

COMPANY REGISTRATION NUMBER 03271008

BASLER (UK) LIMITED

FINANCIAL STATEMENTS

31st OCTOBER 2012



Paragon Partners Limited
Chartered Accountants and Statutory Auditors

BASLER (UK) LIMITED

FINANCIAL STATEMENTS AS AT 31 OCTOBER 2012

CONTENTS	PAGES
Officers and professional advisers	2
Directors' report	3 to 6
Statement of directors' responsibilities	7
Independent auditor's report to the shareholders of Basler (UK) Limited	8 to 9
Income statement	10
Statement of changes in equity	11
Statement of financial position	12
Statement of cash flows	13
Notes to the financial statements	14 to 26

BASLER (UK) LIMITED

OFFICERS AND PROFESSIONAL ADVISERS FOR THE YEAR ENDED 31st OCTOBER 2012

Company registration number 03271008

The board of directors P A Lorraine

Registered office Julia House
40-44 Newman Street
London
W1T 1QD

Statutory Auditor Paragon Partners Limited
Chartered Accountants & Statutory Auditors
Churchill House
137-139 Brent Street
London
NW4 4DJ

Business address Julia House
40-44 Newman Street
London
W1T 1QD

BASLER (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31st OCTOBER 2012

The directors present their report and financial statements of Basler (UK) Limited for the year ended 31st October 2012

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is dealing in ladies fashion ware

Business Review

Basler UK has continued with its brand transition and whilst trading remained challenging, there is evidence of future growth and sustainable brand development!

The balance between "Controlled" (Own retail) & "Non Controlled" (Wholesale) is now at a 53% (Controlled, 40% first price retail, 13% Outlet) vs 47% (Non Controlled) level. Considering the company was 100% wholesale in 2007 this is a considerable business shift.

In brief, the brand and company are in a far stronger position than in previous years. However we are operating in a tough climate that is very hard to predict. That said, the company has the ability to adapt, is more open to change, and has a much improved communication set-up throughout the business and has the team structure to develop a sustainable internal staff development programme that will service the company for both short and medium term. All business costings were continually challenged and appropriate staff headcount reductions were implemented within our retail division for BY 12. Whilst EBITDA remain negative it did represent a 400k improvement versus previous business year.

It should also be highlighted that Basler UK have continued to improve the internal communication of the business. This has been achieved by closer working relationships between our respective wholesale & retail departments, higher level of client visits/face-face meetings and the improved planning of new account targeting. For BY 13 we will also benefit from a refurbished Flagship store (Knightsbridge). This development will not only assist with sales growth but also communicate the premium brand message to a wide international consumer base.

For the forthcoming financial year we will continue to focus on operations, embrace "best practice sharing", continue with an aggressive new account recruitment programme (wholesale), implement performance benchmarks to ensure appropriate business tracking. In terms of recruitment, the account Arnotts & Amazon are perceived to be the two big growth accounts for BY13 and the brand should also benefit from increased internet selling through the John Lewis account.

Business Strategy

The primary goal(s) of sales development and profit building are been driven by a balanced "Retail & Wholesale" base. The "Owned" distribution points (6 stores, 11 concessions and 3 outlets) enable the brand to push a higher level of brand awareness and push key products within an "undiluted" environment.

The "Outlet" (FOC) distribution will continue to service the brand well, despite the loss of the Bicester & Allders business (closed Sept 2012).

The customer service experience of our environments will continue to be a key element of our strategy and will be supported by Head-office accordingly, examples below

Selling Techniques, Visual Merchandising, Staff Recruitment, Product Knowledge, and CRM recruitment/management, Team Building & Stock /Inventory Management

Business Environment

Whilst it is a challenging market place, we believe the business strategy will separate us from our competitors. A key element is the continued development of our CRM. The brand enjoys strong loyalty within its core customer base, and is also benefitting from an "International" customer within our Brompton Road & White City locations.

