ACCESSORIZE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 25 AUGUST 2018

ACCESSORIZE LIMITED

COMPANY INFORMATION

Directors	P Allen (resigned 12 August 2019) E Deste (resigned 3 May 2019) M Holloway (resigned 30 June 2018) P Simon (appointed 29 June 2018)
Company secretary	B Green
Registered number	09942425
Registered office	1 Nicholas Road London W11 4AN
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	Barclays Bank plc 1 Churchill Place London E14 5HP

ACCESSORIZE LIMITED

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STRATEGIC REPORT
FOR THE PERIOD ENDED 25 AUGUST 2018

PRINCIPAL ACTIVITIES

The principal activity of the Company is the retailing of accessories, clothing and gifts.

BUSINESS REVIEW

During 2018, we continued to make progress on the strategic reorganisation of the Drillgreat Group ("the Group"), of which the Company is a part. 2018 marked the second full financial year during which the Company has taken on gradually more focus and independence around the Accessorize brand. As noted previously, we believe that this focus will allow Accessorize to focus on its distinct identity and customers, developing product, marketing and channel strategies that best fit its distinct consumers and their needs.

In 2018, the Company's business made strong progress despite challenging trading conditions. The Accessorize brand remains largely retail-based, with the majority of its sales in the UK, and our results reflect the challenging trading environment on the UK high street. The Company suffered like-for-like declines in its retail stores, reflecting continued footfall declines to our stores and a highly promotional trading environment. Although still a relatively small proportion of its business, the Accessorize brand showed solid growth on our owned website as well as on the websites of our third-party marketplace partners. Because our online presence makes up only a relatively small portion of our total sales, that strong performance online was not able to offset the declines across our retail stores. In 2018 we continued to look for ways to address the cost structure of our retail business, which has been adversely affected by declining footfall, high fixed rental costs, rising rates and increasing staff costs driven by UK minimum wage increases.

As at 25 August 2018, there were 142 stores (including concessions) in the UK. The Company generated a turnover of £146.3m (2017: £160.4m) and an underlying EBITDA of £4.9m (2017: £13.3m). The Company loss after tax amounted to £2.7m (2017: profit of £6.3m).The Company balance sheet is strong with no external debt and a cash balance of £12.8m (2017: £18.1m).

FINANCIAL KEY PERFORMANCE INDICATORS

	Period ended 25 August 2018 £000	Period ended 26 August 2017 £000 Restated
Turnover	**146,283**	160,381
Operating (loss)/profit	**(1,681)**	9,192
(Loss)/profit after tax	**(2,743)**	6,301
EBITDA (Earnings before interest, tax, depreciation, amortisation)	**4,723**	13,186
Underlying EBITDA (Earnings before interest, tax, depreciation, amortisation and exceptional items)	**4,937**	13,285
	Number	Number
Average number of employees	**686**	659

CURRENT TRADING AND OUTLOOK

Trading since the 2018 year-end and to the date of this report has proved extremely difficult, particularly for our UK store business. The macro environment of a weak economic recovery, depressed consumer spending and continued political uncertainty have all taken their toll on demand. In 2018 we saw these challenges result in negative like for like UK retail sales, and these declines have continued in the current fiscal year to the date of this report; our online sales have continued to show solid growth, both on our owned website and with our third-party partners.

CURRENT TRADING AND OUTLOOK (CONTINUED)

We have recognised for some time that we need to address the poor profitability of our UK store estate. The vast majority of our sales still come from our store portfolio, and the continued like for like store revenue declines and the high and inflexible cost structure of our stores has had a significant negative impact on our profitability. We believe that retail stores remain the most important channel for the Accessorize brand, and as such we have had to take steps to ensure that it is a financially viable channel. One of those steps was taken on 3 July 2019, when the Company and its sister company, Monsoon Accessorize Limited, entered into Company Voluntary Arrangements (CVA). Both CVAs were approved at a meeting of creditors on 3 July 2019.

In April 2019 Adena Estate Inc, a related party, entered into a facility agreement to provide a bridging loan facility to Drillgreat Limited for £10.5m in two tranches of £3.5m and £7m received in April and June 2019 respectively. This amount was required to provide part of the cash collateral required for Barclays Bank PLC as security for the Barclays Supplier Financing facility. Subsequent agreements were made between Drillgreat Limited and Monsoon Holdings (No 1) Limited for £11.5m which was paid in two tranches of £4.5m in April 2019 and £7m in June 2019. A further agreement was made between Monsoon Holdings (No 1) Limited and Monsoon Holdings Limited for £11.5m with the two tranches noted above being received. In April 2019 Monsoon Holdings Limited provided a bridging loan for £12m to be shared between Monsoon Accessorize Limited and Accessorize Limited. This consisted of the £11.5m noted above in two tranches and a further £0.5m of Monsoon Holding's funds. The £6m received by Accessorize Limited was used to repay the inter-company debt due to Monsoon Accessorize Limited on 29 May 2019.

The bridging loans are secured and interest-bearing at 10% p.a. and were originally expected to be repaid by 31 July 2019.

The ultimate owner and Director, Peter Simon, has made available to the Group funding in the form of revolving credit facilities (RCF's) totalling £30m. This comprises firstly a secured RCF of £12m which will replace the existing bridging loan and a further unsecured RCF of £18m. These RCF facilities are interest free.

We believe that the CVA will enable the Company to adjust rental costs in certain of its stores to levels that reflect the current market reality and enable those affected stores to trade profitably and put them in a more financially viable position. The Company received overwhelming support from its creditors for its CVA, reflecting the sound logic of its proposal and strategy, and we continue to work through the CVA process to ensure that it is a success. Beyond the UK store portfolio, the Company continues to invest in its online capabilities and partnerships, including an investment in a redesign and re-platforming of its owned website and additional investments in its marketing and data capabilities. We believe there are considerable opportunities to grow our digital presence and commerce in the UK and internationally, with the potential for a much greater proportion of Accessorize's sales to be made online. Over the past several months we have also taken actions to reduce our central costs, with the goal of improving our profitability and enabling us to continue to invest in the business appropriately.

