

# **Sweaty Betty Limited**

Report and Financial Statements

Period Ended

30 December 2018

Company Number 03525806

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# **Sweaty Betty Limited**

## **Report and financial statements for the period ended 30 December 2018**

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### **Directors**

S Hill-Norton  
T L Hill-Norton  
E Thornton  
J H Owsley  
J Straus  
S Pofcher

### **Secretary**

S Hill-Norton

### **Company number**

03525806

### **Registered office**

Sweaty Betty, Fulham Green, 69-79 Fulham High Street, London, SW6 3JW

### **Auditor**

BDO LLP, 55 Baker Street, London, W1U 7EU

# Sweaty Betty Limited

## Strategic report for the period ended 30 December 2018

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The directors present their strategic report together with the audited financial statements for the period ended 30 December 2018.

### Business Review, results and dividends

Sweaty Betty has had a strong year with turnover after adjusting for the additional final week in 2017, increasing by £10.8m (24%) on a 52 week v 52 week basis. The income statement is set out on page 10 and shows a loss for the period amounting to £487,220 (2017 – Profit £1,322,878).

The directors have not recommended a dividend (2017 - £Nil).

The directors are pleased with the strategic performance of the company and note the ongoing investment into its digital operations including in marketing and the wholesale delivery channel.

### Principal activities and business review

The company's principal activity during the period was the design and sale of Sweaty Betty branded women's active wear, which is sold through Sweaty Betty stores in the UK, US wholesale partners, concessions in premium department stores, and sweatybetty.com (UK, US, Europe and Australia).

During the period, the company has continued to advance its store base with two stores opened in the UK (Kings Cross and Blackheath) and the online businesses has continued to grow at a successful rate.

The company continues to grow during 2019 across all channels with significant improvements in margins and profits. We are confident that our continued focus on providing a world class product and exceptional customer experience will continue to lead to a successful year in 2020. The company focus has moved from brick-based expansion to digital with a large investment in the company's website.

### Principal risks and uncertainties

The principal risk that could materially affect the business, revenues, operating income, net income, net assets or liquidity is general economic risk. A positive economic and favourable legislative environment is key to the overall success of the retail sector in the UK and as a consequence that of Sweaty Betty Limited. Economic conditions may deter the spending of key customers. However, the Sweaty Betty brand is a premium brand which fills a unique position in the active and leisure wear market and has proved itself increasingly popular despite economic uncertainty.

The existence of various financial instruments, primarily loans, cash and trade creditors, exposes the Company to a number of financial risks, which are described in more detail below. To manage the Company's exposure to these financial risks, in particular the Company's exposure to currency risk, the Company enters into a limited number of derivative transactions including, but not limited to, forward currency contracts. All transactions in derivatives are undertaken to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the Company's financial instruments are market risk, currency risk, liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained substantially unchanged from previous periods.

# Sweaty Betty Limited

## Strategic report for the period ended 30 December 2018 (*continued*)

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### Principal risks and uncertainties (*continued*)

#### *Market risk*

Financial market risk encompasses currency risk and interest rate risk. The Company's policies for managing interest rate risk are explained along with those for managing cash flow risk in the subsection entitled "interest rate risk" below.

#### *Currency risk*

The Company is exposed to transaction based foreign exchange risk. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts.

Approximately 17% of the Company's sales are invoiced to customers in currencies other than sterling. These sales are priced in the currencies of the customers involved.

Approximately 94% of the Company's stock purchases are invoiced to the Company in currencies other than sterling. The Company's policy is to use forward currency contracts to minimise the risk associated with this exposure.

#### *Liquidity risk*

The Company seeks to manage liquidity risk by regularly forecasting future cashflows and monitor banking facilities to ensure sufficient funds are available to meet the Company's financial obligations for the foreseeable future.

#### *Interest rate risk*

The Company finances its operations through a mixture of shareholder equity, retained profits and bank borrowings. The directors envisage no material interest rate exposure to the Company in the short term and will continue to monitor interest rate risk and its strategy to mitigate any such exposure in the medium term.

#### *Credit risk*

The Company's principal financial asset is cash. Credit risk associated with cash balances is managed by the Company monitoring the cashflow on a weekly basis.