On wholesale there is a much more focused approach to purchasing by our clients and a growing request for short order facilities which has impacted collection purchasing. Client's budget remain very tight and the element of "risk" purchasing is diminishing "season on season", however the brand has just completed its "3rd" season "sell-in" which is always a significant date within any new design implementation. In brief our clients are embracing the change of design and subject to our ability to "tweak" our pricing pyramid there should be a single digit growth opportunity for us over BY13. Obviously the strength of the product offer will be the key factor in achieving this goal.

Principal Risks

Competition, especially promotion/discount driven will be an ongoing risk to our business this year. The "Multi brand" (wholesale customer) and our own locations comes under threat when the large anchor tenants/Dept stores go into mid season sales early offering "across the board" discounts. However we do not believe "slashing prices" will bring increased volume. Our approach is to sell on value and educate our staff/clients to highlight the versatility of our product, thus giving the end consumer more "wear & value" in their purchasing. That said we will increase the number of VIP events within our own stores. This targets full price paying clients who are given sale preview benefits and gifts with purchase (GWP's).

Client credit is also a key risk to the business, however the improved "screening" and subsequent new money collection format is tackling this issue and giving a continued clear view of the individual debt and the steps/programme actioned.

Continued monitoring of budgets and forecasts will ensure appropriate management of liquidity risks and the company will maintain its policy of maintaining a strong capital base to safeguard future development of the business.

BASLER (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31st OCTOBER 2012

Key Performance Indicators (KPI's)

We have made good progress in the year on the company's overriding objectives and business strategy. The board monitors progress on the overall strategy and the individual strategic elements by reference to the following KPI's

- a. Average transaction value (ATV)**
- b. Unit per transaction (UPT)**
- c. Square Performance**

The company has achieved an overall ATV of £119.28 based on 25 different locations (2011 - £193.42 based on 15 different locations). In comparing like with like to 2011 (i.e. calculated based on the same number of stores), it is an increase of 2.78%. This has been managed mainly through focused training, improved stock presentation and increased customer data base. The Euro conversion rate also impacted price points within the market.

The UPT has remained fairly consistent at 1.51 (2011 - 1.55)

The company's London and Cork stores have been the "best" performing stores, which achieved a £9,307 and €14,941 of net per Square Performance, largely due to the prime locations and strong international customer base.

The board will continue to measure these KPIs to ensure both a steady and healthy future.

RESULTS AND DIVIDENDS

The loss after taxation for the year is noted in the Income Statement on page 10, and amounts to £922,300 (2011 - loss £1,287,962).

The directors do not recommend payment of an ordinary dividend.

DIRECTORS

The directors that served during the year are as stated below:

P A Lorraine
H Eppers (resigned 05/01/2012)

BASLER (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31st OCTOBER 2012

DIRECTORS' INTERESTS

The directors held no beneficial interests in the share capital of the company throughout the year ended 31st October 2012 (2011 £nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal financial risks and uncertainties the company faces are described in note 10 to the annual report and accounts

CHARITABLE DONATIONS

Charitable donations during the year totalled £490 (2011 £560) No donations were made to political parties

PAYMENT OF CREDITORS

It is policy of the company to pay creditors within the agreed terms This does not follow any standard code of practice

STATEMENT OF DISCLOSURE TO AUDITORS

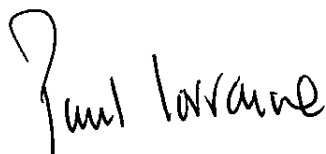
The directors of the company who held office at the date of approval of these financial statements as set out above confirms, so far as they are aware, that

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information

AUDITORS

The auditors, Paragon Partners Limited, are deemed to be re-appointed under section 487(2) of the Companies Act 2006

Approved by the board on 26 April 2013 and signed on its behalf by



P.A. Lorraine
Director

BASLER (UK) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31st OCTOBER 2012

The directors are responsible for preparing 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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,
- State that the financial statements comply with IFRSs as adopted by the European Union,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

BASLER (UK) LIMITED

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF BASLERS (UK) LIMITED FOR THE YEAR ENDED 31st OCTOBER 2012

We have audited the financial statements of Basler (UK) Limited for the year ended 31st October 2012 which comprise the Income Statement, Statement of Changes in Equity, Statement of Financial Position, Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 AUDITORS