We believe that many of the recent negative economic and market dynamics will continue for the foreseeable future. We will therefore continue to look to rationalize and improve the profitability of our UK store estate; we will continue to invest in growing our digital channels as consumers continue to shift their spend online; and we will continue to manage our costs and cash to improve our position, and we will remain flexible and responsive to changing conditions. As always, we see considerable opportunity to grow the Accessorize brand, and we will evolve our business and cost structure and maintain a strong, cash- positive balance sheet so that we can make the necessary investments to secure the Company's long-term future.

The Director recognises the efforts that all the staff have made during what has been a challenging year. Our staff's hard work and commitment have been invaluable, and the Director would like to thank everyone for their continued support and contribution.

PRINCIPAL RISKS AND UNCERTAINTIES

The following are risks and uncertainties which could impact the Company's ability to achieve its strategic and operational objectives or embrace opportunities as they arise. The risks listed do not necessarily comprise all those associated with the Company and are not set out in order of priority.

Operational Risks

CVA – Monsoon Accessorize Limited and the Company entered into separate Company Voluntary Arrangements (CVA) on 3 July 2019. Both CVAs were approved at a meeting of Creditors on 3 July 2019 and as such the Company is operating under the terms of the CVA.

In April 2019 Adena Estate Inc, a related party, entered into a facility agreement to provide a bridging loan facility to Drillgreat Limited for £10.5m in two tranches of £3.5m and £7m received in April and June 2019 respectively. This amount was required to provide part of the cash collateral required for Barclays Bank PLC as security for the Barclays Supplier Financing facility. Subsequent agreements were made between Drillgreat Limited and Monsoon Holdings (No 1) Limited for £11.5m which was paid in two tranches of £4.5m in April 2019 and £7m in June 2019. A further agreement was made between Monsoon Holdings (No 1) Limited and Monsoon Holdings Limited for £11.5m with the two tranches noted above being received. In April 2019 Monsoon Holdings Limited provided a bridging loan for £12m to be shared between Monsoon Accessorize Limited and Accessorize Limited. This consisted of the £11.5m noted above in two tranches and a further £0.5m of Monsoon Holding's funds. The £6m received by Accessorize Limited was used to repay the inter-company debt due to Monsoon Accessorize Limited on 29 May 2019.

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Economic and Market conditions – Uncertainty surrounding the global economy and increasing levels of competition are major influences on consumer confidence and spending in discretionary categories. The Brexit vote on 23 June 2016 and the as yet lack of clarity as to the shape of the Brexit outcome adds to this uncertainty. The Company constantly reviews and monitors its trading operations to ensure pricing and promotional strategies remain competitive, product design remains attractive whilst staying in line with the Accessorize brand values. The Company continues to manage actively and minimise its exposure to the high fixed costs associated with retail store operations and puts in place plans to ensure that it can remain profitable and react to changes in the external environment.

Brand and reputational risk – The strength of the Accessorize brand and its reputation are important to the Company's future plans and sales performance. Failure to protect the brand and its reputation could undermine the trust and confidence of external parties, including our partners, suppliers and customers. The Company follows a robust strategy of defending and managing the Company's Intellectual Property portfolio. The Company carefully considers each new business opportunity and monitors relationships on an ongoing basis to ensure they are appropriate to the brand. Suppliers are required to comply with the Company's Code of Practice and the standards required by the Ethical Trading Initiative. Supplier operations, covering production methods, employee working conditions and quality controls are regularly inspected to ensure compliance with the standards set.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Operational Risks (continued)

International – Accessorize continues to focus on international expansion via franchise operations and wholly owned businesses. The Company seeks to manage the relationship with partners to ensure it bears an acceptable share of the risks of this expansion in the form of unpredictable and volatile revenue streams due to political and economic conditions, legislative compliance and quality of product, presentation and service. The ability to work successfully with many international partners is crucial and the Company invests dedicated resources to this area to develop, monitor and support each individual relationship.

Suppliers – Failure to maintain a high quality and diversified supply base and to limit reliance on key suppliers or geographical markets could increase the Company's exposure to quality issues and increased input costs. The Company continually seeks to develop and extend its supply base, reviewing geographical market opportunities and risks. It works closely with existing suppliers to mitigate fulfilment risks and ensure product design and quality remain of the highest standard. Cost price risk is managed through on-going trading relationships and negotiation with its supply partners.

Warehousing and distribution - Accessorize makes use of Monsoon Accessorize Limited's bonded distribution centre based in the UK, which services the global group and all multi-channel activities. Failure of warehouse and related logistic operations due to issues with warehouse systems, inefficient operating processes or delivery service failures would result in capacity shortages across the global estate and increased mark-downs ultimately impacting cash and profitability. The Company operates continuous planning processes to maximise distribution efficiencies, maintaining a tight control over internal and external service levels and system operations.

People - The success of the Company is linked to leadership by key individuals, the performance of our people and the application of creative vision in core areas such as design and technology, operation of stores, e-commerce and supply chain management. The ability to attract, motivate and retain experienced and talented retail management is therefore key. Our rates of pay are competitive in the markets in which we operate. We continue to invest in training programmes, career development opportunities and key senior personnel are offered the opportunity to participate in a bonus scheme.

IT systems, data security and business continuity - The Company is dependent upon the continued availability and integrity of its computer systems to process, record and manage substantial volumes of data efficiently and accurately. Robust, backed-up and regularly tested systems are essential to ensure business interruptions are minimised and data is protected from corruption or unauthorised access or use.

Multi-channel - In a competitive retail environment failure to adopt new technologies could impact performance and global reach. The Company's online platform includes stand-alone country multi-currency web sites and cross basket functionality to support its ambitious international growth aspirations, making the brands more accessible and enhancing customers' shopping experience. In developing and launching new technology, the Company ensures that quality and performance are not compromised. It works closely with its systems partners to develop and continually enhance its online platform. The Company continues to embrace digital media creating relevant and engaging content to inspire and engage its customers.

Property - Failure to manage the Company's leasehold properties effectively could result in adverse rental terms, increased property or exit costs. The Group has in-house property specialists supported by third party industry experts, who manage all aspects of leasehold property, including new leases, renewals and lease terminations. The Company regularly reviews its property portfolio, taking the opportunity to close unprofitable stores on lease expiry or by executing break options. The recent CVA will enable the Company to adjust rental costs in certain of its stores to levels that reflect the current market reality and enable those affected stores to trade profitably and put them in a more financially viable position.

