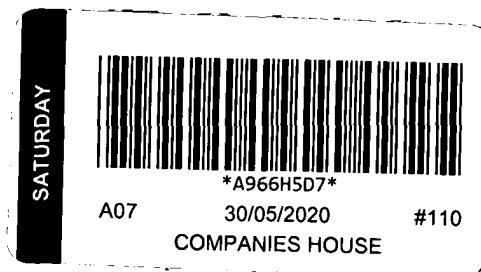


BEBE CLOTHING (UK) LIMITED

Annual report

31 August 2019



BEBE CLOTHING (UK) LIMITED

Company information

Directors	N K Jerath R Jerath P Cramer (appointed 27 June 2019, resigned 26 February 2020) K S Gauntley (appointed 27 June 2019, resigned 26 February 2020)
Registered number	07585895
Registered office	Bebe House Dukesway Team Valley Trading Estate Gateshead Tyne and Wear NE11 0PZ
Independent auditor	UNW LLP Chartered Accountants Citygate St James' Boulevard Newcastle upon Tyne NE1 4JE
Bankers	HSBC Bank plc Floor 3 Central Square South Orchard Street Newcastle upon Tyne NE31 3AZ
Solicitors	Sintons LLP The Cube Barrack Road Newcastle upon Tyne NE4 6DB

BEBE CLOTHING (UK) LIMITED

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BEBE CLOTHING (UK) LIMITED

Strategic report Year ended 31 August 2019

Introduction

The directors present their report and the financial statements of the company for the year ended 31 August 2019.

The principal activity of Bebe Clothing (UK) Limited is the design and production, wholesale and distribution of clothing.

Business review

The directors believe the result for the year ended 31 August 2019 is satisfactory with a retained profit of £221,859 (2018: £472,822) generated in the year.

The company continues to provide high quality products at a competitive price and has continued involvement in the development of state of the art production facilities overseas.

Position at the year end

The net assets position of the company is £2,279,450 (2018: £2,057,591).

Principal risks and uncertainties

The company faces a number of risks principally competitive risk along with the financial risks relating to credit and liquidity, foreign currency exchange and interest rates.

Competitive risk

The directors monitor all opportunities to maintain the current level of performance, through better sourcing and strengthening customer relationships.

Financial risk management objectives and policies

The company has an established, structured approach to risk management. The company's activities expose it to a variety of financial risks, including the effects of credit, liquidity, cash flow, interest rate risks and foreign exchange risks. The company has adopted risk management policies that seek to mitigate these risks in a cost effective manner.

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. The company performs ongoing credit evaluations of its customers' financial condition.

Liquidity risk is the risk that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures there is an adequate liquidity buffer to cover contingencies. The company maintains sufficient cash and open credit lines from its bankers to meet funding requirements.

Interest rate risk regarding unfavourable movements in interest rates is not perceived as being material to the accounts due to the borrowing agreements in place.

The company is exposed to foreign exchange risk primarily with respect to the US Dollar and the Euro. The risk is not perceived as being material to the accounts due to the company holding both euro and dollar bank accounts and utilising these to pay foreign currency suppliers. The risk is further mitigated through the use of forward exchange rate contracts, where necessary.

BEBE CLOTHING (UK) LIMITED

Strategic report (continued) Year ended 31 August 2019

Financial key performance indicators

The directors monitor performance through revenue and margins, which are considered the principal indicators of performance for reporting purposes.

The company's turnover decreased by £2,177,872 (18.6%) to £9,527,282 for the year ended 31 August 2019. The gross margin for 2019 was 18.8% compared to 16.3% in 2018. Profit before taxation decreased by £335,464 (56.2%) to £261,186 for the year ended 31 August 2019.

Post balance sheet events - COVID-19

The directors have assessed the risks facing the company in relation to the current economic climate.

