

Temperley Limited
FINANCIAL STATEMENTS

for the year ended

31 December 2017

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COMPANIES HOUSE

Company number 04038659

Temperley Limited

DIRECTORS AND OFFICERS

DIRECTOR	Ms A Temperley
SECRETARY	Mr A Murray
COMPANY NUMBER	04038659 (England and Wales)
REGISTERED OFFICE	Phoenix Brewery, 13 Bramley Road London W10 6SZ
AUDITOR	RSM UK Audit LLP Chartered Accountants 25 Farringdon Street London EC4A 4AB

Temperley Limited

STRATEGIC REPORT

BUSINESS OVERVIEW

Temperley London is an independent British designer of luxury women's clothing and accessories founded in 2002 by Alice Temperley. The core business focuses on women's ready-to-wear collections, which have evolved to offer a comprehensive range of daywear, cocktail and eveningwear.

Temperley London is distributed in over 30 countries across upwards of 150 wholesale accounts. Currently 53% of sales come from overseas. The Group's main overseas markets are US & Canada, UAE & China and Hong Kong.

BUSINESS MODEL

The Company's operational transformation program completed towards the end of 2016. Under the program, the brand has repositioned itself within the market, concentrated its wholesale customer base and focussed on operational improvements.

The Company operates through the following channels:

- Wholesale: Temperley is sold through selected department and boutique fashion stores
- Retail: The Company operate three standalone stores in Mayfair (flagship), Notting Hill (bridal) and Bicester Village (outlet)
- Franchise: franchise stores in Dubai and Qatar
- E-commerce

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

In 2017 the Company increased revenue by 4%, improved gross margins by six percentage points to 51%. EBITDA loss remained constant at £1.3m. The Company has net liabilities of £13.3m, up from £11.8m in 2016. In 2017 the Company raised £1.78m of equity to support growth ambitions with a further £1.3m of loan finance following in 2018. Improving gross margins have reduced stock turnover to 2.4 from 2.6.

Having narrowed the Company's focus in 2015 by closing the Alice By Temperley diffusion line, exiting directly operated stores in the US and undergoing an operational transformation, the business switched its attention to revenue growth in 2017.

The key elements of this programme included:

- Defining a very clear range plan across all categories to ensure we offer a strong product under a clear pricing structure;
- Focusing on gross margin improvement;
- Empowering staff to drive the company strategy and be accountable for its success;
- Consolidating our supplier base to benefit from economies of scale;
- Continuing the work which we started in 2015 on driving a quality wholesale business, showing improvement on OTB and sell-through performance;
- Building up our online business which has been a key driver for growth in recent years;
- Further developing a strong retail team with clear KPIs (footfall, conversion, units per transaction and average transaction value); and
- Reducing excess stock levels to generate cash.

Management feel that the business now has the right operational structure, personnel and trading plans in place to leverage the brand's popularity in a competitive market.

MANAGEMENT TEAM

Former CEO Patricia Sancho left the business in June 2018 to return to Spain. Sally Hughes was appointed on 4 September 2018.

Temperley Limited

STRATEGIC REPORT (continued)

KEY RISKS AND UNCERTAINTIES

The Director understands the need for robust risk management and continue to monitor trading performance on a regular basis.

The Director considers the following to be the principal risks and uncertainties to the Company:

- *Foreign Exchange Risks* – The Company has some exposure to exchange rate movements through its non-UK operations but does not consider this to be material and does not enter into derivative contracts.
- *Business Risk* – The Company is susceptible to changing fashion trends and customer preferences which may cause sharp increases or decreases in product. This would result in inventory shortages or excesses as well as impacting annual revenues and branding. The Company mitigate the risk by monitoring market activity and careful management of stock.
- *Economic Risk* – The Company could be affected by changes in the macro-economic environment such as falling consumer confidence. The risk is mitigated by the Company's diverse distribution channels and global customer base.
- *Liquidity Risk* – The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Primarily this is achieved through close management control of working capital and utilisation of existing debt facilities. The Board has the continued support of the shareholders in driving the transformation programme and raised £1.78m share capital during 2017, an additional £1.3m of loan finance has been raised in 2018.