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Financial Risks

The Company's financial risk management objectives and policies are set out below:

Foreign currency risk - The Company's functional and presentational currency is sterling. The Company underwrites the purchase of Accessorize branded goods by Monsoon Accessorize Limited. The value of non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates in general and the US Dollar in particular. The Group Treasury Committee is responsible for monitoring liquidity, interest and foreign currency risks. The Treasury Committee closely monitors all aspects of working capital and hedging strategies.

Credit risks - The risk of financial loss due to counterparty failure to honour obligations arises principally in relation to the sale of goods and provision of services to franchise partners. Management closely monitor and review debt and credit facilities, flexing credit controls to changes in trading and economic conditions in order to minimise the risk of losses.

Liquidity risk – The availability of cash and liquidity could have a material effect on operational and financial conditions of the business. The risk to the Company is considered to be manageable subject to the availability of the £12m secured and £18m unsecured facilities provided by Monsoon Holdings Limited. As noted in the Going Concern section of the Director's Report, should the £18m unsecured facility need to be utilised in a downside scenario, this may not be possible without renegotiation of the terms of the facility.

CHARITABLE CONTRIBUTIONS

The Company made no charitable donations in the year (2017: £100k).

The Company made no political donations during the year (2017: £nil).

THE MONSOON ACCESSORIZE TRUST

The Monsoon Accessorize Trust supports a number of women and children in Asia every year.

The Trust's goal is always to reach the women and children who need it most and to help them to create a better future. This includes an Artisan Support Programme, designed to help disadvantaged artisans through market access and technical assistance. Details of all current projects are at www.monsoontrust.org.

The Monsoon Accessorize Trust, a registered charity, reg no. 1038446, prepares separate financial statements.

ETHICAL TRADING

All the suppliers of Accessorize branded products are asked to commit to the Monsoon Accessorize Code of Conduct, which is based on the Ethical Trading Initiative (ETI) Base Code. This sets out minimum standards relating to working conditions, pay and employment rights. The Company works with suppliers to achieve improvements where necessary through corrective action plans. This includes monitoring sub-contractors. Progress is monitored through regular visits and audits, carried out by in house specialists and independent external auditors. This includes unannounced visits to ensure the Company has an accurate picture of progress.

Accessorize prides itself on long standard and positive working relationships across its supply chain. However, the Company is prepared to stop sourcing from a factory if it fails to meet the required ethical standards.

ETHICAL TRADING (CONTINUED)

The Group, as a founder member of the Ethical Trading Initiative (www.ethicaltrade.org), benefits from shared learning and interaction with other members, including companies, non-governmental organisations (NGOs) and trade unions. The ETI's ultimate goal is to ensure that the working conditions of those producing for the UK market meet or exceed international labour standards. The Group was a leading member of ETI Homeworkers Group and has made significant progress in rolling out the ETI piece rate methodology across its supply chain.

Further information on the Company's work on Ethical Trade is available at http://uk.monsoon.co.uk/uk/content/heritage#ethical trading.

ARTISAN

Building on both Monsoon's and Accessorize's craft heritage, the Group is committed to supporting artisans in Asia to help sustain their crafts. In previous years, the Group extended the programme by launching ARTISAN, a consumer facing initiative that calls out hand crafted products. Through ARTISAN, the Group continues to provide market access and technical assistance to artisan-based groups working in small informal units or homeworker villages.

ENVIRONMENTAL POLICY

The Company has a challenging programme to reduce its carbon footprint through good energy management, including stretching targets to reduce its use of air freight. The Company is also working with suppliers to ensure environmental impacts are managed in a responsible way and to minimise waste and packaging.

Key activities are:

- Reducing energy used per square foot in UK stores, distribution centre and Head Office through good energy management;
- Integrating environmental criteria into shop design and refit programmes where possible;
- Ensuring that products are delivered by sea wherever possible;
- Reducing the use of packaging, in particular, the use of non-bio degradable plastic;
- Integrating low carbon artisanal techniques into the Company's heritage collections, including hand-block printing and vegetables dyes.

HEALTH AND SAFETY

The Company recognises its responsibility to ensure that all reasonable precautions are taken to provide and maintain working conditions for employees, customers and visitors, which are safe, healthy and in compliance with statutory requirements and appropriate approved codes of practice.

The Director is responsible for the Company's Health and Safety performance. The Health and Safety agenda is managed through a "business as usual" approach, which sees employees at all levels resolving issues and concerns as part of their day-to-day role. The Director is kept appraised of key development through an escalation process and is supported by a Health and Safety Manager.

Training has been extended in a programme which sees key post-holders attending the Institution of Occupational Safety and Health "Safety for Executives & Directors" course.

HEALTH AND SAFETY (CONTINUED)

The Company follows a risk assessment approach derived from the UK Health and Safety Executive publication HSG65, "for Health and Safety" using the plan, do, check, act approach. The Company's health and safety policies and procedures take into account all aspects of the Company's business and infrastructure and are designed to minimise accident and incidents.

This report was approved on 11 October 2019.

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P Simon
Director

DIRECTOR'S REPORT
FOR THE PERIOD ENDED 25 AUGUST 2018

The Director presents his report and the financial statements for the period ended 25 August 2018.

DIRECTOR'S RESPONSIBILITIES STATEMENT

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

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Director 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 Director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments 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 Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to 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.

The Director is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in the Director's Report may differ from legislation in other jurisdictions.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £2,743k (2017: profit £6,301k).

The Company did not pay an interim dividend during the financial period (2017: £nil). The Company is not proposing a final dividend this year (2017: £nil).