### Analysis using financial key performance indicators

The Company's key performance indicators are revenue and profit

Revenue increased from £47,890,052 to £56,643,105 in the year as a result of strong trading across all channels despite the additional week in 2017. The sales mix includes international sales through web channels and is shown below:

	2018	2017
United Kingdom	81%	87%
United States	16%	11%
Rest of the World	3%	2%

The company gross profit margin decreased to 46.5% in 2018 (2017 – 49.4%).

# Sweaty Betty Limited

## Strategic report for the period ended 30 December 2018 (*continued*)

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### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the principal activities and business review.

The financial position of the Company has remained strong during the period. The company has net assets of £8.5m as set out in the statement of financial position on page 11.

The main financial risks arising from the activities of the Company are set out in the strategic report together with the Company's policies and processes for managing these risks.

The Company has a bank facility agreement with HSBC Bank plc to provide a committed £7.5m three year revolving credit facility. The Group has agreed new terms for banking facilities of £12.8 million to replace its current facility which expires in December 2019, and is awaiting to receive formal notification of the terms from the bankers.

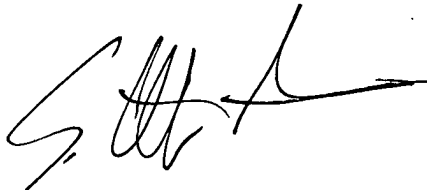
The Company has prepared forecasts which take into account possible changes in trading which have been reviewed by the directors. These forecasts show that the Company should be able to operate within the existing facilities.

The directors have a solid expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors therefore continue to adopt the going concern basis of accounting in preparing the annual financial statements for the Company.

### Approval

This Strategic Report was approved by order of the Board on 27/09/19

Simon Hill-Norton  
Director



# **Sweaty Betty Limited**

## **Report of the directors for the period ended 30 December 2018**

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The directors present their report together with the audited financial statements for the period ended 30 December 2018.

### **Directors**

The directors of the company during the period and up to the date of signature of the financial statements were:

S Hill-Norton  
T L Hill-Norton  
E Thornton  
A Merriman (resigned 26 October 2018)  
J H Owsley  
S P Pickering (resigned 30 December 2018)  
S Pofcher  
J Straus (appointed 23 October 2018)

### **Dividends**

No dividends were paid during the year (2017 – None).

### **Qualifying third party indemnity Provision**

The company has in place insurance to indemnify all directors and officers of the company.

### **Matters covered in the strategic report**

As permitted by paragraph 1A of schedule 7 to the large and medium sized companies and groups (Accounts and Reports) regulation 2008, certain matters which are required to be disclosed in the Directors Report have been omitted as they are included within the Strategic Report. These matters relate to the principle activity, financial risk and future developments.

### **Employee involvement**

The Company operates a very open structure and encourages the involvement of its employees in its management through regular team, office and company meetings. The Company operates an employee share scheme for key management personnel and a number of performance-related pay schemes.

During employment, the Company seeks to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

### **Disabled persons**

The Company will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise.

# Sweaty Betty Limited

## Report of the directors for the period ended 30 December 2018 (*continued*)

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### Auditor

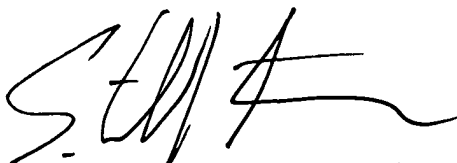
All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditor for the purposes of their audit and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the auditor is unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them as auditor will be proposed at the next annual general meeting.

### Approval

The Directors' Report was approved by order of the Board on 27/09/19

Simon Hill-Norton  
Director

A handwritten signature in black ink, appearing to read 'S. Hill-Norton', with a stylized flourish at the end.

# **Sweaty Betty Limited**

## **Statement of director's responsibilities for the period ended 30 December 2018**

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### **Directors' responsibilities**

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

Company law requires the directors to prepare financial statements for each financial 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.



# Sweaty Betty Limited

## Independent auditor's report for the period ended 30 December 2018

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### Opinion

We have audited the financial statements of Sweaty Betty Limited ("the Company") for the period ended 30 December 2018 which comprise the Income statement, Statement of financial position, Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 December 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

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

### Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

# Sweaty Betty Limited

## Independent auditor's report for the period ended 30 December 2018 (*continued*)

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

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

- the information given in the Strategic report and Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' 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 and Director's report.