KEY PERFORMANCE INDICATORS

The Director uses various measures to assess performance of the business. These indicators are assessed by channel (wholesale, retail & e-commerce) and location. The Director believes that the most appropriate measure of business performance is earnings before interest, tax, depreciation and amortisation (EBITDA). During 2017 the Company's EBITDA remained constant at a loss of £1.3m on revenue growth of 4%.

Other commercial performance measures include stock turnover and increasing demand for products through the different sales channels:

- Online KPIs include conversion rate, order value and return rate.
- Wholesale performance is measured by order book size, number of new doors and seasonal sell-through.
- Retail store performance is measured in units sold, average transaction value and conversion rate.

FINANCIAL INSTRUMENTS

The Company aims to minimise foreign exchange risk and does not speculate on currency exchange rate movements. A large proportion of trade is made in US Dollar and Euros and the Group manages the exchange risk by using its Dollar and Euro bank accounts.

Approved by order of the board.

Ms A Temperley
Director



Temperley Limited

DIRECTOR'S REPORT

The director submits her report and the financial statements of Temperley Limited for the year ended 31 December 2017.

DIRECTORS

The following directors have held office since 1 January 2017:

Ms A Temperley

Ms P Sancho (resigned 1 September 2018)

Mr M Emerson (resigned 28 June 2017)

STRATEGIC REPORT

In accordance with section 414c (ii) of the Companies Act and included in the Strategic Report is the review of the business, principal risks and uncertainties and key performance indicators.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The director who is in office on the date of approval of these financial statements has confirmed, as far as she is aware, that there is no relevant audit information of which the auditor is unaware. The director has confirmed that they have taken all the steps that they ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

The auditor RSM UK Audit LLP has indicated its willingness to continue in office.

By order of the board

Ms A Temperley
Director



Temperley Limited

DIRECTOR'S RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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 period. Under that law the director has 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 director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the director is required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Temperley Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Opinion

We have audited the financial statements of Temperley Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to page 11 of the financial statements, which indicates that the group's operating loss was £1,409k for the year ended 31 December 2017 (2016: £1,359k) and, as at that date, the group had net liabilities of £1,215k (2016: £1,316k). As stated on page 11, these events or conditions, along with the other matters as set forth on page 11, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the director's report for the financial year for which the financial statements 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.

Temperley Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the director's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's 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 set out on page 5, the director is 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 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 have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

ANDREW WESTBROOK

ANDREW WESTBROOK (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London
EC4A 4AB

Date... 20/12/18

Temperley Limited
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2017

	<i>Notes</i>	2017 £	2016 £
TURNOVER	1	11,375,788	10,927,593
Cost of sales		(5,608,143)	(5,982,409)
Gross profit		<u>5,767,645</u>	<u>4,945,184</u>
Other operating expenses		(7,272,858)	(6,349,432)
OPERATING LOSS		<u>(1,505,213)</u>	<u>(1,404,248)</u>
Interest payable and similar charges	2	(30,157)	(38,701)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,535,370)</u>	<u>(1,442,949)</u>
Taxation	5	-	-
LOSS FOR THE YEAR AFTER TAXATION		<u><u>(1,535,370)</u></u>	<u><u>(1,442,949)</u></u>

The notes on pages 15 to 22 form an integral part of these financial statements.

Turnover and operating loss are derived from the company's continuing operations.

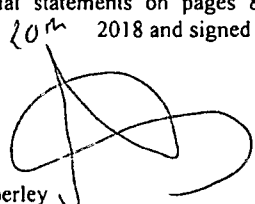
Temperley Limited
STATEMENT OF FINANCIAL POSITION
as at 31 December 2017