During the period an error was identified related to intercompany interest payable of £1,117k. This has resulted in the following prior year restatements:

Statement of comprehensive income
Interest payable increases to £1,117k
Profit before tax decreases to £8,075k
Tax on loss decreases to £1,774k
Profit for the period and total comprehensive income for the period decreases to £6,301k

RESULTS AND DIVIDENDS (CONTINUED)

Statement of financial position
Creditors: amounts falling due within one year increases to £40,394k
Net current liabilities increase to £7,041k
Net assets decrease to £6,301k
Profit and loss account decreases to £6,301

DIRECTORS

The Directors who served during the period and since the period end were:

P Allen (resigned 12 August 2019)
E Deste (resigned 3 May 2019)
M Holloway (resigned 30 June 2018)
P Simon (appointed 29 June 2018)

SUPPLIER PAYMENT POLICY

The Company does not follow any specific code or standard on payment practice but agrees payment terms during contractual negotiations with all prospective suppliers. Payment terms are clearly stated on purchase orders. It is the Company's policy to abide by the agreed terms of payment where appropriate.

The Group operates a supplier finance facility in partnership with a UK clearing bank offering suppliers the opportunity to advance receipts on outstanding invoices. The Group proactively engages with Credit Insurance organisations reporting actual results, including trading accounts, cash and net debt positions, as well as sharing management strategy and outlook for future periods.

EMPLOYMENT POLICY

Employment policies are based on a commitment to equal opportunities from selection and recruitment, through training, development, appraisal and promotion.

The Company aims to promote an environment free from discrimination, harassment and victimisation and all decisions relating to employment will be objective and based solely on individual merit. The Company is intent on using everyone's talent and abilities to the full.

Employees involvement in the Company's success and profitability is encouraged through various sales incentive schemes. Regular meetings and the Company Intranet encourage employees to involve themselves in all aspects of the Company's activities and make sure they are informed of matters which concern them as employees.

It is the Company's policy to give full and fair consideration to suitable applications for employment by disabled persons and so far as particular disabilities permit, give continued employment to any existing employee who become disabled.

MATTERS COVERED IN THE STRATEGIC REPORT

Details of financial risks and future developments are included in the Strategic Report.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are Directors at the time when this Director's Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

One of the Company's customers and fellow Group companies, Monsoon Accessorize GmbH, entered insolvency proceedings on 24 January 2019.

In April 2019 Adena Estate Inc, a related party, entered into a facility agreement to provide a bridging loan facility to Drillgreat Limited for £10.5m in two tranches of £3.5m and £7m received in April and June 2019 respectively. This amount was required to provide part of the cash collateral required for Barclays Bank PLC as security for the Barclays Supplier Financing facility. Subsequent agreements were made between Drillgreat Limited and Monsoon Holdings (No 1) Limited for £11.5m which was paid in two tranches of £4.5m in April 2019 and £7m in June 2019. A further agreement was made between Monsoon Holdings (No 1) Limited and Monsoon Holdings Limited for £11.5m with the two tranches noted above being received. In April 2019 Monsoon Holdings Limited provided a bridging loan for £12m to be shared between Monsoon Accessorize Limited and Accessorize Limited. This consisted of the £11.5m noted above in two tranches and a further £0.5m of Monsoon Holding's funds. The £6m received by Accessorize Limited was used to repay the inter-company debt due to Monsoon Accessorize Limited on 29 May 2019.

The bridging loans are secured and interest-bearing at 10% p.a. and were originally expected to be repaid by 31 July 2019.

The ultimate owner and Director, Peter Simon, has made available to the Group funding in the form of revolving credit facilities (RCF's) totalling £30m. This comprises firstly a secured RCF of £12m which will replace the existing bridging loan and a further unsecured RCF of £18m. These RCF facilities are interest free.

As described in note 2.3, the Company and its fellow trading subsidiary in the UK, who provides stock and services to the Company, Monsoon Accessorize Limited ("MAL"), entered into separate Company Voluntary Arrangements (CVA) on 3 July 2019. Both CVAs were approved at a meeting of Creditors on 3 July 2019 and as such the Company is operating under the terms of the CVA. On 4 August 2019 a challenge to MAL's CVA was received from a creditor but this was withdrawn on 25 September 2019.

The impacts of the CVA on the Company are listed below; however, these cannot be quantified at the current time and no adjustments have been made in these financial statements to reflect these changes as they are non-adjusting post balance sheet events:

- The rental expense on operating leases held by the Company has been reduced by up to 70% for a period of three years. Therefore, the total value of operating leases will be reduced, and any associated onerous lease provisions will be reduced accordingly
- The non-domestic rates payable by the Company have been reduced by up to 70% for the period 1 April 2019 to 31 March 2020
- The intercompany debts owed to Monsoon Accessorize Limited and Drillgreat Limited as at the date of the CVA have been written down to 10% of their value
- All historic dilapidation claims as at the date of the CVA will be reduced to 10% of the claim amount
- A deferred tax asset may be recognised as the losses of the Company could be offset against future profits

GOING CONCERN

In adopting the going concern basis for preparing the financial statements, the Director has considered the business activities as well as the Company's principal risks and uncertainties.

The Company and Monsoon Accessorize Limited ("MAL") entered into separate Company Voluntary Arrangements (CVA) on 3 July 2019. Both CVAs were approved at a meeting of Creditors on 3 July 2019 and as such the Company is operating under the terms of the CVA. As set out more fully in the subsequent events note (note 27) the main impacts of the CVA are:

- The rental expense on operating leases held by the Company has been reduced by up to 70% for a period of three years. Therefore, the total amounts payable under the operating leases will be reduced, and any associated onerous lease provisions will be reduced accordingly.
- The non-domestic rates payable by the Company have been reduced by up to 70% for the period 1 April 2019 to 31 March 2020.
- The intercompany debts owed to Monsoon Accessorize Limited and Drillgreat Limited as at the date of the CVA have been written down to 10% of their value.
- All historic dilapidation claims as at the date of the CVA will be reduced to 10% of the claim amount.
- A deferred tax asset may be recognised as the losses of the Company could be offset against future profits.

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Management has prepared forecasts which include a base forecast as well as sensitised downside scenarios that could arise given the continued challenging and volatile market conditions in the retail sector that directly impact the Company. In the base forecast, the Company believes it can fund its operations within the £12m RCF. As of the date of this going concern assessment, the Company performed above its base forecast in its first month in the fiscal year 2020 period. In the sensitivities that management has developed, certain downside scenarios create uncertainties around the ability of the Company to operate at certain points in the forecast period within the £12m secured RCF facilities currently available. In these downside scenarios, access to the £18m RCF would be needed. The forecasts prepared by management show that the covenants implicit in the second £18m RCF are expected to be breached. In this event the £18m RCF would only be available to the Company at the discretion of the funder unless its terms were to be renegotiated. Under these conditions, should these negotiations not be successful, another source of finance may therefore need to be secured in order for the Company to be able to pay its liabilities as they fall due. Such additional funds have not yet been sought or negotiated by the Company and there can be no guarantee that funding sources will be available should they be needed.

