The analysis of auditor's remuneration is as follows:

	2015 £	2014 £
Fees payable to the company's auditors for the audit of the company's annual accounts	16,000	10,000
	<u>          </u>	<u>          </u>
Taxation compliance	1,500	1,500
Statutory accounts	1,500	1,500
Payroll services	300	287
	<u>          </u>	<u>          </u>
Total non-audit fees	3,300	3,287
	<u>          </u>	<u>          </u>

## J BRAND EUROPE LTD.

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2015

#### 8 Employees

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

	2015 Number	2014 Number
Sales	7	4

Their aggregate remuneration comprised of employment costs as detailed below, which also include £809,746 ( 2014- nil) in respect of wages and salary costs recharged from a group company.

Employment costs	2015 £	2014 £
Wages and salaries	1,257,994	192,436
Social security costs	47,408	16,576
Pension costs	1,495	-
	<u>1,306,897</u>	<u>209,012</u>

#### Directors' remuneration

The directors of the company during the year are remunerated by the parent undertaking. The UK company is a very small element of the group and the directors therefore do not consider it practicable to apportion remuneration to their services as directors of the UK company. As such the directors do not consider that they have received any remuneration for their incidental service during the year.

9 Finance costs	2015 £	2014 £
Loan interest payable	<u>15,979</u>	<u>32,232</u>

Interest payable on loans represents amounts due to Fast Retailing France SAS, a fellow subsidiary.

#### 10 Income tax expense

##### Change in corporation tax rate

The UK corporation tax rate was reduced from 21% to 20% from 1 April 2015. A blended current tax rate of 20.58% has therefore been applied within the calculations.

# J BRAND EUROPE LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 AUGUST 2015

(Continued)

### 10 Income tax expense

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2015 £	2014 £
Loss before taxation on continued operations	(1,185,965)	(399,637)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.58% (2014 - 22.16%)	(244,072)	(88,560)
<b>Taxation impact of factors affecting tax charge:</b>		
Expenses not deductible in determining taxable profit	85	16,825
Unutilised tax losses carried forward	242,723	-
Capital allowances in excess of depreciation	-	(703)
Depreciation in excess of capital allowances	1,264	765
Other tax adjustments	-	71,673
Total adjustments	244,072	88,560
Tax charge for the period	-	-

### Tax relating to items charged or credited to other comprehensive income

There is no tax charged or credited in respect of items of other comprehensive income (2014 - £nil).

### 11 Tangible fixed assets

	Fixtures, fittings & equipment £	Plant and machinery £	Total £
<b>Cost</b>			
At 31 August 2014	15,120	19,853	34,973
Additions	7,700	-	7,700
At 31 August 2015	22,820	19,853	42,673
<b>Accumulated depreciation/impairment</b>			
At 31 August 2014	968	2,482	3,450
Charge for the year	3,002	4,525	7,527
At 31 August 2015	3,970	7,007	10,977
<b>Carrying amount</b>			
At 31 August 2015	18,850	12,846	31,696
At 31 August 2014	14,152	17,371	31,523

# J BRAND EUROPE LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2015

12 Stocks	2015 £	2014 £
Finished goods	1,354,356	480,106
	<u>          </u>	<u>          </u>
13 Debtors	2015 £	2014 £
Trade debtors	2,189,230	1,599,474
Provision for bad and doubtful debts	(83,605)	(80,491)
	<u>          </u>	<u>          </u>
	2,105,625	1,518,983
Other receivables	3,575	-
VAT recoverable	432,727	185,457
Prepayments	16,600	29,268
	<u>          </u>	<u>          </u>
	2,558,527	1,733,708
	<u>          </u>	<u>          </u>

Trade debtors disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

14 Creditors	Due within one year	
	2015 £	2014 £
Trade creditors	479,612	47,020
Amounts due to fellow group undertakings	2,347,522	8,006,999
Accruals	1,849,878	532,797
Other creditors	7,245	-
	<u>          </u>	<u>          </u>
	4,684,257	8,586,816
	<u>          </u>	<u>          </u>

Included above is a revolving loan from a fellow subsidiary Fast Retailing France SAS of £500,000 (2014 - £6,000,000) that is unsecured and bears interest at BBA LIBOR plus 0.45%, and is repayable six months from the loan date. Other amounts owed to group undertakings are unsecured, interest free and repayable on demand. The comparative has been amended to reclassify other creditors to fellow group companies.

## 15 Retirement benefit schemes

### Defined contribution schemes

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

The total costs charged to income in respect of defined contribution plans is £1,495 (2014 - £-).

# J BRAND EUROPE LTD.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 AUGUST 2015

16 Share capital	2015 £	2014 £
Ordinary share capital <i>Issued and fully paid</i> 1,200,000 Ordinary shares of £1 each	1,200,000	1,200,000

17 Retained earnings	£
Loss for the period	(399,637)
At 31 August 2014	(399,637)
Loss for the period	(1,185,965)
At 31 August 2015	(1,585,602)

### 18 Contingent liabilities

There is a duty deferment guarantee in favour of HM Customs & Excise of £500,000 (2014 - £250,000).

### 19 Operating lease commitments

#### Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2015 £	2014 £
Minimum lease payments under operating leases	104,429	-

The above operating lease expense is in respect of a lease commitment held by a group company,

### 20 Related party transactions

The company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

## **J BRAND EUROPE LTD.**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 AUGUST 2015***

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#### **21 Controlling party**

The immediate parent undertaking is Fast Retailing UK Limited, a company incorporated in England and Wales by virtue of the 100% shareholding in J Brand Europe Limited.

The ultimate parent undertaking and controlling party is Fast Retailing Co., Ltd, a company incorporated in Japan. The Company is included within these group accounts.

The financial statements of Fast Retailing Co., Ltd are available to the public and may be obtained from 717-1 Oaza Sayama, Yamaguchi city, Yamaguchi 754-0894, Japan.

#### **22 Comparatives and classifications**

The comparative figures are for the period 17 January 2014 to 31 August 2014 and as a result are not entirely comparable to the current year; the comparatives represent three months of trading activity. In addition sales agency costs of £306,356 have been reclassified from administrative expenses to cost of sales, to give a fairer presentation of the nature of the expense.