Company number 04038659

	<i>Notes</i>	2017 £	2016 £
FIXED ASSETS			
Tangible assets	6	304,921	394,895
Intangible assets	7	66,877	66,412
Investments	8	-	-
		<u>371,798</u>	<u>461,307</u>
CURRENT ASSETS			
Stocks	9	2,639,454	2,179,468
Debtors	10	3,532,925	3,013,553
Cash at bank and in hand		556,929	146,830
		<u>6,729,308</u>	<u>5,339,851</u>
CREDITORS: Amounts falling due within one year	11	(20,391,187)	(17,555,869)
NET CURRENT LIABILITIES		<u>(13,661,879)</u>	<u>(12,216,018)</u>
NET LIABILITIES		<u>(13,290,081)</u>	<u>(11,754,711)</u>
CAPITAL AND RESERVES			
Called up share capital	13	165	165
Share premium account	14	5,589,149	5,589,149
Profit and loss account	14	(18,879,395)	(17,344,025)
SHAREHOLDER'S DEFICIT		<u>(13,290,081)</u>	<u>(11,754,711)</u>

The notes on pages 15 to 22 form an integral part of these financial statements.

The financial statements on pages 8 to 22 were approved by the board and authorised for issue on December 20th 2018 and signed on its behalf by:


Ms A Temperley
Director

Temperley Limited
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017

	<i>Notes</i>	Share Capital £	Share Premium £	Profit and loss account £	Total £
At 1 January 2016	14	165	5,589,149	(15,901,076)	(10,311,762)
Total comprehensive loss for the year		-	-	(1,442,949)	(1,442,949)
At 31 December 2016	14	<u>165</u>	<u>5,589,149</u>	<u>(17,344,025)</u>	<u>(11,754,711)</u>
Total comprehensive loss for the year		-	-	(1,535,370)	(1,535,370)
At 31 December 2017	14	<u><u>165</u></u>	<u><u>5,589,149</u></u>	<u><u>(18,879,395)</u></u>	<u><u>(13,290,081)</u></u>

Temperley Limited

ACCOUNTING POLICIES

COMPANY INFORMATION

Temperley Limited (04038659) is a private company limited by shares domiciled and incorporated in England. The principal place of business and registered office is Phoenix Brewery, 13 Bramley road, London W10 6SZ. The group's principal activity during the period was that of design and distribution of luxury goods for both wholesale and retail sales.

BASIS OF ACCOUNTING

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

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

The financial statements have been prepared on the historical cost convention.

CONSOLIDATED FINANCIAL STATEMENTS

The company is itself a subsidiary company of Temperley Holdings Limited and is exempt from the requirement to prepare group accounts by virtue of Section 400 of the Companies Act 2006 as Temperley Holdings Limited produce consolidated accounts. These financial statements therefore present information about the company as an individual undertaking and not about its group.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The company incurred trading losses of £1,505,213 for the year ended 31 December 2017 (2016: £1,404,248). The Group, to which the company belongs, commenced a major transformation programme towards the end of 2016 to reposition the brand, in 2017 the Group focussed on revenue growth and margin improvement. The wider Group's operating loss was £1,409k for the year ended 31 December 2017 (2016: £1,359k) and, as at that date, the Group had net liabilities of £1,215k (2016: £1,316k).

To support this transformation and the future business strategy, additional funding of £2.3m was secured by the Group in 2017. Additional loan funding of £0.8m was raised in 2018.

After careful consideration of forecast cash flows and expected trading performance, the director believes that the company will be able to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of these financial statements using existing working capital and, if required, procuring additional funding. The director has therefore concluded that it is appropriate to adopt the going concern basis for the preparation of these financial statements.

REDUCED DISCLOSURES

The company has taken advantage of the exemption from disclosing the following information in its company only accounts, as permitted by the reduced disclosure regime within FRS102:

- Section 7 'Statement of cash flows' – presentation of a statement of cash flow and related notes and disclosures.
- Section 11 'Basic financial instruments' 7 Section 12 'Other financial instrument issues' – carrying amounts for financial instruments measured at amortised cost or cost less impairment, interest income/expense and net gains/losses for financial instruments measured at amortised cost, loan defaults or breaches and descriptions of hedging relationships.
- Section 33 'Related party disclosures' – compensation for key management personnel.

The financial statements of the company are consolidated in the results of Temperley Holdings Limited.