As explained more fully in the Directors' Responsibilities statement set out on page 7, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st October 2012 and of the company's loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

BASLER (UK) LIMITED

INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF BASLERS (UK) LIMITED FOR THE YEAR ENDED 31st OCTOBER 2012

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



Anthony Epstein (Senior Statutory Auditor)
For and on behalf of Paragon Partners Limited

Chartered Accountants
Statutory Auditor

Date 29 April 2013

Churchill House
137-139 Brent Street
London
NW3 4DJ

BASLER (UK) LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31st OCTOBER 2012

	Notes	2012 £	2011 £
Revenue	2	14,424,030	14,870,949
Cost of sales		(10,180,431)	(11,985,725)
GROSS PROFIT		4,243,599	2,885,224
Selling costs		(4,282,891)	(3,106,592)
Administrative expenses		(2,212,960)	(1,970,840)
Other operating income		1,329,291	903,831
LOSS FROM OPERATIONS	3	(922,961)	(1,288,377)
Finance income	6	661	415
LOSS BEFORE TAX		(922,300)	(1,287,962)
Income tax expense	7	-	-
LOSS FOR THE YEAR		(922,300)	(1,287,962)

The income statement has been prepared on the basis that all operations are continuing operations

The company has no items to be recognised in the Statement of Comprehensive Income and subsequently this statement has not been prepared

BASLER (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST OCTOBER 2012

	Issued capital	Retained earnings	Total equity
	£	£	£
Balance at 1 st November 2010	1,000	(90,223)	(89,223)
Loss for the year	-	(1,287,962)	(1,287,962)
Total recognised loss for the year	-	(1,287,962)	(1,287,962)
Balance at 31 st October 2011	<u>1,000</u>	<u>(1,378,185)</u>	<u>(1,377,185)</u>

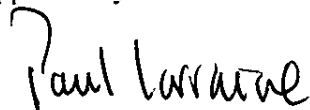
	Issued capital	Retained earnings	Total equity
	£	£	£
Balance at 1 st November 2011	1,000	(1,378,185)	(1,377,185)
Loss for the year	-	(922,300)	(922,300)
Total recognised loss for the year	-	(922,300)	(922,300)
Balance at 31 st October 2012	<u>1,000</u>	<u>(2,300,485)</u>	<u>(2,299,485)</u>

BASLER (UK) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31st OCTOBER 2012

	Notes	2012 £	2011 £
ASSETS			
NON CURRENT ASSETS			
Goodwill	8	85,000	<i>85,000</i>
Property, plant and equipment	9	914,137	<i>838,015</i>
		999,137	<i>923,015</i>
CURRENT ASSETS			
Inventories	11	2,002,639	<i>1,795,898</i>
Corporate income tax receivable		-	<i>60,114</i>
Trade and other receivables	12	3,353,237	<i>3,575,257</i>
Cash and cash equivalents		514,567	<i>1,026,319</i>
		5,870,443	<i>6,457,588</i>
TOTAL ASSETS		6,869,580	<i>7,380,603</i>
EQUITY			
CAPITAL AND RESERVES			
Issued share capital	14	1,000	<i>1,000</i>
Retained losses		(2,300,485)	<i>(1,378,185)</i>
TOTAL EQUITY		(2,299,485)	<i>(1,377,185)</i>
CURRENT LIABILITIES			
Trade and other payables	16	9,169,065	<i>8,757,788</i>
		9,169,065	<i>8,757,788</i>
TOTAL EQUITY AND LIABILITIES		6,869,580	<i>7,380,603</i>

Approved by the Board on 26 April 2013 and signed on its behalf by



P.A. Lorraine
Director

Company Registration Number:
03271008

BASLER (UK) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31st OCTOBER 2012