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

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

### Responsibilities of Directors

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

# Sweaty Betty Limited

## Independent auditor's report for the period ended 30 December 2018 (*continued*)

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### Use of our report

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

BDO LLP

Sophia Michael (Senior Statutory Auditor)

For and on behalf of BDO LLP, statutory auditor

London

Date

27<sup>th</sup> September 2019

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

# Sweaty Betty Limited

## Income statement for the period ended 30 December 2018

	Note	52 Weeks Ending 2018 £	53 Weeks Ending 2017 £
<b>Turnover</b>	3	<b>56,643,105</b>	47,890,052
Cost of sales		<b>(30,293,566)</b>	(24,244,361)
<b>Gross profit</b>		<b>26,349,539</b>	23,645,691
Administrative expenses		<b>(27,156,849)</b>	(22,176,723)
Other operating income		<b>106,870</b>	69,534
<b>Operating (loss)/profit</b>		<b>(700,440)</b>	1,538,502
Gain/(losses) on foreign exchange contracts	21	<b>127,921</b>	(210,976)
Interest receivable and similar income	4	<b>6</b>	25,450
Interest payable and similar charges	5	<b>(138,240)</b>	(49,007)
<b>(Loss)/Profit on ordinary activities before taxation</b>	6	<b>(710,753)</b>	1,303,969
Tax credit on (loss)/profit from ordinary activities	9	<b>223,533</b>	18,909
<b>(Loss)/Profit for the financial period</b>		<b>(487,220)</b>	1,322,878

The income statement has been prepared on the basis that all operations are continuing operations. There was no comprehensive income for 2018 (2017 - None).

The notes on pages 13 to 29 form part of these financial statements.

# Sweaty Betty Limited

## Statement of financial position at 30 December 2018

<b>Company number 03525806</b>	<b>Note</b>	<b>2018 £</b>	<b>2018 £</b>	<b>2017 £</b>	<b>2017 £</b>
<b>Non-Current assets</b>					
Intangible assets	10		<b>2,845,666</b>		1,957,897
Tangible assets	11		<b>3,913,017</b>		4,544,687
			<hr/>		<hr/>
			<b>6,758,683</b>		<b>6,502,584</b>
<b>Current assets</b>					
Stocks	12	<b>7,480,572</b>		7,491,828	
Debtors: amounts falling due within one year	13	<b>16,342,410</b>		15,919,711	
Cash at bank and in hand		<b>10,930,172</b>		2,787,277	
		<hr/>		<hr/>	
			<b>34,753,154</b>	<b>26,198,816</b>	
<b>Creditors: amounts falling due within one year</b>	14	<b>(32,982,767)</b>		<b>(23,685,110)</b>	
		<hr/>		<hr/>	
<b>Net current assets</b>			<b>1,770,387</b>		<b>2,513,706</b>
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			<b>8,529,070</b>		<b>9,016,290</b>
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	17		<b>1,009</b>		1,009
Share premium			<b>2,604,017</b>		2,604,017
Profit and loss reserves			<b>5,924,044</b>		6,411,264
			<hr/>		<hr/>
<b>Shareholders' funds</b>			<b>8,529,070</b>		<b>9,016,290</b>
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on 27/09/19 and signed on its behalf by:

Simon Hill-Norton  
Director



The notes on pages 13 to 29 form part of these financial statements.

# Sweaty Betty Limited

## Statement of changes in equity for the period ended 30 December 2018

	Share capital £	Share Premium £	Profit and loss reserve £	Total equity £
<b>Balance at 25 December 2016</b>	1,009	2,604,017	5,088,386	7,693,412
<b>Period ended 31 December 2017</b>				
Profit and total comprehensive income for the period	-	-	1,322,878	1,322,878
<b>Balance at 31 December 2017</b>	<b>1,009</b>	<b>2,604,017</b>	<b>6,411,264</b>	<b>9,016,290</b>
<b>Period ended 30 December 2018</b>				
Loss and total comprehensive income for the period	-	-	(487,220)	(487,220)
<b>Balance at 30 December 2018</b>	<b>1,009</b>	<b>2,604,017</b>	<b>5,924,044</b>	<b>8,529,070</b>

The notes on pages 13 to 29 form part of these financial statements.