The ability of the Company to continue as a going concern is dependent on its ability to operate within the available £12m RCF or, in the event that it cannot, on the availability and accessibility of further funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

AUDITORS

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved on 11 October 2019.

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P Simon
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ACCESSORIZE LIMITED FOR THE PERIOD ENDED 25 AUGUST 2018

OPINION

We have audited the of Accessorize Limited (the 'Company') for the period ended 25 August 2018, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the:

- give a true and fair view of the state of the Company's affairs as at 25 August 2018 and of its loss for the period 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 2.3 to the financial statements concerning the Company's ability to continue as a going concern. The Company was loss making in the year ended 25 August 2018 and has net current liabilities of £7.6m as at 25 August 2018.

As set out in the CVA proposal, the Group has been granted two revolving credit facilities (RCF's) totalling £30m, firstly a secured £12m RCF facility and a second unsecured £18m RCF.

Management has prepared forecasts which have been sensitised against downside scenarios that could arise given the continued challenging and volatile market conditions in the retail sector that directly impact the Company. Certain scenarios create uncertainties around the ability of the Company to operate at certain points in the forecast period within the £12m secured RCF facilities currently available. In these scenarios, access to the £18m RCF would be needed. The forecasts prepared by management show that the covenants implicit in the second £18m RCF are expected to be breached. In this event the £18m RCF would only be available to the Company at the discretion of the funder unless it were to be renegotiated. Under these conditions another source of finance may therefore need to be secured in order for the Company to be able to pay its liabilities as they fall due. Such additional funds are not currently available to the Company and there can be no guarantee that funding sources will be available should they be needed.

The ability of the Company to continue as a going concern is dependent on its ability to operate within the available £12m RCF or, in the event that it cannot, on the availability and accessibility of further funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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 Auditors' responsibilities for the audit of the section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the in the United Kingdom, including the Financial Reporting Council'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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ACCESSORIZE LIMITED (CONTINUED)

OTHER INFORMATION

The Director is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our Auditors' 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 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 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the Strategic Report and the Director's Report for the financial period for which they are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

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 or 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 Director's Responsibilities Statement on page 8, the Director is responsible for the preparation of the and for being satisfied that they give a true and fair view, and for such internal control as the Director determines is necessary to enable the preparation of that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ACCESSORIZE LIMITED (CONTINUED)

AUDITORS' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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 Auditors' 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.

BDO LLP

Sophia Michael (Senior statutory auditor)
for and on behalf of BDO LLP, statutory auditor
London 11th October 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 25 AUGUST 2018

	Note	2018 £000	As restated 2017 £000
Turnover	5	**146,283**	160,381
Cost of sales		**(39,591)**	(40,243)
Gross profit		**106,692**	120,138
Administrative expenses		**(109,828)**	(112,521)
Exceptional administrative expenses	12	**(214)**	(99)
Other operating income	6	**1,669**	1,674
Operating (loss)/profit	7	**(1,681)**	9,192
Interest payable	10	**(1,140)**	(1,117)
(Loss)/profit before tax		**(2,821)**	8,075
Tax on (loss)/profit	11	**78**	(1,774)
(Loss)/profit for the financial period		**(2,743)**	6,301

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017: £nil).

The notes on pages 18 to 39 form part of these financial statements.

ACCESSORIZE LIMITED
REGISTERED NUMBER: 09942425

STATEMENT OF FINANCIAL POSITION
AS AT 25 AUGUST 2018

	Note		25 August 2018 £000		As restated 26 August 2017 £000
Non-Current assets					
Tangible assets	14		**10,864**		13,064
Debtors: amounts falling due after more than one year	16		**1,007**		721
			11,871		13,785
Current assets					
Stocks	15	**6,595**		7,778	
Debtors: amounts falling due within one year	16	**10,679**		7,463	
Cash at bank and in hand	17	**12,835**		18,112	
		30,109		33,353	
Creditors: amounts falling due within one year	18	**(37,677)**		(40,394)	
Net current liabilities			**(7,568)**		(7,041)
Total assets less current liabilities			**4,303**		6,744
Provisions for liabilities					
Other provisions	20	**(745)**		(443)	
			(745)		(443)
Net assets			**3,558**		6,301
Capital and reserves					
Profit and loss account	22		**3,558**		6,301
Shareholders' Funds			**3,558**		6,301

The financial statements were approved and authorised for issue on 11 October 2019.

....

P Simon
Director
The notes on pages 18 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 25 AUGUST 2018

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 27 August 2017	-	6,301	6,301
Comprehensive income for the period			
Loss for the period	-	(2,743)	(2,743)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(2,743)	(2,743)
At 25 August 2018	-	3,558	3,558

The notes on pages 18 to 39 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 26 AUGUST 2017

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
Comprehensive income for the period			
Profit for the period	-	6,301	6,301
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	6,301	6,301
At 26 August 2017	-	6,301	6,301

The notes on pages 18 to 39 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018

1. General information

Accessorize Limited is a Company incorporated in England and Wales under the Companies Act. It is a Company limited by shares. The address of the registered office is given on the Company information page and the nature of the Company's operations and principal activities are given in the Director's Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The 2018 financial period covers the period from 27 August 2017 to 25 August 2018.
The 2017 financial period covers the period from 28 August 2016 to 26 August 2017.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Drillgreat Limited as at 25 August 2018 and these financial statements may be obtained from the registered office at 1 Nicholas Road, London W11 4AN.

2. Accounting policies (continued)

2.3 Going concern

In adopting the going concern basis for preparing the financial statements, the Director has considered the business activities as well as the Company's principal risks and uncertainties.