	Notes	2012 £	2011 £
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Loss for the year		(922,300)	(1,287,962)
ADJUSTMENTS TO RECONCILE TO LOSS FROM OPERATIONS			
Interest income		(661)	(415)
ADJUSTMENTS TO RECONCILE LOSS FROM OPERATIONS		(661)	(415)
NON-CASH ADJUSTMENTS			
Depreciation of non-current assets		316,672	271,469
CASH FLOWS BEFORE CHANGES IN WORKING CAPITAL		(606,289)	(1,016,908)
INCREASE IN WORKING CAPITAL			
(Increase) in inventories		(206,741)	(695,869)
Decrease/(Increase) in trade and other receivables		222,020	(611,890)
Increase in trade and other payables		412,149	3,425,961
INCREASE IN WORKING CAPITAL		427,428	2,118,202
CASH FLOWS FROM OPERATING ACTIVITIES		(178,861)	1,101,294
Income taxes refund		60,114	-
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of property, plant and equipment		(392,794)	(933,832)
Interest received		661	415
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(392,133)	(933,417)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(510,880)	167,877
Cash and cash equivalents as at 1 st November		1,024,315	856,438
CASH AND CASH EQUIVALENTS AS AT 31st OCTOBER	13	<u>513,435</u>	<u>1,024,315</u>

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared on the historical cost basis and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31st October 2012 and the comparative information for the year ended 31st October 2011.

The company has prepared a cash flow statement in accordance with IFRS 1.

The audited financial statements have been approved by the directors.

Significant accounting judgements and sources of estimation uncertainty

In applying the company's accounting policies, management makes certain judgements and estimations:

- Judgements include classification of transactions between the income statement and balance sheet,
- Estimations focus on areas such as the carrying values and estimated lives of non-current assets.

The accounting policy descriptions include descriptions of areas where judgement is exercised and in consequence might have a significant risk of causing material adjustment within the next financial year. The key areas of the accounting policies relate to revenue recognition and trade receivables.

Application of new and revised International Financial Reporting Standards (IFRS)

There have been no new standards and interpretations, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial year and adopted by the company.

New and revised IFRS in issue but not yet effective

There are no new or revised IFRSs that are in issue but not yet effective that will have a significant impact on the company.

Consolidated Accounts

The company's parent undertaking is Basler Fashion Holding GmbH, incorporated in Germany, and accordingly group financial statements are prepared at that level.

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

1. ACCOUNTING POLICIES (continued)

Going Concern

The accounts have been prepared on a going concern basis even though at the balance sheet date the company's total liabilities exceeded total assets by £2,299,485

The directors consider the going concern basis to be appropriate as the parent company has confirmed that it will continue to financially support Basler (UK) Limited for at least twelve months from the date of the approval of these financial statements. This support will enable the company to meet its liabilities as they fall due.

Financial instruments

The company's financial instruments include financial assets representing inventories, cash balances held, trade and other receivables and financial liabilities representing trade and other payables.

The company's financial assets of trade and other receivables primarily generate income from the sale of goods to customers. Whilst credit checks are carried out on wholesale customers at the outset of setting up their accounts, any settlement failure of outstanding debts is unlikely, individually, to have a material impact on the results reported by the company.

When the inventories are sold to the customers, this will generate income from the sale.

Cash balances are held in the company's current accounts and used to expand the company's operations and to settle the company's liabilities as they fall due.

The company's financial liabilities principally consist of amounts recognised when a financial liability has been incurred as a result of the company conducting its day to day activities.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or where the company commits to transfer substantially all risks and rewards of ownership.

Financial liabilities are derecognised when, the company's obligations are discharged, cancelled or expired.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. All such revenue is reported net of discounts and value added tax.

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

1. ACCOUNTING POLICIES (continued)

As noted in note 2 of these financial statements, revenue represents sales generated from the sale of goods to both wholesale customers and individual retail customers. The wholesale customers are invoiced immediately when the goods are delivered to them. The retail customers are invoiced and recognised as revenue at the point of sale at the stores/outlets.

Revenue is therefore recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Goodwill

Goodwill represents purchased goodwill on the acquisition of the retail stores during the year. Goodwill is recognised as an asset and is reviewed for impairment at least annually. Any impairment identified as a result of the review is charged in the income statement.

Interest income recognition

Interest income is recognised as interest accrues, by reference to the principal outstanding and at the effective interest rate applicable.

Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are transferred to income statement.