Temperley Limited

ACCOUNTING POLICIES (continued)

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	over period of lease
Plant and machinery	20% straight line
Fixtures, fittings and equipment	20% reducing balance
Computer equipment	20% - 33% straight line

INTANGIBLE FIXED ASSETS

Intangible assets are initially recognised at cost (which for intangible assets acquired in a business combination is the fair value at acquisition date) and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised to profit or loss on a straight-line basis over their useful lives, as follows:-

Software	20% - 33% straight line
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Amortisation is revised prospectively if there is a significant change in the useful life or residual value.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in profit or loss.

INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are operating leases and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving stocks. Cost is calculated using the standard cost and retail method which includes the purchase price plus direct delivery costs to bring the stock to its present location and condition.

Temperley Limited

ACCOUNTING POLICIES (continued)

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Turnover for retail sales is recognised when the risks and rewards of ownership of goods have been transferred to the customer, which is deemed to have occurred when the goods are purchased by the customer.

Turnover for wholesale sales is recognised when goods are delivered and title has passed.

TAXATION

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing difference at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply to the reversal of the timing difference.

FINANCIAL INSTRUMENTS

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year. If due after one year, they are classified as noncurrent liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

In relation to the Company's property, plant and equipment, useful economic lives have been established using historical experience and an assessment of the nature of the assets involved. Assets are assessed on an ongoing basis to determine whether circumstances exist that could lead to a potential impairment of the carrying value of such assets. No circumstances have been identified to suggest that this is the case.

Temperley Limited

ACCOUNTING POLICIES (continued)

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

- Determine if there are any indicators of impairment of the stock balance held by the group. In doing this the directors have considered the changes in consumer trends in relation to the stock held. A provision has been put in place for items which are no longer in season.
- Determine if there are any indicators of impairment of trade debtors. The directors have considered specific balances on a case by case basis and provided for those debtors for which it is not expected the full balance will be recovered.

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

1 TURNOVER

The company's turnover and profit before taxation were all derived from its principal activity. Sales were made in the following geographical markets:

	2017 £	2016 £
United Kingdom	5,308,612	5,863,870
Europe	1,185,494	717,637
United States of America	1,918,699	1,973,219
Middle East and Asia	2,308,261	2,031,746
Other	654,722	341,121
	<u>11,375,788</u>	<u>10,927,593</u>

2 INTEREST PAYABLE

	2017 £	2016 £
On bank loans and overdrafts	30,157	38,701

3 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017 £	2016 £
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Depreciation of tangible fixed assets:		
- owned assets	155,435	107,406
Amortisation of intangible assets	36,946	38,961
Exchange (gains) / losses	(22,765)	52,314
Operating lease rentals:		
- land and buildings	913,541	924,601
- plant and machinery	-	30,767
Auditor's remuneration - statutory audit	35,000	35,000
Non-audit services - tax compliance	6,000	6,000
Cost of stock recognised as an expense	<u>5,608,143</u>	<u>5,982,409</u>

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

4	STAFF COSTS	2017	2016
		No	No
	The average monthly number of persons (including directors) employed by the company during the period was:		
	Administration	19	19
	Wholesale	32	34
	Retail	13	13
		<u>64</u>	<u>66</u>
	The aggregate payroll costs incurred during the year, relating to the above, were	£	£
	Wages and salaries	2,681,591	2,503,255
	Social security costs	263,229	259,988
	Pension costs	14,019	6,341
		<u>2,958,839</u>	<u>2,769,584</u>
	In respect of the directors of Temperley Holdings Limited:	2017	2016
		£	£
	Emoluments (and benefits in kind)	<u>479,991</u>	<u>391,913</u>
	The directors' fees and other emoluments disclosed above (excluding pension contributions) include amounts paid to:	2017	2016
		£	£
	The highest paid director	<u>258,966</u>	<u>253,013</u>

There were no pension contributions paid to any director in the period (2016: nil). The total remuneration of the directors and the managers of the Temperley Limited division, who are considered to be the key management personnel of Temperley Limited, was £896,828 (2016: £727,310).

