

# AURORA

FASHIONS

**Coast Holdco 2 Limited**

**Annual Report and Financial Statements**

**For the period 28 February 2016 to 25 February 2017**

Company registered number: 9787746 (England and Wales)



## Coast Holdco 2 Limited

### Contents

---

	Page
Company information	2
Strategic Report	3
Directors' Report	4
Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and financial statements	5
Independent auditor's report to the members of Coast Holdco 2 Limited	6
Profit and loss account and other comprehensive income	7
Balance sheet	8
Statement of changes in equity	9
Notes forming part of the financial statements	10

## Coast Holdco 2 Limited

### Company information

---

<b>Directors</b>	Jóhann Pétur Reyndal Matthew Charles Turner
<b>Secretary</b>	Heatons Secretaries Limited
<b>Company number</b>	9787746
<b>Registered office</b>	The Triangle Stanton Harcourt Industrial Estate Stanton Harcourt Witney Oxfordshire OX29 5UT
<b>Auditor</b>	KPMG LLP Arlington Business Park Theale, Reading, RG7 4SD
<b>Bankers</b>	Barclays Bank plc 1 Churchill Place London E14 5HP
<b>Solicitors</b>	Field Fisher Waterhouse LLP 5th Floor, Free Trade Exchange 37 Peter Street Manchester M2 5GB  White & Case LLP 5 Old Broad Street London EC2N 1DW

# Coast Holdco 2 Limited

## Strategic Report

For the period 28 February 2016 to 25 February 2017

---

### Strategy and Objectives

The principal activity of the Company is to act as an intermediate holding company in the Coast Group.

### Business Model

The Coast Group's objective is to grow sales profitability and to optimise returns for its shareholders. This objective will be delivered by driving brand performance and leveraging existing assets while continuing to exploit the significant opportunity offered by the development of new stores, concessions wholesale and franchisee partners and ecommerce channels both in the UK and internationally.

### Future developments

The Coast Group will continue to focus on driving brand performance and leveraging existing assets while continuing to exploit the significant opportunity offered by increasing accessibility to more customers in more markets, both in the UK and internationally.

### Principal Risks and Uncertainties

#### *Changes in fashion trends*

The principal risk faced by the company is that the product offering of its subsidiaries within the Coast Group declines in popularity, leading to reduced revenues, margins and cash flow. Across the Group the risk is managed by operating a buying and merchandising model which focuses on generating fashionable product lines, short lead times and low stock levels.

#### *Supply chain*

The Group is dependent on the ability of its suppliers to manufacture its products to the desired quality and standards and on its logistics providers to ensure it reaches the required location on a timely basis. The standards, arrangements and contingency plans are under constant review by management.

#### *Liquidity risk*

The finance facilities held by the Oasis and Warehouse Group, Coast Group, and Karen Millen Group are subject to financial covenant targets that adjust through to maturity of the loans. Further details are contained in note 1.4 'Going concern' and note 8 'Guarantees and commitments'.

#### *Going Concern*

Note 1.4 to the financial statements sets out the basis of preparation of the financial statements. As explained in note 1.4, the directors consider that it continues to be appropriate to prepare the financial statements on the basis that the group is a going concern.


#### *Currency risk*

The Company is exposed to foreign currency risks on sales and purchases. Exposures are primarily to the US Dollar and the Euro. Forecast transactional exposures are reviewed and minimised through forward currency contracts and other suitable derivative products, based on forecasted levels of foreign currency transactions.

#### *Brexit risk*

Following the UK's vote in 2016 to leave the EU, and the subsequent snap general election in June 2017, this has created political and economic uncertainty. The main risk to the Group is currency risk and a potential drop in consumer confidence. As mentioned above the group will continue to minimise its currency risk and adjust plans accordingly. The Group regularly reacts to trading upsides and downsides through its trading strategy and reviewing its business operations.

By Order of the Board

  
Matthew Turner  
Director

27 JULY 2017

# Coast Holdco 2 Limited

## Directors' Report

For the period 28 February 2016 to 25 February 2017

---

The directors present their report and the audited financial statements of Coast Holdco 2 Limited ("the Company") for the period 28 February 2016 to 25 February 2017.

The Company is a member of the Aurora Fashions Group Limited (together with its subsidiaries "the Aurora Group").

The current period relates to the 52 week period from 28 February 2016 to 25 February 2017. The prior period covers the 23 week period from the date of incorporation on 21 September 2015 to 27 February 2016.

Following a capital re-organisation of the Aurora Group part way through the prior period, the Company was inserted into the Coast Group as the immediate parent company of Coast Debtco Limited.