Current tax

Income tax expense represents the sum of the tax currently payable.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is provided in full, using the liability method. It represents the tax payable on temporary differences between the amount recoverable in respect of any differences between the carrying amounts of assets and liabilities in the financial statements as compared to corresponding tax values used in the computation of taxable profit.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax assets and liabilities are measured using the rates that are expected to apply to the period when the asset is realised or the liability is settled.

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

1. ACCOUNTING POLICIES (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost of acquisition cost less accumulated depreciation and impairment losses

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases

Plant and equipment	17% - 33%
Motor vehicles	20%
Fixtures and fittings	17% - 33%

Financial risk management objectives and policies

The objective of the company's capital management is to ensure that it maintains strong credit ratings and capital ratios. This will ensure that the business is correctly supported and shareholder value is maximised

There were no changes to the objectives, policies or processes during the years ended 31st October 2012 and 31st October 2011

Also, the processes are in place to enable the continuous review, assessment, communication and monitoring of risks identified by management

Inventories

Inventories are valued at the lower of cost and net realisable value. The method of inventory valuation is at cost and is determined by obtaining the cost price as per supplier invoice

Net realisable value is the amount that can be realised from the sale of the inventory in the normal course of business

Operating leases

Rental payments under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the income statement on a straight-line basis over the term of the lease

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

1. ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables are recognised by the company and carried at original invoice amount as reduced by appropriate allowances for estimated irrecoverable amounts

Estimated irrecoverable amounts are based on the ageing of the receivable balances and historical experience. Individual trade receivables are written off when management deems them not to be collectible. These irrecoverable amounts are immediately recognised in the income statement.

Other receivables are recognised at cost.

Cash and cash equivalents

Cash and cash equivalents as stated in the cash flow statement comprise of the company's cash at bank and in hand.

Trade and other payables

Trade and other payables are stated at cost and represent costs incurred in the day to day operations of the company. Costs are incurred on an accruals basis, and therefore any amounts included within trade and other payables represent timing differences for the payment of such liabilities.

2. REVENUE

An analysis of the company's revenue for the year is as follows:

	2012	2011
	£	£
Revenue from wholesales	6,859,019	8,643,726
Revenue from retail and concession stores	7,565,011	6,227,223
	<u>14,424,030</u>	<u>14,870,949</u>

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

3. OPERATING LOSS

Operating profit is stated after charging/(crediting) the following:

	2012 £	2011 £
Depreciation of non-current assets	316,672	271,469
Net loss/(profit) on foreign currency differences	173,153	(3,527)
Auditor's remuneration - audit services	9,125	8,500
- non audit services	23,690	29,311
Operating lease costs Land & buildings	1,396,273	809,504

4. STAFF COSTS

	2012 £	2011 £
Wages and salaries	2,049,688	1,633,414
Social security costs	175,066	148,346
	2,224,754	1,781,760

The average monthly number of employees during the year was made up as follows

	2012 No.	2011 No
Administration	10	10
Sales and marketing	123	89
	133	99

5. KEY MANAGEMENT PERSONNEL COMPENSATION

	2012 £	2011 £
Emoluments	139,673	180,573

All of the above key management personnel compensation relates to directors. The emoluments of directors disclosed above include the following in respect of the highest paid director

	2012 £	2011 £
Emoluments	139,673	97,560

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

6. FINANCE INCOME

	2012 £	2011 £
Bank interest	661	415
	<u>661</u>	<u>415</u>

7. INCOME TAX

Recognised in the income statement

Income tax expense

	2012 £	2011 £
Current income tax expense		
Utilisation of current year loss	-	-
Over provision in previous year	-	-
	<u>-</u>	<u>-</u>
Deferred tax expense		
Origination and reversal of temporary differences	-	-
	<u>-</u>	<u>-</u>
Total income tax expense in income statement	<u>-</u>	<u>-</u>

RECONCILIATION OF INCOME TAX CHARGE TO ACCOUNTING PROFIT

The tax expense in the income statement for the year is the standard rate of corporation tax in the UK of 24% (2011 26%) The differences are reconciled below