The key risk stems from an uncertainty caused by the current Covid-19 pandemic. The directors have considered the impact of the Covid-19 pandemic and while they recognise they cannot be expected to predict what will happen in the future with Coronavirus, they are taking all possible steps, both short-term and medium term, to mitigate the risk of it to the business and then help reposition and build foundations to bounce back in a positive manner.

Initial actions being taken include:

- Sales in recent months and forecast sales until the end of June 2020 are lower than usual levels and directors believe this will pick back up from July 2020. Despite selling to retailers, the main customers provide an online offering and have seen an increase in demand. The order book has therefore remained strong during a period of lockdown with no cancellations from buyers.
- Continued discussions with ongoing suppliers to ensure the supply chain remains open and all products arrive in a timely manner. Orders that are currently not required have been put on hold or cancelled.
- The supply base is stable and the company maintains strong relationships with suppliers, sourcing across a number of countries. This has allowed continuous supplies with no interruption throughout periods of lockdown. As these periods of lockdown continue to be eased across supplying countries, the risk around the company's supply chain is further diminished.
- Senior management and staff have been allowed to self-isolate without disrupting the everyday running of the company and where possible are working from home.
- All other costs have been controlled and where possible reduced, including the furloughing of some staff.

The company do not foresee any risks relating to competition as well as those surrounding employee, customer and supplier retention. Directors are confident in ensuring its products are of the highest quality, can continue to service the industry and anticipate satisfactory trading results in the coming year.

Future developments

The retail environment in both the UK and Europe remains challenging however given the above actions taken the directors are confident that the forecast level of performance can be achieved.

This report was approved by the board on 29 May 2020 and signed on its behalf by:



N K Jerath
Director

BEBE CLOTHING (UK) LIMITED

Directors' report Year ended 31 August 2019

The directors present their report and the financial statements for the year ended 31 August 2019.

Results and dividends

The profit for the year, after taxation, amounted to £221,859 (2018: £472,822).

The directors do not recommend a final dividend in respect of the year.

Directors

The directors who served during the year were:

N K Jerath

R Jerath

P Cramer (appointed 27 June 2019, resigned 26 February 2020)

K S Gauntley (appointed 27 June 2019, resigned 26 February 2020)

Matters covered in the strategic report

Future developments, which would otherwise be disclosed in the directors' report, is instead disclosed in the strategic report, as permitted by section 414C(11) of the Companies Act 2006.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and UNW LLP will therefore continue in office.

This report was approved by the board on 29 May 2020 and signed on its behalf by:



N K Jerath
Director

BEBE CLOTHING (UK) LIMITED

Directors' responsibilities statement Year ended 31 August 2019

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 applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice'), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the 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 judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Independent auditor's report to the members of BEBE CLOTHING (UK) LIMITED

Opinion

We have audited the financial statements of Bebe Clothing (UK) Limited (the 'company') for the year ended 31 August 2019, which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('United Kingdom Generally Accepted Accounting Practice').

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 3.3 to the financial statements which indicates the uncertainties related to the impact of the Covid crisis on the future of the company. The related risks and conditions along with the other matters described in note 3.3 constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in this respect.



Independent auditor's report to the members of BEBE CLOTHING (UK) LIMITED (continued)

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.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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



Independent auditor's report to the members of BEBE CLOTHING (UK) LIMITED (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 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 for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Andrew Wilson'.

Andrew Wilson BA FCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

29 May 2020

BEBE CLOTHING (UK) LIMITED

Statement of comprehensive income Year ended 31 August 2019

	Note	2019 £	2018 £
Profit and loss account			
Turnover	5	9,527,282	11,705,154
Cost of sales		(7,740,779)	(9,798,788)
Gross profit		1,786,503	1,906,366
Distribution costs		(467,724)	(488,760)
Administrative expenses		(993,653)	(865,445)
Operating profit	6	325,126	552,161
Interest payable and similar expenses	9	(63,940)	44,489
Profit on ordinary activities before taxation		261,186	596,650
Tax on profit on ordinary activities	10	(39,327)	(123,828)
Profit for the financial year		221,859	472,822

There was no other comprehensive income for 2019 or 2018.