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

5	TAXATION	2017	2016
		£	£
	Current tax		
	UK corporation tax	-	-
	Adjustments in respect of previous years	-	-
	Total current tax	-	-
	Deferred tax		
	Origination and reversal of timing differences	-	-
	Total deferred tax	-	-
	Total tax on profit on ordinary activities	-	-
	FACTORS AFFECTING THE TAX CHARGE FOR THE YEAR		
	The tax assessed for the period is lower than the standard rate of corporation tax in the UK (19.25%). The differences are explained below:		
	Loss on ordinary activities before tax	(1,535,370)	(1,442,949)
	Loss on ordinary activities multiplied by the standard rate of corporation tax UK of 19.25% (2016: 20%)	(295,559)	(288,590)
	Effects of:		
	Expenses that are not deductible in determining taxable profit	14,612	17,082
	Fixed asset differences	19,749	13,589
	Other permanent differences	254	-
	Group relief surrendered	56,458	35,220
	Adjust closing deferred tax to average rate	346,546	488,000
	Adjust opening deferred tax to average rate	(329,745)	(318,662)
	Tax losses not recognised as a deferred tax asset	187,685	53,361
	Tax expense	-	-

The company has losses of £15,101,381 (2016: £14,386,562) available for carrying forward against future trading profits.

No provision has been made for the deferred tax asset in respect of the excess of losses carried forward over accelerated capital allowances, or in addition to any asset on capital allowances because of uncertainty as to when they may prove recoverable. The potential deferred tax asset not provided amounts to £2,567,235 (2016: £2,500,162).

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

6	TANGIBLE FIXED ASSETS	Leasehold improvements	Plant and machinery	Fixtures, fittings and equipment	Office & Computer equipment	Total
		£	£	£	£	£
	COST					
	1 January 2017	661,941	40,616	343,665	669,254	1,715,476
	Additions	-	60,896	4,565	-	65,461
	31 December 2017	<u>661,941</u>	<u>101,512</u>	<u>348,230</u>	<u>669,254</u>	<u>1,780,937</u>
	DEPRECIATION					
	1 January 2017	381,856	40,587	243,405	654,733	1,320,581
	Charged in the year	67,944	58,280	23,292	5,919	155,435
	31 December 2017	<u>449,800</u>	<u>98,867</u>	<u>266,697</u>	<u>660,652</u>	<u>1,476,016</u>
	NET BOOK VALUE					
	31 December 2017	<u>212,141</u>	<u>2,645</u>	<u>81,533</u>	<u>8,602</u>	<u>304,921</u>
	31 December 2016	<u>280,085</u>	<u>29</u>	<u>100,260</u>	<u>14,521</u>	<u>394,895</u>
7	INTANGIBLE ASSETS					Software £
	Cost					
	1 January 2017					146,889
	Additions					37,411
	31 December 2017					<u>184,300</u>
	Amortisation					
	1 January 2017					80,477
	Charge in the year					36,946
	31 December 2017					<u>117,423</u>
	Net book value					
	31 December 2017					<u>66,877</u>
	31 December 2016					<u>66,412</u>

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

8	FIXED ASSET INVESTMENTS	Investments in subsidiary companies 2017 £	Investments in subsidiary companies 2016 £
	Cost or valuation:		
	At 31 December	538,169	538,169
	Provision:		
	At 31 December	(538,169)	(538,169)
	Net book value:		
	At 31 December	-	-

During the prior year the company provided against the carrying value of its subsidiaries.

Subsidiary Undertakings

The following are subsidiary undertakings of the company:

Name	Business	Country of Incorporation	Class of shares	Holding
Temperley Inc.	Fashion clothing	USA	Ordinary	100%
Temperley USA Inc.	Property	USA	Ordinary	100%
Temperley New York Limited	Fashion retailer	USA	Ordinary	100%
Temperley LA LLC	Fashion retailer	USA	Ordinary	100%
Temperley California Inc.	Property	USA	Ordinary	100%
Bictem Limited	Fashion retailer	England & Wales	Ordinary	100%

Name	Aggregate of Share capital and reserves £	Profit/(loss) £
Temperley Inc.	(44,223)	(383)
Temperley USA Inc.	(8)	(199)
Temperley New York Limited	(2,069)	(134)
Temperley LA LLC	(26,914)	(9,209)
Temperley California Inc.	241	(103)
Bictem Limited	633,241	214,895

GROUP FINANCIAL STATEMENTS

In accordance with the Companies Act 2006 the financial statements contain information about Temperley Limited as an individual company but are exempt from presenting consolidated financial information as the parent of a group. It is a subsidiary of Temperley Holdings Limited and is included in the consolidated financial statements of that company.