### Results and dividends

The Company's results are set out on page 7.

The Directors do not recommend the payment of a dividend (2016: £ nil).

### Political contributions

The Company made no political contributions during the period (2016: £nil).

### Directors

The current Directors of the Company are listed on page 2.

There have been no changes in Directors since the start of the period.

### Employees

Considerable importance is placed on communication, involvement and motivation of the employees and management of the Group. Two way communication ensures that employees are kept informed of the performance of the Group and of any key initiatives or projects, through regular briefings and bulletins.

The Group is committed to the continuing development of its employees and the implementation of policies that enable them to contribute to the performance and long term effectiveness of the organisation. Every opportunity is taken to reinforce our values throughout the business.

Equality of opportunity is encouraged irrespective of sex, marital status, colour, race, ethnic origin, nationality, religion, age or disability. The same opportunities are offered to disabled people as to all others in respect of recruitment and career advancement. Employees who become disabled will, wherever possible, be retained, rehabilitated and retrained.

### Disclosure of information to auditor

The directors who held office at the date of approval of this report of the board confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as a director to make themselves 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 KPMG LLP will therefore continue in office.

### By Order of the Board



Matthew Turner  
Director

27 JULY 2017

## **Coast Holdco 2 Limited**

### **Statement of Directors' Responsibilities in respect of the Strategic Report, Directors' Report and financial statements**

**For the period 28 February 2016 to 25 February 2017**

---

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 judgements and 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; and
- 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 its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



## **Independent auditor's report to the members of Coast Holdco 2 Limited**

We have audited the financial statements of Coast Holdco 2 Limited for the period ended 25 February 2017, set out on pages 7 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

As explained more fully in the Directors' Responsibility Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 February 2017 and of its result for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Strategic Report and the Directors' Report for the financial period is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006

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

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

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

Jonathan Russell (Senior Statutory Auditor)  
for and on behalf of KPMG LLP

Chartered Accountants  
Arlington Business Park, Theale,  
Reading, RG7 4SD

1<sup>st</sup> August 2017

## Coast Holdco 2 Limited

### Profit and loss account and other comprehensive income

For the period 28 February 2016 to 25 February 2017

	28 February 2016 to 25 February 2017	21 September 2015 to 27 February 2016
Note	Total £m	Total £m
Administrative expenses	-	-
<b>Result for the financial year</b>	-	-
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	-	-

The notes on pages 10 to 14 also form part of these financial statements.

# Coast Holdco 2 Limited

## Balance sheet

As at 27 February 2016

	Note	25 February 2017 £m	27 February 2016 £m
<b>Fixed assets</b>			
Investments	5	37.0	37.0
<b>Net assets</b>		<u>37.0</u>	<u>37.0</u>
<b>Capital and reserves</b>			
Called up share capital	6	-	-
Share premium account	7	<u>37.0</u>	<u>37.0</u>
<b>Shareholder's funds</b>		<u>37.0</u>	<u>37.0</u>

The notes on pages 10 to 14 also form part of these financial statements.

These financial statements were approved by the board of directors on 27 July 2017 and signed on its behalf by:



Matthew Turner  
Director

Company registered number: 9787746 (England and Wales)

## Coast Holdco 2 Limited

### Statement of changes in equity

For the period 28 February 2016 to 25 February 2017

	Note	Called up share capital £m	Share premium account £m	Total equity £m
<b>Balance at incorporation</b>		-	-	-
Result for the period		-	-	-
Share premium arising on the issue of shares		-	37.0	37.0
<b>Balance at 27 February 2016</b>		-	37.0	37.0

	Note	Called up share capital £m	Share premium account £m	Total equity £m
<b>Balance at 28 February 2016</b>		-	37.0	37.0
Result for the period		-	-	-
<b>Balance at 25 February 2017</b>		-	37.0	37.0

The notes on pages 10 to 14 also form part of these financial statements.

# Coast Holdco 2 Limited

## Notes forming part of the financial statements

For the period 28 February 2016 to 25 February 2017

---

### 1. Accounting policies

Coast Holdco 2 Limited (the "Company") (Co No 9787746) is a company limited by shares and incorporated and domiciled in the UK, and is part of the Aurora group of companies (the "Aurora Group").

#### 1.1 Basis of Preparation - Accounting Convention

The financial statements of the Company have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied.

The presentational currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £0.1m unless otherwise stated.

#### 1.2 Compliance with accounting standards

The Company is a wholly owned subsidiary of Coast Holdco 1 Limited (9787753) and of its ultimate parent, Aurora Fashions Group Limited (7410878). It is included in the consolidated financial statements of Aurora Fashions Group Limited which are available to the public. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Aurora Fashions Group Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The company was, at the end of the year, a subsidiary of another company incorporated in the EEA and in accordance with Section 400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.9.