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018

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### 1 Accounting policies

#### *Company information*

Sweaty Betty Limited is a private company incorporated in England and Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report.

#### *Accounting convention*

The financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

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

The financial statements have been prepared under the historical cost convention modified to include certain financial instruments at fair value, and are in accordance with applicable accounting standards. The directors have prepared the financial statements on the going concern basis.

The preparation of accounts in accordance with FRS 102 requires the use of certain critical accounting estimates. It also requires Company's management to exercise judgement in the applying the Company's accounting policies (see note 2).

The financial statements are prepared for 52 weeks ended 30 December 2018 (2017 – 53 weeks ended 31 December 2017).

#### *Financial reporting standard 102 – reduced disclosure exemptions*

As a result of being a qualifying subsidiary, the company has taken advantage of the following disclosure exemptions in preparing these financial statements as permitted by FRS 102, The Financial Reporting Standard applicable in the United Kingdom and the 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 3.14(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Lady of Leisure Investco Limited as at 30 December 2018 and these financial statements may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

### 1 Accounting policies (*continued*)

The following principle accounting policies have been applied:

#### *Going concern*

At the time of approving the financial statements, the directors have a solid expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has prepared forecasts that demonstrate the group will operate sufficient funds to 2021. Therefore, on this basis the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### *Turnover*

Turnover is recognised at the fair value of the consideration receivable for sales of goods in the ordinary course of business and excludes Value Added Tax.

Turnover from own stores and concessions is recognised at the point of sale when the goods have been provided. Turnover from Wholesale and website activities is recognised on the date that the goods have been despatched.

#### *Intangible fixed assets other than goodwill*

Intangible assets are initially recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:

Trademarks	- Over 20 years
Website	- Over 3 years

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and condition expected at the end of its useful life.

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

#### *Tangible fixed assets and depreciation*

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

Depreciation is provided on all tangible fixed assets except freehold land at rates calculated to write off the cost of each asset to its estimated residual value over its expected useful life, as follows:

Leasehold property	- over 3-7 years
Fixtures, fittings and equipment	- over 3-5 years

Depreciation is only charged once the asset is available for use within the business.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and condition expected at the end of its useful life.

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



# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Impairment of fixed assets*

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost is determined using the standard approach. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

#### *Leased assets: Lessee*

All leases are operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease.

Rent free periods of other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised on a straight-line basis over the lease term, except where the increases are matured to inflation.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (24 November 2014) to continue to be charged over the period to the first market rent review rather than the term of lease.

For leases entered into on or after 24 November 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to profit or loss over the term of the lease. At each reporting end date, the company reviews all store profitability for any Onerous leases and provision for any long term losses within these stores at the lower of the store lease or the operating loss from trading.

#### *Sublet assets*

All sublet leases are operating leases. Their annual rentals are charged to profit or loss on a straight-line basis over the term of the lease. At each reporting end date, the company reviews all sublet leases for recoverability and a provision for any non-recoverable debt taken or released at that time

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Pension costs*

The company operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are held separately from those of the company. Contributions payable are charged to the profit and loss account in the period they are payable.

The company operates a contributory pension scheme for shareholding senior management. Contributions payable are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments on the balance sheet.

#### *Holiday pay accrual*

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

#### *Current and deferred taxation*

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or 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's subsidiaries operate and generate taxable income.

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

- 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the company can control their reversal and such reversal is not considered probable in the foreseeable future.

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.

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Foreign currency translation*

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

#### *Financial instruments*

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

#### *Basic financial assets*

Basic financial assets, which include trade and other debtors and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

#### *Other financial assets*

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss.

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each reporting end date.

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

At each reporting end date, the company reviews all store profitability for any Onerous leases and provision for any long term losses within these stores at the lower of the store lease or the operating loss from trading.

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Derecognition of financial assets*

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

#### *Classification of financial liabilities*

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

#### *Basic financial liabilities*

Basic financial liabilities, including trade and other creditors and amounts owed to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at amortised cost, being transaction price less any amounts settled.