The notes on pages 11 to 24 form part of these financial statements.

BEBE CLOTHING (UK) LIMITED

Balance sheet At 31 August 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	300,864	367,424
Tangible assets	12	26,648	116,312
		<u>327,512</u>	<u>483,736</u>
Current assets			
Stocks	13	1,373,217	1,571,245
Debtors: amounts falling due after more than one year	14	4,435,646	3,260,063
Debtors: amounts falling due within one year	14	2,575,684	2,414,130
Cash at bank and in hand		342,055	1,002,316
		<u>8,726,602</u>	<u>8,247,754</u>
Creditors: amounts falling due within one year	15	(6,753,800)	(6,598,982)
Net current assets		<u>1,972,802</u>	<u>1,648,772</u>
Total assets less current liabilities		<u>2,300,314</u>	<u>2,132,508</u>
Creditors: amounts falling due after more than one year	16	(20,864)	(74,917)
Net assets		<u><u>2,279,450</u></u>	<u><u>2,057,591</u></u>
Capital and reserves			
Called up share capital	19	1	1
Profit and loss account	20	2,279,449	2,057,590
Total equity		<u><u>2,279,450</u></u>	<u><u>2,057,591</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 May 2020.

N K Jerath
Director

Registered number: 07585895

The notes on pages 11 to 24 form part of these financial statements.

BEBE CLOTHING (UK) LIMITED

Statement of changes in equity Year ended 31 August 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2017	1	1,584,768	1,584,769
Profit for the year	-	472,822	472,822
At 1 September 2018	1	2,057,590	2,057,591
Profit for the year	-	221,859	221,859
At 31 August 2019	1	2,279,449	2,279,450

The notes on pages 11 to 24 form part of these financial statements.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements **Year ended 31 August 2019**

1. General information

Bebe Clothing (UK) Limited ('the company') is engaged in the design and production, wholesale and distribution of clothing.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Bebe House, Dukesway, Team Valley Trading Estate, Gateshead, Tyne and Wear, NE11 0PZ.

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 '*The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland*' ('FRS 102') and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and rounded to the nearest pound.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

3.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity in and has taken advantage of the exemptions relating the preparation of a cash flow statement. The consolidated financial statements of Bebe Group Limited include a consolidated cash flow statement.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

3. Accounting policies (continued)

3.3 Going concern and COVID-19

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the company can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing of these financial statements. The directors have performed this assessment and have prepared the financial statements on a going concern basis which is considered appropriate for the following reasons.

In the year to 31 August 2019, the profit for the year was £221,859. At 31 August 2019, the net current asset position was £1,972,802 and net assets were £2,279,450.

The directors have prepared profit and cash flow forecasts for a period in excess of 12 months from the date of their approval of these financial statements and considered the potential impact of the COVID-19 outbreak.

The cash flow forecasts that the directors have prepared are based on their current best estimate of trading levels with the company's key customers and the company's expected cost base and show that the company can maintain sufficient financial headroom and operate within the currently available bank facilities and existing covenants for the immediate future. The company will also have the support of group and shareholder funds and have applied for available Government support.

The directors have satisfied themselves that current facilities will continue to be available and that these are adequate for the foreseeable future. The directors acknowledge however that there can be no certainty that these facilities will continue to be available, although, at the date of approval of these financial statements, subject to the uncertainty described below, they have no reason to believe that they will not be available.

The directors have considered the uncertainties in relation to the future impact of COVID-19 and are relying on certain key elements and assumptions of the COVID-19 contingency strategy and forecasts to support the going concern basis of preparation as follows:

- Continued demand and orders from key customers;
- Cash recoverability from key customers;
- Renewal of bank facilities with reliance on trade loans/letters of credit to support the business model and provide cash headroom;
- Maintenance of the supply chain;
- Government support in the form of the 'Coronavirus Job Retention Scheme' in protecting our workforce;
- Ongoing support from our existing shareholders.