#### 1.3 Measurement convention

The financial statements are prepared on the historical cost basis.

## Coast Holdco 2 Limited

### Notes forming part of the financial statements (continued)

For the period 28 February 2016 to 25 February 2017

---

#### 1. Accounting policies (continued)

##### 1.4 Basis of preparation - going concern

Aurora Fashions Group Limited is the holding company for the Aurora group of companies (the "Aurora Group"). Kaupthing Bank hf's holding of shares in Aurora Fashions Group Limited comprises 100% of all share capital by nominal value and 100% of the voting rights across all share capital.

The Company had a result for the year of £0.0 million (2016: £0.0million) and had net current assets of £0.0 million (2016: £0.0million) and net assets of £37.0 million (2016: £37.0 million).

Notwithstanding this, the directors have prepared the financial statements on a going concern basis for the reasons set out below:

The Aurora Group 'banking subgroups' each have secured long term and revolving finance facilities with Aurora Fashions Finance Limited ("AFFL") in its capacity as lender, agent and security agent for Kaupthing Bank hf. These facilities are repayable in part in October 2019, with the balance on termination in October 2020. The facilities are subject to certain financial and other covenant requirements. The treasury management function is undertaken on an individual subsidiary/banking group level.

The directors have prepared projected cash flows for the period ending approximately 15 months from the approval of these financial statements (the "Projections"). The Projections are based on certain assumptions and show that the Aurora Group is capable of operating within the facilities currently available and complying with the covenant requirements for the full term covered by the Projections.

The going concern assessment performed by the directors of the Aurora Group therefore also depends on the going concern assessment performed by the directors of the respective subgroups, Oasis and Warehouse, Coast and Karen Millen. Accordingly, the directors have satisfied themselves with the going concern assessment performed by the directors of the respective banking subgroups. The directors, having made reasonable enquiries, consider that the Aurora Fashions Group has sufficient facilities in order to meet its projected obligations as they fall due.

Given the facts and circumstances described above and after making enquiries, the directors have a reasonable expectation that the Company and the Aurora Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

## Coast Holdco 2 Limited

### Notes forming part of the financial statements (continued)

For the period 28 February 2016 to 25 February 2017

---

#### 1. Accounting policies (continued)

##### 1.5 Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

##### 1.6 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

##### 1.7 Investments

Investments are included at cost less impairments.

##### 1.8 Impairments

The carrying amounts of the Group's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated.

An impairment is recognised when the carrying amount of an investment exceeds the recoverable amount. The recoverable amount of the asset is the higher of net realisable value or value in use. To the extent that the carrying amount exceeds the recoverable amount, the difference will be recognised as an impairment loss through the profit and loss account.

Where an indicator of impairment exists in respect of Investments, the value in use is assessed by discounting the expected future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. Management assess that future cash flows approximate to the EBITDA generated by the subsidiary undertakings in the case of Investments.

##### 1.9 Accounting estimates and judgements

The company 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.

## Coast Holdco 2 Limited

### Notes forming part of the financial statements (continued)

For the period 28 February 2016 to 25 February 2017.

#### 2. Expenses & Auditor's Remuneration

Included in the profit of the Company are the following:

##### Auditor's remuneration

In the current period, the remuneration payable in relation to audit services for the Company of £2,424 (2016: £2,400), was borne by and included in the fees of Coast Fashions Limited, a fellow Group subsidiary.

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of Aurora Fashions Group Limited.

#### 3. Staff numbers and costs

Apart from the directors, the Company had no employees during the period.

In the current and previous periods, staff providing shared administrative services to the Aurora Group as a whole were remunerated by Oasis and Warehouse Limited and Aurora Fashions Services Limited. As they receive no emoluments from the Company, their emoluments are dealt with in the financial statements of the above named companies.

#### 4. Remuneration of directors

In the current period, the directors were remunerated by Oasis and Warehouse Limited in respect of their services to a number of Companies within the Aurora Group. This amounted to £0.1m (2016: £0.1m).

#### 5. Investments

	Subsidiary undertakings £m
Cost and net book value	
Balance at 27 February 2016 and 25 February 2017	<u>37.0</u>

In the prior period, the Company acquired 37.0 million £1 ordinary shares in Coast Debtco Limited from Aurora Fashions Finance Limited, a fellow Aurora Group subsidiary, in exchange for an issue of shares in the Company.