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

#### *Derecognition of financial liabilities*

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

#### *Equity instruments*

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

#### *Share based payments*

Where shares/share options are granted to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non money vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market conditions are factored into the fair value of options granted. The cumulative expense is not adjusted for failure to achieve a market vesting conditions.

#### *Reserves*

The company's reserves are as follows:

- The share premium account represents consideration received for shares issued above their nominal value net of transaction costs.
- The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

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### 2 Judgements in applying accounting policies and key sources of estimation uncertainty

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

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

#### *Critical judgements and estimates*

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results.

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

- 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*

- *Intangible fixed assets (see note 10)*

Intangible assets are amortised 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 a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Tangible fixed assets (see note 11)*

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 a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Stock and product returns provisions*

Provisions held for product returns and the net realisable value of stocks are based on historical data patterns and judgements. These provisions are reviewed regularly and updated to reflect management's latest assessments.

- *Onerous Leases provision:*

The company assesses the loss of any onerous leases and will take a provision for any loss which can not be mitigated by closing or subletting the location.

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

### 3 Turnover

The Company's turnover, all of which is derived from its principal activity, is set out below:

	2018 £	2017 £
Analysis by geographical market:		
United Kingdom	46,987,721	41,818,903
United States	8,847,079	5,205,025
Rest of World	808,305	866,124
	<u>56,643,105</u>	<u>47,890,052</u>

### 4 Interest receivable and similar income

	2018 £	2017 £
Other interest receivable	<u>6</u>	<u>25,450</u>

### 5 Interest payable and similar charges

	2018 £	2017 £
Loan interest	138,218	48,055
Other interest	22	952
	<u>138,240</u>	<u>49,007</u>

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

### 6 (Loss)/Profit on ordinary activities before taxation

	2018 £	2017 £
This has been arrived at after charging/(crediting):		
Amortisation of intangible assets	494,274	89,431
Depreciation:		
- owned fixed assets	1,454,493	1,313,306
Loss on disposal of tangible assets	-	106,206
Operating lease costs:		
- Land and buildings	4,455,911	3,641,527
Stock		
- impairment (gains)/losses recognised in cost of sales	(248,935)	203,911
Foreign exchange (gain) / loss	(1,317,644)	300,122
	<u>                    </u>	<u>                    </u>

From January 2016, annual audit fees for the group were borne by the ultimate parent company, Lady of Leisure Investco Limited.

### 7 Employees

	2018 £	2017 £
Staff costs consist of:		
Wages and salaries	9,170,754	8,727,376
Social security costs	766,346	680,116
Other pension costs	141,541	124,844
	<u>                    </u>	<u>                    </u>
	10,078,641	9,532,336
	<u>                    </u>	<u>                    </u>

Other pension costs include £34,237 (2017 - £49,813) of unpaid pension contributions at the year end.

The average number of employees (including directors) during the year was

	2018 Number	2017 Number
Sales staff	293	172
Administrative staff	97	97
	<u>                    </u>	<u>                    </u>
	390	269
	<u>                    </u>	<u>                    </u>

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

8	Directors' remuneration	2018 £	2017 £
	Remuneration for qualifying services	1,046,459	689,321
	Company contributions to money purchase pension schemes	50,979	20,086
		<u>1,097,438</u>	<u>709,407</u>

The number of directors to whom retirement benefits are accruing under defined contribution schemes amounted to 6 (2017 - 5).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	256,141	182,642
Company contributions to money purchase pension schemes	25,468	7,672
	<u>281,609</u>	<u>190,314</u>

Key management personnel are those individuals who have the authority and responsibility for planning, directing and controlling the activities of the company. The directors are considered to represent the key management personnel of the company and therefore the directors' remuneration represents the remuneration of key management.