Whilst the risks in this regard cannot be completely mitigated and therefore some level of future uncertainty remains, the directors have adopted measures and assessed the financial implications of associated factors outside their control and consider that it is appropriate to prepare the financial statements on a going concern basis. The directors agree that there is a unique degree of uncertainty caused by the COVID crisis that may have future going concern implications, but they remain confident in the future having successfully secured a substantial increase in orders since the start of the crisis.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

3. Accounting policies (continued)

3.4 Revenue recognition

Turnover comprises revenue recognised in respect of goods supplied and services rendered during the year, net of discounts and excluding Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on delivery of goods to the customer); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measures reliably.

3.5 Intangible fixed assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on all intangible assets so as to write off the cost of an asset over its estimated useful life as follows:

Goodwill	-	10% straight-line
Trademarks	-	20% straight-line

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

3.6 Tangible assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, over their estimated useful lives as follows:

Motor vehicles	-	25% straight-line
Office equipment	-	25% straight-line

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

3.7 Leases

Assets held under finance leases and hire purchase contracts, which confer rights and obligations on the company similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at the inception of the lease) and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future lease obligations are recorded as liabilities, and the interest elements are charge to the profit and loss account over the period of the leases to produce a constant periodic rate of change on the remaining balance of the liability.

Lease that do not confer rights and obligations approximating to ownership are classified as operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

3. Accounting policies (continued)

3.8 Stocks

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost is determined using the first-in first-out (FIFO) method and includes the purchase price (including taxes and duties) and transport and handling costs directly attributable to bringing the stock to its present location.

Provision is made as necessary for damaged, obsolete or slow-moving items.

3.9 Financial instruments

The company only enters into financial instruments transactions that result in the recognition of basic debt financial assets and liabilities like trade and other debtors and creditors, cash and bank balances and loans to or from related parties, including fellow group companies.

Debt instruments due within one year are measured, initially and subsequently at the transaction price. Debt instruments due after one year are measured initially at the transaction price and subsequently at amortised cost using the effective interest method.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

3.10 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the employee's entitlement to the benefit accrues.

Defined contribution pension plan

The company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3.11 Foreign currency

The company's functional currency is the pound sterling. Transactions in foreign currencies are translated into sterling using the spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary assets and liabilities are translated using the closing rate. Foreign exchange gains and losses are recognised in the profit and loss account.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

3. Accounting policies (continued)

3.12 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account.

Current tax is the amount of income tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods, and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that unrelieved tax losses and other deferred tax assets are recognised only 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 tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing differences.

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

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

Significant judgments in applying the entity's accounting policies

A significant judgment exists in the directors' assessment of the appropriate basis of preparation of the financial statements given the uncertainty caused by the COVID crisis that may have future going concern implications. The directors have performed this assessment and have prepared the financial statements on a going concern basis.

In preparing these financial statements the directors do not consider there were any other significant areas of judgment that were required in applying the company's accounting policies as set out above.

Key sources of estimation uncertainty

Estimates included within these financial statements include amortisation, depreciation and asset impairments (for example provisions against stock and debtors). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

5. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	6,216,878	4,603,975
Overseas	3,310,404	7,101,179
	<u>9,527,282</u>	<u>11,705,154</u>

6. Operating profit

Operating profit is stated after charging/(crediting):

	2019 £	2018 £
Amortisation of intangible fixed assets (included within administrative expenses)	66,560	66,560
Depreciation of tangible fixed assets	18,303	41,004
(Profit)/loss on disposal of tangible fixed assets	(24,773)	5,744
Foreign exchange differences	106,075	26,793
Operating lease rentals	60,000	84,000
Fees payable to the company's auditor for the audit of these financial statements	7,200	7,000
Fees payable to the company's auditor for other services	2,850	2,800
	<u>2,850</u>	<u>2,800</u>