The Company and Monsoon Accessorize Limited ("MAL") entered into separate Company Voluntary Arrangements (CVA) on 3 July 2019. Both CVAs were approved at a meeting of Creditors on 3 July 2019 and as such the Company is operating under the terms of the CVA. As set out more fully in the subsequent events note (note 27) the main impacts of the CVA are:

- The rental expense on operating leases held by the Company has been reduced by up to 70% for a period of three years. Therefore, the total amounts payable under the operating leases will be reduced, and any associated onerous lease provisions will be reduced accordingly.
- The non-domestic rates payable by the Company have been reduced by up to 70% for the period 1 April 2019 to 31 March 2020.
- The intercompany debts owed to Monsoon Accessorize Limited and Drillgreat Limited as at the date of the CVA have been written down to 10% of their value.
- All historic dilapidation claims as at the date of the CVA will be reduced to 10% of the claim amount.
- A deferred tax asset may be recognised as the losses of the Company could be offset against future profits.

On 4 August 2019 a challenge to MAL's CVA was received from a creditor but this was withdrawn on 25 September 2019.

In April 2019 Adena Estate Inc, a related party, entered into a facility agreement to provide a bridging loan facility to Drillgreat Limited for £10.5m in two tranches of £3.5m and £7m received in April and June 2019 respectively. This amount was required to provide part of the cash collateral required for Barclays Bank PLC as security for the Barclays Supplier Financing facility. Subsequent agreements were made between Drillgreat Limited and Monsoon Holdings (No 1) Limited for £11.5m which was paid in two tranches of £4.5m in April 2019 and £7m in June 2019. A further agreement was made between Monsoon Holdings (No 1) Limited and Monsoon Holdings Limited for £11.5m with the two tranches noted above being received. In April 2019 Monsoon Holdings Limited provided a bridging loan for £12m to be shared between Monsoon Accessorize Limited and Accessorize Limited. This consisted of the £11.5m noted above in two tranches and a further £0.5m of Monsoon Holding's funds. The £6m received by Accessorize Limited was used to repay the inter-company debt due to Monsoon Accessorize Limited on 29 May 2019.

The bridging loans are secured and interest-bearing at 10% p.a. and were originally expected to be repaid by 31 July 2019.

The ultimate owner and Director, Peter Simon, has made available to the Group funding in the form of revolving credit facilities (RCF's) totalling £30m. This comprises firstly a secured RCF of £12m which will replace the existing bridging loan and a further unsecured RCF of £18m. These RCF facilities are interest free.

Management has prepared forecasts which include a base forecast as well as sensitised downside scenarios that could arise given the continued challenging and volatile market conditions in the retail sector that directly impact the Company. In the base forecast, the
Company believes it can fund its operations within the £12m RCF.

2. Accounting policies (continued)

2.3 Going concern (continued)

As of the date of this going concern assessment, the Company performed above its base forecast in its first month in the fiscal year 2020 period. In the sensitivities that management has developed, certain downside scenarios create uncertainties around the ability of the Company to operate at certain points in the forecast period within the £12m secured RCF facilities currently available. In these downside scenarios, access to the £18m RCF would be needed. The forecasts prepared by management show that the covenants implicit in the second £18m RCF are expected to be breached.

In this event the £18m RCF would only be available to the Company at the discretion of the funder unless its terms were to be renegotiated. Under these conditions, should these negotiations not be successful, another source of finance may therefore need to be secured in order for the Company to be able to pay its liabilities as they fall due. Such additional funds have not yet been sought or negotiated by the Company and there can be no guarantee that funding sources will be available should they be needed.

The ability of the Company to continue as a going concern is dependent on its ability to operate within the available £12m RCF or, in the event that it cannot, on the availability and accessibility of further funding. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

2.4 Turnover

Turnover 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 as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company sells retail products with the right of return, as stated in the Company's terms and conditions, and provision is made based on best estimate for the value of such returns.

2. Accounting policies (continued)

2.5 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.
All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- over the period of the lease
Fixtures and fittings	- straight line over 3 to 10 years
Computer equipment	- straight line over 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2. Accounting policies (continued)

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. Accounting policies (continued)

2.14 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.15 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Provisions for onerous leases are recognised when the Company believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease. Where material the onerous element of the lease is discounted to its present value. Provisions for dilapidation costs are recognised on a lease by lease basis.

2. Accounting policies (continued)

2.17 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.18 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Director has had to make the following judgments:

Determine whether leases entered into by the Company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty:

Tangible fixed assets (see note 14)
Tangible fixed assets are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on the number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Stock provisioning (see note 15)
Stock is carried in the balance sheet at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving stock. The Director has used their knowledge and experience of the industry to determine the level of provisioning required based on the ageing profile of stock.

Onerous lease provisions (see note 20)
A provision is recognised where the costs of a lease exceeds the economic benefit expected. In determining the discounted value of this cost judgment applied by the Director as to the appropriate pre-tax weighted average cost of capital and what costs exceed the benefits expected.

Dilapidations provisions (see note 20)
A provision for costs, which will be incurred in returning a leased property to the condition that it was in at the inception of the lease, is made based on estimates provided by external surveyors. The actual costs of the work that needs to be completed could vary from the estimates.

Recognition of deferred tax assets (see note 19)
Estimates may be required in determining the level of deferred tax assets and liabilities, which the Director believes is reasonable. Various factors may have favourable or adverse effects on the deferred tax assets or liabilities. These include changes in tax legislation, tax rates and allowances, future levels of spending, the Group's level of future earning and estimated future taxable profits.

4. Prior year adjustment

During the period an error was identified related to intercompany interest payable of £1,117k. This has resulted in the following prior year restatements:

Statement of comprehensive income
Interest payable increases to £1,117k
Profit before tax decreases to £8,075k
Tax on loss decreases to £1,774k
Profit for the period and total comprehensive income for the period decreases to £6,301k

Statement of financial position
Creditors: amounts falling due within one year increases to £40,394k
Net current liabilities increase to £7,041k
Net assets decrease to £6,301k
Profit and loss account decreases to £6,301

5. Turnover

Analysis of turnover by country of destination:

	2018 £000	2017 £000
United Kingdom	**136,138**	146,490
Rest of the world	**10,145**	13,891
	146,283	160,381

6. Other operating income

	2018 £000	2017 £000
Property and rent receivable	**62**	115
Royalty receivable	**51**	46
Service fees	**1,029**	1,070
Other income	**405**	345
Licensing income	**122**	98
	1,669	1,674

The Group has entered into a joint arrangement in the Middle East and the Company receives fees for the service provided.

7. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2018 £000	2017 £000
Exchange differences	**26**	-
Other operating lease rentals	**18,554**	18,462
Depreciation of tangible fixed assets	**6,404**	3,995
Defined contribution pension cost	**152**	117
Management charge payable	**34,766**	33,353
(Gain) / loss on disposal of fixed assets	**(823)**	58

Depreciation includes impairment of fixed assets of £2,429k (2017: £nil).

8. Auditors' remuneration

Auditors' remuneration is borne by Monsoon Accessorize Limited.

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent Company.

9. Employees

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	**15,207**	16,009
Social security costs	**839**	921
Cost of defined contribution scheme	**152**	117
	16,198	17,047

Directors' remuneration is borne by Monsoon Accessorize Limited and Drillgreat Limited.

9. Employees (continued)

The average monthly number of employees, including the Directors, during the period was as follows:

	2018	2017
	No.	No.
Retail	**575**	543
Administration	**111**	116
	686	659

10. Interest payable

		As restated
	2018	2017
	£000	£000
Loans from group undertakings	**1,140**	1,117
	1,140	1,117

11. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profit for the year	(226)	1,592
Adjustments in respect of previous periods	63	-
	(163)	1,592
Double taxation relief	-	(214)
	(163)	1,378
Foreign tax		
Foreign tax on income for the year	233	214
Foreign tax in respect of prior periods	138	-
	371	214
Total current tax	208	1,592
Deferred tax		
Origination and reversal of timing differences	(243)	132
Effect of tax rate change on balance transferred from Monsoon Accessorize Limited	-	50
Adjustments in respect of previous periods	(43)	-
Total deferred tax	(286)	182
Taxation on (loss)/profit on ordinary activities	(78)	1,774

11. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2017 - higher than) the standard rate of corporation tax in the UK of 19.0% (2017 - 19.59%). The differences are explained below:

	2018 £000	2017 £000
(Loss)/profit on ordinary activities before tax	**(2,821)**	8,075
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.0% (2017 - 19.59%)	**(536)**	1,582
Effects of:		
Expenses not deductible for tax purposes	**287**	244
Adjustments to tax charge in respect of prior periods	**158**	-
Non-taxable income	**(250)**	(84)
Movement in unprovided deferred tax	**1**	-
Impact of deferred tax rate change on deferred tax asset transferred in from Monsoon Accessorize Limited	**-**	51
Other tax rate differences	**29**	(19)
Unrelieved WHT taken as tax deduction	**233**	-
Total tax charge for the period	**(78)**	1,774

Factors that may affect future tax charges

The UK corporation tax rate reduced from 20.00% to 19.00% from April 2017. A further reduction in the rate to 17.00% from April 2020 was announced in the Finance Bill 2016, which was substantially enacted in September 2016.

12. Exceptional items

	2018 £000	2017 £000
Redundancy fees	116	-
Onerous lease provision charge	98	99
	214	99

Redundancy fees
Redundancy costs of £116k (2017: £nil) were recorded in the period relating to the restructuring of the UK and European operations.

Onerous lease provision
An onerous lease provision charge of £98k (2017: £99k) were made in respect of unprofitable stores within the Company under non-cancellable operating leases.

13. Intangible assets

	Computer Software £000	Trademarks £000	Total £000
Cost			
At 27 August 2017	-	718	718
Reclassification	5	-	5
At 25 August 2018	5	718	723
Amortisation			
At 27 August 2017	-	718	718
Reclassification	5	-	5
At 25 August 2018	5	718	723
Net book value			
At 25 August 2018 and at 26 August 2017	-	-	-

14. Tangible fixed assets

	Short-term leasehold property £000	Fixtures and fittings £000	Computer equipment £000	Total £000
Cost				
At 27 August 2017	15,304	23,431	759	39,494
Reclassification	-	-	(5)	(5)
Additions	1,151	2,909	140	4,200
Transfers intra group	33	79	5	117
Disposals	(1,048)	(1,610)	(48)	(2,706)
At 25 August 2018	15,440	24,809	851	41,100
Depreciation				
At 27 August 2017	9,912	16,008	510	26,430
Reclassification	-	-	(5)	(5)
Charge for the period	2,841	3,439	124	6,404
Transfers intra group	33	63	1	97
Disposals	(1,043)	(1,602)	(45)	(2,690)
At 25 August 2018	11,743	17,908	585	30,236
Net book value				
At 25 August 2018	3,697	6,901	266	10,864
At 26 August 2017	5,392	7,423	249	13,064

Depreciation includes impairment of fixed assets of £2,429k (2017: £nil).

15. Stocks

	25 August 2018 £000	26 August 2017 £000
Finished goods and goods for resale	**6,595**	7,778
	6,595	**7,778**

Stock recognised in cost of sales during the period as an expense was £39,591k (2017: £40,243k).

As at 25 August 2018 a provision of £430k (2017: £467k) was recognised for slow moving and obsolete stock. The movement in the provision was recognised in cost of sales.

16. Debtors

	25 August 2018 £000	26 August 2017 £000
Due after more than one year		
Deferred tax asset (note 19)	**1,007**	721
	1,007	721

	25 August 2018 £000	26 August 2017 £000
Due within one year		
Trade debtors	**6,594**	4,229
Other debtors	**721**	1,066
Prepayments and accrued income	**3,322**	2,168
Tax recoverable	**42**	-
	10,679	7,463

17. Cash and cash equivalents

	25 August 2018 £000	26 August 2017 £000
Cash at bank and in hand	**12,835**	18,112
	12,835	18,112

18. Creditors: Amounts falling due within one year

	25 August 2018 £000	As restated 26 August 2017 £000
Trade creditors	**2,562**	1,789
Amounts owed to group undertakings	**22,949**	35,706
Corporation tax	**-**	628
Other taxation and social security	**2,745**	1,317
Other creditors	**1,283**	738
Accruals and deferred income	**8,138**	216
	37,677	40,394

19. Deferred taxation

	2018 £000
At beginning of year	**721**
Charged to the profit or loss	**243**
Transferred from Monsoon Accessorize Limited	**43**
At end of year	**1,007**

19. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	25 August 2018 £000	26 August 2017 £000
Decelerated capital allowances	975	690
Other timing differences	32	31
	1,007	721

20. Provisions

	Property Provisions £000
At 27 August 2017	443
Charged to the income statement in the period	573
Released in the period	(177)
Utilised in period	(94)
At 25 August 2018	745

Property provisions relate to onerous and vacant property leases and provisions for terminal dilapidations. Onerous and vacant property lease provisions are based on the present value of future cash outflows relating to future rentals or estimated least cost of exiting.