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

9	STOCKS	2017 £	2016 £
	Raw materials and consumables	698,234	827,703
	Finished goods and goods for resale	1,941,220	1,351,765
		<u>2,639,454</u>	<u>2,179,468</u>
10	DEBTORS	2017 £	2016 £
	Due within one year:		
	Trade debtors	1,793,097	1,225,965
	Amounts owed by group undertakings	941,617	990,806
	Other debtors	522,638	476,941
	Prepayments and accrued income	275,573	319,840
		<u>3,532,925</u>	<u>3,013,553</u>

Gross debts are trade debtors which have been factored and as such are disclosed separately above.

11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2017 £	2016 £
	Bank loans and overdrafts	824,338	436,182
	Trade creditors	1,334,091	1,432,177
	Amounts owed to group undertakings	17,330,295	14,762,552
	Other taxation and social security	64,014	190,136
	Proceeds of factored debts	383,770	439,582
	Other creditors	33,614	17,612
	Accruals and deferred income	421,065	277,627
		<u>20,391,187</u>	<u>17,555,869</u>

The bank loan and overdraft are secured by a debenture giving fixed or floating charges on all assets of the company, together with personal guarantees from certain directors.

12 FINANCIAL INSTRUMENTS

The carrying amount of each category of financial instrument is as follows:

	2017 £	2016 £
Financial assets:		
Debt instruments measured at amortised cost	3,257,352	2,693,713
	<u>3,257,352</u>	<u>2,693,713</u>
Financial Liabilities:		
Measured at amortised cost	20,327,983	17,365,732
	<u>20,327,983</u>	<u>17,365,732</u>

Temperley Limited
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2017

13	SHARE CAPITAL	2017 £	2016 £
	ALLOTTED, ISSUED AND FULLY PAID		
	16,480 ordinary shares of £0.01 each	165	165
		<u> </u>	<u> </u>

The ordinary shares carry all rights normally ascribed to ordinary shares.

14 RESERVES

Reserves of the company represent the following:

Share Premium: consideration received for shares issued above their nominal value net of transaction costs.

Profit and loss account: Cumulative profit and loss net of distributions to owners.

15 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the group had annual commitments under non-cancellable operating leases as follows:

	2017 £	2016 £
Total future minimum lease payments:		
Not later than one year	863,263	902,498
Later than one year but less than five years	496,994	1,360,257
Later than five years	-	-
	<u>1,360,257</u>	<u>2,262,755</u>

16 CONTINGENT LIABILITIES

The company, together with other group undertakings Bictem Limited, Temperley Holdings Limited, TLBRUT Limited and ATDL Limited, has entered into a limited multilateral bank guarantee in favour of its bankers in respect of borrowings by the company and other group undertakings under a facility agreement with the bank. At 31 December 2017 the net amount drawn under the facility was £1,152,765 (2016: £875,764).

Temperley Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2017

17 RELATED PARTY TRANSACTIONS

The company and the group have taken advantage of the exemption conferred by FRS102 that transactions and balances between group companies, eliminated on consolidation do not need to be disclosed.

Rent of £74,668 (2016: £75,375) was paid to Ms A Temperley and Mr L von Bennigsen, directors of Temperley Holdings Limited, in respect of property rental during the period. There were no year end balances in respect of this rental agreement.

Included within other debtors due is a loan to the following director: Ms A Temperley of £114,635 (2016: £114,635), maximum outstanding in the year £114,635. There was no interest charged on the loan.

18 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Temperley Holdings Limited, a company incorporated in England and Wales

Group accounts are prepared by the ultimate parent company, Temperley Holdings Limited. These are available from Companies House, Crown Way, Maindy, Cardiff CF14 3UZ.

The directors do not consider there to be an ultimate controlling party.