	2012 £	2011 £
Accounting loss before tax	<u>(922,300)</u>	<u>(1,287,962)</u>
Accounting (loss)/profit multiplied by UK standard rate of corporation tax of 24% (2011 28%)	<u>(221,352)</u>	<u>(360,629)</u>
Effects of:		
Expenses not deductible for tax purposes	48,247	45,094
Current years tax losses carried forward	173,105	315,535
Total tax expense reported in the income statement	<u>-</u>	<u>-</u>

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

8. GOODWILL

At 31st October 2012

	Total £
Cost	
At 1 st November 2011	85,000
Additions	-
At 31 st October 2012	<u>85,000</u>
Aggregate impairment	
At 1 st November 2011	-
Impairment during the year	-
At 31 st October 2012	<u>-</u>
Net book value	
At 31 st October 2012	<u>85,000</u>
At 31 st October 2011	<u>85,000</u>

At 31st October 2011

	Total £
Cost	
At 1 st November 2010	85,000
Additions	-
At 31 st October 2011	<u>85,000</u>
Aggregate impairment	
At 1 st November 2010	-
Impairment during the year	-
At 31 st October 2011	<u>-</u>
Net book value	
At 31 st October 2011	<u>85,000</u>
At 31 st October 2010	<u>85,000</u>

Impairment review of goodwill

In assessing the carrying values of the goodwill, the director has considered the trading history, management actions and trading forecasts for 2013

Having taken their review, the director does not consider that any impairment of goodwill is necessary

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2012

9. PROPERTY, PLANT AND EQUIPMENT

At 31ST October 2012

	Land and buildings Leasehold £	Plant and equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 st November 2011	35,782	178,543	71,317	1,340,178	1,625,820
Additions	17,356	6,831	-	368,607	392,794
Disposals	(8,566)	(11,339)	-	(154,199)	(174,104)
At 31 st October 2012	<u>44,572</u>	<u>174,035</u>	<u>71,317</u>	<u>1,554,586</u>	<u>1,844,510</u>
Depreciation					
At 1 st November 2011	(4,473)	(125,395)	(43,356)	(614,581)	(787,805)
Charge for year	(11,853)	(23,258)	(6,990)	(274,571)	(316,672)
Disposals	8,566	11,339	-	154,199	174,104
At 31 st October 2012	<u>(7,760)</u>	<u>(137,314)</u>	<u>(50,346)</u>	<u>(734,953)</u>	<u>(930,373)</u>
Net book value					
At 31 st October 2012	<u>36,812</u>	<u>36,721</u>	<u>20,971</u>	<u>819,633</u>	<u>914,137</u>
At 31 st October 2011	<u>31,309</u>	<u>53,148</u>	<u>27,961</u>	<u>725,597</u>	<u>838,015</u>

At 31ST October 2011

	Land and buildings Leasehold £	Plant and equipment £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 st November 2010	-	121,429	36,367	534,192	691,988
Additions	35,782	57,114	34,950	805,986	933,832
Disposals	-	-	-	-	-
At 31 st October 2011	<u>35,782</u>	<u>178,543</u>	<u>71,317</u>	<u>1,340,178</u>	<u>1,625,820</u>
Depreciation					
At 1 st November 2010	-	(93,870)	(17,488)	(404,978)	(516,336)
Charge for year	(4,473)	(31,525)	(25,868)	(209,603)	(271,469)
Disposals	-	-	-	-	-
At 31 st October 2011	<u>(4,473)</u>	<u>(125,395)</u>	<u>(43,356)</u>	<u>(614,581)</u>	<u>(787,805)</u>
Net book value					
At 31 st October 2011	<u>31,309</u>	<u>53,148</u>	<u>27,961</u>	<u>725,597</u>	<u>838,015</u>
At 31 st October 2010	<u>-</u>	<u>27,559</u>	<u>18,879</u>	<u>129,214</u>	<u>175,652</u>

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Management of Financial Risk

The directors consider that the company's principal risks are credit and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effect of such risks in its financial position.

Credit Risk

Credit risk is the risk that the customers will not settle their accounts for the goods that they have received on credit.

The company therefore considers its major exposure to credit risk being trade receivables. Customer accounts are monitored by management and provisions for bad and doubtful debts are raised where it is deemed appropriate to ensure that the risk of exposure to bad debts is minimised.