21. Share capital

	25 August 2018 £	26 August 2017 £
Allotted, called up and fully paid		
1 (2017 - 1) Ordinary share of £1.00	1	1

On incorporation 1 Ordinary share was issued to Monsoon Holdings Limited at £1 per share.

22. Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends paid and other adjustments.

23. Capital commitments

At 25 August 2018 the Company had capital commitments as follows:

	25 August 2018 £000	26 August 2017 £000
Contracted for but not provided in these financial statements	**393**	591
	393	591

24. Pension commitments

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administrated fund. The amount charged against profits for this scheme represent the contributions payable to the scheme in respect of the accounting period. This totalled £152k (2017: £117k). At period end, £40k was accrued (2017: £25k).

25. Commitments under operating leases

At 25 August 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	25 August 2018 £000	26 August 2017 £000
Not later than 1 year	**12,932**	14,943
Later than 1 year and not later than 5 years	**37,781**	37,102
Later than 5 years	**19,918**	21,541
	70,631	73,586

26. Related party transactions

In accordance with FRS102 s.33.1A: Related Party Disclosures, the Company is exempt from disclosing transactions with entities that are part of the Drillgreat Limited Group as related parties, as it is a wholly owned subsidiary of a parent undertaking publishing consolidated financial statements. The following other related party transactions occurred during the period.

(i) Ibiza Franchise - The franchise partner for Ibiza is Camilla Simon, daughter of Peter Simon. During the year the Company invoiced the franchise £32k (2017: £8k) for royalties. The debtor balance at 25 August 2018 was £11k (2017: £22k).

(ii) Mafa LLC - During the year an amount of £701k (2017: £760k) was invoiced to Mafa LLC for royalties. Mafa LLC is a joint venture within Accessorize (Islands) Limited. The debtor balance at 25 August 2018 was £888k (2017: £4,200k).

27. Post balance sheet events

One of the Company's customers and fellow Group companies, Monsoon Accessorize GmbH, entered insolvency proceedings on 24 January 2019.

In April and June 2019, the Company received an interest-bearing loan in two tranches totalling £6m from its immediate parent company, Monsoon Holdings Limited. This has been used to repay the intercompany debt due to Monsoon Accessorize Limited.

As described in note 2.3, the Company and its fellow trading subsidiary in the UK, who provides stock and services to the Company, Monsoon Accessorize Limited ("MAL"), entered into separate Company Voluntary Arrangements (CVA) on 3 July 2019. Both CVAs were approved at a meeting of Creditors on 3 July 2019 and as such the Company is operating under the terms of the CVA. On 4 August 2019 a challenge to MAL's CVA was received from a creditor but this was withdrawn on 25 September 2019.

The impacts of the CVA on the Company are listed below; however, these cannot be quantified at the current time and no adjustments have been made in these financial statements to reflect these changes as they are non-adjusting post balance sheet events:

- The rental expense on operating leases held by the Company has been reduced by up to 70% for a period of three years. Therefore, the total value of operating leases will be reduced, and any associated onerous lease provisions will be reduced accordingly
- The non-domestic rates payable by the Company have been reduced by up to 70% for the period 1 April 2019 to 31 March 2020
- The intercompany debts owed to Monsoon Accessorize Limited and Drillgreat Limited as at the date of the CVA have been written down to 10% of their value
- All historic dilapidation claims as at the date of the CVA will be reduced to 10% of the claim amount
- A deferred tax asset may be recognised as the losses of the Company could be offset against future profits

In April 2019 Adena Estate Inc, a related party, entered into a facility agreement to provide a bridging loan facility to Drillgreat Limited for £10.5m in two tranches of £3.5m and £7m received in April and June 2019 respectively. This amount was required to provide part of the cash collateral required for Barclays Bank PLC as security for the Barclays Supplier Financing facility. Subsequent agreements were made between Drillgreat Limited and Monsoon Holdings (No 1) Limited for £11.5m which was paid in two tranches of £4.5m in April 2019 and £7m in June 2019. A further agreement was made between Monsoon Holdings (No 1) Limited and Monsoon Holdings Limited for £11.5m with the two tranches noted above being received. In April 2019 Monsoon Holdings Limited provided a bridging loan for £12m to be shared between Monsoon Accessorize Limited and Accessorize Limited. This consisted of the £11.5m noted above in two tranches and a further £0.5m of Monsoon Holding's funds. The £6m received by Accessorize Limited was used to repay the inter-company debt due to Monsoon Accessorize Limited on 29 May 2019.

The bridging loans are secured and interest-bearing at 10% p.a. and were originally expected to be repaid by 31 July 2019.

The ultimate owner and Director, Peter Simon, has made available to the Group funding in the form of revolving credit facilities (RCF's) totalling £30m. This comprises firstly a secured RCF of £12m which will replace the existing bridging loan and a further unsecured RCF of £18m. These RCF facilities are interest free.

28. Controlling party

The Company's immediate parent undertaking is Monsoon Holdings Limited. The ultimate parent undertaking at 25 August 2018 is Balmain Invest & Trade Inc., a company incorporated in the British Virgin Islands, which was the holding company of the largest and smallest group which the Company is a member.

At 25 August 2018 Drillgreat Limited was the holding company of the largest and smallest group for which consolidated financial statements were prepared. The individual company financial statements and the consolidated financial statements of Drillgreat Limited may be requested from the registered office.

As at 25 August 2018 the Director considers Peter Simon, in his capacity as the beneficial owner of 100% of the shares in Balmain Invest & Trade Inc., to be the ultimate controlling party of the Company.