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

7. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries	370,197	343,024
Social security costs	26,051	26,894
Cost of defined contribution scheme	9,521	5,014
	<u>405,769</u>	<u>374,932</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2019 No.	2018 No.
Administrative staff	13	15
Sales and design staff	2	2
Directors	2	2
Distribution staff	2	-
	<u>19</u>	<u>19</u>

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>25,759</u>	<u>-</u>

9. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	52,473	22,747
Release for interest on group loans	-	(69,195)
Other interest payable	11,467	1,959
	<u>63,940</u>	<u>(44,489)</u>

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

10. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	60,774	129,164
Adjustments in respect of previous periods	(24,014)	(568)
Total current tax	36,760	128,596
Deferred tax		
Origination and reversal of timing differences	2,869	(5,329)
Effects of changes in tax rates	(302)	561
Total deferred tax	2,567	(4,768)
Taxation on profit on ordinary activities	39,327	123,828

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	261,186	596,650
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%)	49,625	113,364
Effects of:		
Expenses not deductible for tax purposes	14,018	10,471
Tax rates changes	(302)	561
Adjustments for previous periods	(24,014)	(568)
Total tax charge for the year	39,327	123,828

Factors that may affect future tax charges

The rate of corporation tax throughout the year was 19%. A reduction to 17%, due to come into effect from 1 April 2020, was substantively enacted on 6 September 2016. Deferred taxes at the balance sheet date have been measured using the enacted tax rate and reflected in these financial statements. However, the current government announced that this reduction would be put on hold and this was confirmed in the recent Budget on 11 March 2020 and the rate will remain at 19% past 1 April 2020. Future deferred tax balances will be measured at 19% once the rate has been substantively enacted.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

11. Intangible assets

	Trademarks £	Goodwill £	Total £
Cost			
At 1 September 2018 and 31 August 2019	7,800	650,000	657,800
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 September 2018	2,210	288,166	290,376
Charge for the year	1,560	65,000	66,560
	<hr/>	<hr/>	<hr/>
At 31 August 2019	3,770	353,166	356,936
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 August 2019	4,030	296,834	300,864
	<hr/>	<hr/>	<hr/>
At 31 August 2018	5,590	361,834	367,424
	<hr/>	<hr/>	<hr/>

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

12. Tangible fixed assets

	Motor vehicles £	Office equipment £	Total £
Cost			
At 1 September 2018	147,095	-	147,095
Additions	71,370	5,314	76,684
Disposals	(191,090)	-	(191,090)
At 31 August 2019	27,375	5,314	32,689
Depreciation			
At 1 September 2018	30,783	-	30,783
Charge for the year	17,820	483	18,303
Disposals	(43,045)	-	(43,045)
At 31 August 2019	5,558	483	6,041
Net book value			
At 31 August 2019	21,817	4,831	26,648
At 31 August 2018	116,312	-	116,312

The net book value of assets held under finance leases or hire purchase contracts, included within motor vehicles above, is £21,817 (2018: £101,636).

13. Stocks

	2019 £	2018 £
Finished goods	1,373,217	1,571,245

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

14. Debtors

	2019 £	2018 £
Due after more than one year		
Other debtors	4,435,646	3,260,063
	2019 £	2018 £
Due within one year		
Trade debtors	1,655,114	1,577,295
Amounts owed by related parties	314,898	315,618
Other debtors	602,949	491,463
Prepayments and accrued income	696	25,160
Deferred taxation (note 18)	2,027	4,594
	2,575,684	2,414,130

15. Creditors: amounts falling due within one year

	2019 £	2018 £
Bank overdrafts	2,517,703	3,474,298
Other loans	1,393,607	578,399
Trade creditors	663,786	686,020
Amounts owed to group undertakings	1,636,013	1,265,007
Corporation tax	163,279	233,997
Other taxation and social security	87,388	13,138
Net obligations under finance leases and hire purchase contracts (note 17)	4,431	59,483
Other creditors	88,154	86,509
Accruals and deferred income	199,439	202,131
	6,753,800	6,598,982

Bank overdrafts and other loans totalling £3,836,422 are secured by a debenture including a 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 dated 16 December 2011.