The company trades only with recognised, credit worthy customers. All customers who wish to trade on credit are subject to credit verification checks.

Liquidity Risk

Liquidity risk is the risk that the company will have difficulty in meeting its obligations to its financial liabilities.

Management of liquidity risk is achieved by monitoring budgets and forecasts and comparing with actual monthly results. At the year end, the company had £513,435 (2011: £1,024,315) of cash balances available. The company had no additional funding in terms of bank borrowings for the years ended 31st October 2012 and 2011.

Trade and other payables liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Foreign Exchange Management

The company trades with suppliers and customers in Euros as well as in sterling. The company purchases its goods from Germany which invoices in Euros; therefore payments are subsequently made in the same currency. Management, currently, do not have any specific policies to help mitigate the risk of exposure against foreign exchange.

Fair Values of Financial Instruments

The company's assets comprise

- The cash balances held by the company at 31st October 2012, also represent fair values of these assets.
- The balances in respect of trade and other receivables together with trade and other payables represent the fair values which are the carrying values as stated in the balance sheet.

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2012

Capital Risk Management

The company's policy is to maintain a strong capital base in order to safeguard the future development of the business. The company finances its operations through retained earnings, the management of working capital and support from the group. The company currently has no borrowings.

11. INVENTORIES

	2012	2011
	£	£
Finished goods	<u>2,002,639</u>	<u>1,795,898</u>

12. TRADE AND OTHER RECEIVABLES

	2012	2011
	£	£
Receivable from trade customers	2,797,518	3,052,500
Other receivables	82,468	139,495
Prepayments	473,251	383,262
	<u>3,353,237</u>	<u>3,575,257</u>

The carrying amounts of trade and other receivables approximate their fair value.

13. CASH AND CASH EQUIVALENTS

	2012	2011
	£	£
Cash on hand	4,085	8,659
Cash at bank	510,482	1,017,660
	<u>514,567</u>	<u>1,026,319</u>
Bank overdraft	(1,132)	(2,004)
	<u>513,435</u>	<u>1,024,315</u>

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st OCTOBER 2012

14. SHARE CAPITAL

Authorised share capital

	2012		2011	
	No.	£	No	£
Ordinary shares of £1 each	100,000	<u>100,000</u>	100,000	<u>100,000</u>

Issued share capital

	2012		2011	
	No.	£	No	£
Issued and fully paid				
Ordinary shares of £1 each	1,000	<u>1,000</u>	1,000	<u>1,000</u>

All issued share capital is classified as equity

15. DEFERRED TAX

There is an unadjusted deferred tax asset which is attributable to the following

	2012	2011
	£	£
Accelerated capital allowances	<u>81,988</u>	<u>69,114</u>

As described in note 1, deferred tax assets are recognised to the extent that it is probable that future taxable profits are available against which the asset can be utilised or where there is a material adjustment. On this basis, no adjustment has been made for the above asset

16. TRADE AND OTHER PAYABLES

	2012	2011
	£	£
Bank overdraft	1,132	2,004
Trade payables	260,996	930,179
Amounts owed to group undertakings	7,978,218	6,887,338
Accrued liabilities	58,505	100,433
Other tax payables	870,214	837,834
	<u>9,169,065</u>	<u>8,757,788</u>

The carrying amounts of trade and other payables approximate their fair value

BASLER (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2012

17. COMMITMENTS UNDER OPERATING LEASES

At 31st October 2012 the company had outstanding commitments under non-cancellable operating leases which fall due as follows

	Land & Buildings	
	2012	2011
	£	£
Expiry date:		
Within one year	1,532,542	1,532,542
In the second to fifth years	5,455,167	5,792,667
After five years	3,610,110	4,897,947
	<u>10,597,819</u>	<u>12,223,156</u>

18. RELATED PARTY TRANSACTIONS

Included within cost of sales are purchases totalling £10,180,431 (2011 £12,695,246) from Basler Fashion GmbH a fellow subsidiary of Basler Fashion Holding GmbH. Included within trade and other payables is £7,978,218 (2011 £6,887,338) due to the same company.