9	Taxation on (loss) / profit from ordinary activities	2018 £	2017 £
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	(234,411)	(18,909)
	Other short term timing differences	10,878	-
		<u>(223,533)</u>	<u>(18,909)</u>
	<b>Total deferred tax</b>	<b>(223,533)</b>	<b>(18,909)</b>
		<u>(223,533)</u>	<u>(18,909)</u>
	<b>Total tax credit for the year</b>	<b>(223,533)</b>	<b>(18,909)</b>
		<u>(223,533)</u>	<u>(18,909)</u>



# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

### 9 Taxation on (loss) / profit from ordinary activities *(continued)*

#### Factors affecting current tax credit

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

	2018 £	2017 £
(Loss)/Profit on ordinary activities before tax	<b>(710,753)</b>	1,303,969
(Loss)/Profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017 – 19.26%)	<b>(135,043)</b>	251,112
Effects of:		
Expenses not deductible for tax purposes	<b>2,906</b>	7,980
Fixed asset differences	<b>34,873</b>	32,688
Transfer Price Adjustment	<b>(322,866)</b>	-
Group relief (claimed)/surrendered	<b>129,617</b>	(31,046)
Losses carried back	<b>28,524</b>	-
Adjustments to tax charge in respect of previous periods	<b>10,878</b>	-
previously recognised	-	(249,078)
Tax rate differences	<b>27,578</b>	(30,565)
Total tax credit for the year	<b>(223,533)</b>	(18,909)

The company has £1,048,662 estimated losses (2017 - £Nil) available for carry forward against future profits.

The company has no unrecognised deferred tax asset at the balance sheet date (2017 - £Nil).

# Sweaty Betty Limited

Notes forming part of the financial statements  
for the period ended 30 December 2018 (*continued*)

## 10 Intangible assets

	Trademarks and other intangibles £	Website £	Total £
Cost			
At 31 December 2017	140,345	2,353,444	2,493,789
Additions	-	1,382,043	1,382,043
At 30 December 2018	<b>140,345</b>	<b>3,735,487</b>	<b>3,875,832</b>
Amortisation			
At 31 December 2017	65,837	470,055	535,892
Charge for the period	45,912	448,362	494,274
At 30 December 2018	<b>111,749</b>	<b>918,417</b>	<b>1,030,166</b>
<i>Net book value</i>			
At 30 December 2018	<b>28,596</b>	<b>2,817,070</b>	<b>2,845,666</b>
At 31 December 2017	<b>74,508</b>	<b>1,883,389</b>	<b>1,957,897</b>

The amortisation charge for the period is recognised within administrative expenses.

# Sweaty Betty Limited

Notes forming part of the financial statements  
for the period ended 30 December 2018 (*continued*)

## 11 Tangible assets

	Leasehold property £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>			
At 31 December 2017	4,951,347	5,882,214	10,833,561
Additions	407,307	415,516	822,823
At 30 December 2018	<b>5,358,654</b>	<b>6,297,730</b>	<b>11,656,384</b>
<i>Depreciation</i>			
At 31 December 2017	2,615,081	3,673,793	6,288,874
Charge for the period	612,084	842,409	1,454,493
At 30 December 2018	<b>3,227,165</b>	<b>4,516,202</b>	<b>7,743,367</b>
<i>Net book value</i>			
At 30 December 2018	<b>2,131,489</b>	<b>1,781,528</b>	<b>3,913,017</b>
At 31 December 2017	<b>2,336,266</b>	<b>2,208,421</b>	<b>4,544,687</b>

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

### 12 Stocks

	2018 £	2017 £
Finished goods and goods for resale	7,480,572	7,491,828

There is no material difference between the replacement cost of stocks and the amounts stated above.

### 13 Debtors

	2018 £	2017 £
Deferred tax	242,442	18,909
Trade debtors	3,249,687	2,335,152
Amounts owed by group undertakings	10,600,534	11,522,686
Foreign currency, forward contracts	3,171	-
Other debtors	249,041	109,458
Prepayments and accrued income	1,997,535	1,933,506
	16,342,410	15,919,711

Other debtors include £107,475 (2017 - £93,000) for rent deposits over which charges are held.

### 14 Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	4,164,672	3,033,172
Amounts owed to group undertakings	13,787,301	14,843,084
Taxes and social security costs	1,051,880	1,085,121
Other creditors	2,296,575	1,853,786
Accruals and deferred income	4,182,339	2,745,197
Bank Loan	7,500,000	-
Foreign currency, forward contracts	-	124,750
	32,982,767	23,685,110

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 *(continued)*

### 15 Bank Loan

	2018 £	2017 £
Within one year	7,500,000	-
	<u>7,500,000</u>	<u>-</u>

The facilities provided by the group's bankers HSBC is a multicurrency revolving facility agreement of £10.5m, consisting of a guarantee facility of £3m, of which £2.4m was available and unused at 30 December 2018, and a loan facility of £7.5m. The facilities are secured by way of a composite cross guarantee given by all Lady of Leisure Investco Limited group companies. The Group has agreed to put in place new terms for banking facilities of £12.8 million to replace its current facility which expires in December 2019, and is awaiting to receive formal notification of the terms from the bankers.