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

16. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Net obligations under finance leases and hire purchase contracts (note 17)	20,864	74,917

17. Obligations under finance leases and hire purchase contracts

Minimum lease payments under finance leases and hire purchase contracts fall due as follows:

	2019	2018
	£	£
Within one year	5,892	63,088
Between 1-5 years	21,166	82,391
Less interest allocated to future periods	(1,763)	(11,079)
	25,295	134,400

Obligations under finance leases and hire purchase contracts are secured over the assets to which they relate.

18. Deferred taxation

	2019	2018
	£	£
At the beginning of the year	4,594	(174)
(Charged)/credited to profit or loss	(2,567)	4,768
At the end of the year	2,027	4,594

The deferred tax asset is made up as follows:

	2019	2018
	£	£
Fixed asset timing differences	2,027	4,594

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
1 (2018: 1) ordinary shares share of £1	<u>1</u>	<u>1</u>

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

20. Reserves

Profit and loss account

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

21. Contingent liabilities

The company is subject to an unlimited multilateral guarantee dated 24 February 2011 with Bebe Group Limited. The amount outstanding in Bebe Group Limited at the balance sheet date to which the guarantee relates is £nil (2018: £nil).

The company is subject to a £300,000 guarantee through HSBC dated 20 December 2012 with HM Revenue & Customs as the beneficiary in relation to duty deferment liabilities.

22. Pension commitments

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged represents contributions payable by the company to the fund and amounted to £9,521 (2018: £5,014). There were no amounts payable to the fund at the year end (2018: £nil).

23. Commitments under operating leases

At 31 August 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	72,822	80,605
Later than 1 year and not later than 5 years	246,384	259,551
Later than 5 years	445,000	505,000
	<u>764,206</u>	<u>845,156</u>

BEBE CLOTHING (UK) LIMITED

Notes to the financial statements Year ended 31 August 2019

24. Transactions with directors

During the year, advances of £677,847 (2018: £1,342,426) were made to N K Jerath and R Jerath, directors of the company. Repayments in the year amounted to £773,373 (2018: £587,010). At the year end, £143,051 (2018: £238,577) was due from the directors to the company. These loans are interest free, have no fixed date of repayment and are repayable on demand.

25. Related party transactions

R Jerath is a director of Aces Couture Limited. During the year, sales of £223,082 (2018: £314,124) were made to Aces Couture Limited. At the year end, £185,570 (2018: £232,458) was owed by Aces Couture Limited. A further amount of £165,983 (2018: £83,160) was advanced as a loan to Aces Couture Limited in the year, of which £129,328 (2018: £83,160) remains outstanding at the year end.

N K Jerath is a partner of NSR Management Services LLP. During the year, £nil (2018: £18,380) was paid out on behalf of NSR Management Services LLP. Repayments in the year amount to £nil (2018: £19,458). At the year end, £1,078 (2018: £1,078) was owed to NSR Management Services LLP.

Motor vehicle leasing charges of £31,811 (2018: £12,471) were incurred on behalf of employees and close relatives of the directors. At the year end, £31,811 (2018: £12,471) was owed to the company and is included within other debtors.

The company is a wholly-owned subsidiary of Bebe Group Limited. As permitted by FRS 102, the company has not disclosed details of transactions and balances with its parent.

26. Controlling party

The immediate and ultimate parent undertaking, and the only group to consolidated these financial statements is Bebe Group Limited. Copies of Bebe Group Limited's consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The ultimate controlling party is N K Jerath by virtue of his 100% shareholding in Bebe Group Limited.