The Company's undertakings at the end of the period are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class and percentage of shares held
Directly owned:			
Coast Debtco Limited	UK	Holding	Ordinary - 100%
Indirectly owned:			
Coast Holdings Limited	UK	Holding	Ordinary - 100%
Coast Fashions Spain SL	Spain	Retail	Ordinary - 100%
Coast Stores Ireland Limited	Ireland	Retail	Ordinary - 100%
Coast Retail Limited	UK	Property	Ordinary - 100%
Coast Fashions Limited	UK	Retail	Ordinary - 100%
Coast Fashions Australia Pty Limited	Australia	Retail	Ordinary - 100%
Aurora Fashions Asia Limited	Hong Kong	Service	Ordinary - 50%
Aurora Fashions Services Limited	UK	Service	Ordinary - 25%

During the period, Coast Fashions New Zealand and Coast Fashions US Limited, two previously held investments, were formally dissolved.

The registered address of the UK companies is The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire, OX29 5UT.

The registered address of Coast Stores Ireland Limited is 5th Floor, Beaúx Lane House, Mercer Street Lower, Dublin 2.

The registered address of Aurora Fashions Asia Limited is 18th Floor, Prosperity Centre, 25 Chong Yip Street, Kwun Tung, Kowloon, Hong Kong.

The registered address of Coast Fashions Spain SL is calle Jorge Juan no9, 28001 Madrid.

The registered address of Coast Fashions Australia Pty Limited is Richmond, VIC 3121, Australia.

# Coast Holdco 2 Limited

## Notes forming part of the financial statements (continued)

For the period 28 February 2016 to 25 February 2017

### 6. Share capital

	25 February 2017 £m	27 February 2016 £m
Allotted, called up and fully paid: 2 Ordinary shares of £1.00		

Holders of Ordinary shares are entitled to one vote in any circumstance per share held, and equal right to dividends.

In the prior period, the Company issued share capital to AFFL with a nominal value of £2.00 and share premium of £37.0 million.

### 7. Reserves

	25 February 2017 £m	27 February 2016 £m
Share premium account		
At the start of the period	37.0	-
Arising on issue of shares	-	37.0
At the end of the period	37.0	37.0

### 8. Guarantees and commitments

Certain companies within the Aurora Fashions Group, the 'banking subgroups' are party to the terms of a Senior Facilities Agreement (the "SFA") with Aurora Fashions Finance Limited ("AFFL"). The borrowers are Oasis and Warehouse Limited, Coast Debtco Limited and Karen Millen Holdings Limited. Each banking subgroup under the obligations of their SFA has a number of trading subsidiaries party to the SFA as Guarantors, the values of which are disclosed within the respective company accounts. Under the terms of the guarantee, an event of default in the Company or certain other companies in the sub group would mean that the lender, AFFL, has the ability to call on any of the other companies within the respective banking subgroup to step in to fulfil the obligations of that borrower/guarantor. An event of default could include an entity becoming insolvent. It should be noted that the call under the guarantee is on demand, and as such the demand is at the discretion of AFFL in its capacity as sole Lender.

There is security between the banking sub groups, Oasis and Warehouse, Coast and Karen Millen and certain of their trading subsidiaries in favour of AFFL, in the form of fixed and floating charges over the undertakings and all property and assets. The net book value of assets are contained within the individual entities' statutory accounts.

### 9. Related parties

The Company has a related party relationship with its directors, with the undertakings which form the Aurora Group and with its ultimate parent company, Kaupthing Bank hf.

The Company has taken advantage of the exemption in Financial Reporting Standard FRS 102 33.1A Related Parties Transactions not to disclose transactions with fellow wholly owned subsidiary undertakings of the group headed by Aurora Fashions Group Limited.

### 10. Immediate and ultimate parent company and parent undertaking of larger group

The immediate parent company is Coast Holdco 1 Limited, a company incorporated in England and Wales.

The registered address of Coast Holdco 1 Limited is The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire, OX29 5UT.

The ultimate parent company and ultimate controlling party is Kaupthing Bank hf., a company incorporated in Iceland.

The registered address of Kaupthing Bank hf. is Borgartun 26, IS-105 Reykjavik, Iceland.

The largest group in which the results of the Company are consolidated is that headed by Aurora Fashions Group Limited, and the smallest is Coast Holdco 1 Limited, both incorporated in England and Wales. The consolidated financial statements of Aurora Fashions Group Limited and Coast Holdco 1 Limited are available from Aurora Fashions Group Limited, The Triangle, Stanton Harcourt Industrial Estate, Stanton Harcourt, Witney, Oxfordshire, OX29 5UT, UK.

### 11. Post balance sheet events

There are no significant post balance sheet events which affect the financial statements.