Composite Company Unlimited Multilateral Guarantee dated 30 October 2013 was given by Sweaty Betty Holdings Limited, Lady Of Leisure Limited, Sweaty Betty Investco Limited.

Composite Company Unlimited Multilateral Guarantee dated 16 December 2016 given by Sweaty Betty Investco Limited, Lady Of Leisure Limited, Sweaty Betty Holdings Limited, Sweaty Betty USA Inc.

A Debenture including Fixed Charge over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future; and First Floating Charge over all assets and undertaking both present and future was dated 11 December 2013.

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (continued)

### 16 Deferred taxation

Deferred tax (assets) and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2018 £	2017 £
Balances:		
Depreciation expensed in excess of capital allowances	(53,377)	(15,269)
Other short term timing differences	(10,793)	(3,640)
Tax losses	(178,272)	-
	<u>(242,442)</u>	<u>(18,909)</u>

### 17 Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
10,090 Ordinary shares of 10p each	<u>1,009</u>	<u>1,009</u>

The Company is fully owned by Lady of Leisure Holdings Limited. All shares rank pari passu for voting rights.

### 18 Commitments under operating leases

At the reporting date the company had outstanding commitments for minimum lease payments under non-cancellable operating leases as set out below:

	2018 £	2017 £
Operating leases which are due for payment:		
Within one year	3,544,765	3,179,427
In two to five years	10,056,767	9,953,591
Over five years	3,862,023	4,388,653
	<u>17,463,555</u>	<u>17,521,671</u>

### 19 Lessor

The company leases out the investment properties under non-cancellable operating leases for the following future minimum lease payments. There are no contingent rents.

	2018 £	2017 £
Within one year	138,500	138,500
In two to five years	195,042	333,542
	<u>333,542</u>	<u>472,042</u>

# Sweaty Betty Limited

## Notes forming part of the financial statements for the period ended 30 December 2018 (*continued*)

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### 20 Ultimate controlling party

Lady of Leisure Holdings Limited, a company incorporated in the UK, is the immediate parent company of Sweaty Betty Limited.

Lady of Leisure Investco Limited, a company incorporated in the UK, is the ultimate parent company of Sweaty Betty Limited.

The ultimate controlling party is Catterton Caledonia 1.

Lady of Leisure Investco Limited is the smallest company and largest group for which consolidated accounts are drawn up. The consolidated accounts for Lady of Leisure Investco Limited are available from Companies House.

### 21 Financial instruments

A proportion of the company's purchases are sourced overseas. These purchases are priced in Euros and US Dollars. The company's policy is to eliminate the majority of its currency exposure on purchases as they fall due for settlement by the use of facilities which have contractually fixed rates and time periods in which the currency must be purchased. At the balance sheet date, the company's commitment in respect of these contractual facilities is £1,031,245 and £ nil respectively (2017 - £3,588,589 and £5,308,181).

As at 30 December 2018 there was a gain of £127,921 in the year (2017 – loss £210,976) in relation to above financial instruments which has been recognised in these financial statements.

### 22 Related party transactions

The company has taken advantage of the exemption offered by FRS 102 section 33 'Related party disclosures' paragraph 33.1A not to disclose transactions with certain group companies on the grounds that subsidiaries party to the transactions are wholly owned members of the group.

### 23 Other financial commitments

Sweaty Betty Limited has the following guarantees in place:

- Guarantee in favour of HMRC of £200,000
- Purchasing Card Facility of £150,000 with HSBC
- Letter of Credit guarantee dated 13 February 2014 in favour of 200 Greenwich Avenue LLC for \$138,375
- Letter of Credit guarantee dated 19 February 2015 in favour of 168 Fifth Ave. Realty Corp for \$286,000
- Letter of Credit guarantee dated 31 December 2015 in favour of Madison Thirty Five, LLC for \$393,750