

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 20-F**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 31, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

Commission File Number 001-38544

**NAKED BRAND GROUP LIMITED**

(Exact name of registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Australia

(Jurisdiction of incorporation or organization)

**c/o Bendon Limited  
8 Airpark Drive  
Airport Oaks  
Auckland 2022,  
New Zealand  
+64 9 275 0000**

(Address of principal executive offices)

**Justin Davis-Rice, Executive Chairman**

**c/o Bendon Limited  
1/23 Court Road  
Double Bay  
NSW 2028, Australia  
+64 9 275 0000**

(Name, telephone, e-mail and/or facsimile number and address of Company contact person)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class    | Trading Symbol(s) | Name of each exchange on which registered |
|------------------------|-------------------|---|
| <b>Ordinary Shares</b> | <b>NAKD</b>       | <b>The Nasdaq Capital Market</b>          |

Securities registered pursuant to Section 12(g) of the Act:

**None**

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

**None**

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

At May 7, 2020, 7,168,958 of the issuer's ordinary shares were issued and outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as issued   
by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this report is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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NAKED BRAND GROUP LIMITED

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## INTRODUCTION

In this Annual Report on Form 20-F (this “Annual Report”), unless otherwise indicated, all references to “we,” “our,” “us,” the “Company,” or “Naked,” and all similar terms, refer to Naked Brand Group Limited and its consolidated subsidiaries. We publish our consolidated financial statements in New Zealand dollars. In this Annual Report, unless otherwise specified, all monetary amounts are in New Zealand dollars, and all references to “\$,” “NZD\$,” and “dollars” mean New Zealand dollars, unless otherwise indicated.

This Annual Report contains our audited consolidated financial statements and related notes as of January 31, 2020 and 2019 and for the fiscal years ended January 31, 2020, 2019 and 2018 (“Audited Consolidated Financial Statements”). Our Audited Annual Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

On June 19, 2018, we consummated the transactions contemplated by that certain Agreement and Plan of Reorganization, dated as of May 25, 2017 and amended on July 26, 2017, February 21, 2018, March 19, 2018 and April 23, 2018 (the “Merger Agreement”), by and among our company, Naked Brand Group Inc., a Nevada corporation (“Naked (NV)”), Bendon Limited, a New Zealand limited company (“Bendon”), Naked Merger Sub Inc., a Nevada corporation and a wholly owned subsidiary of ours (“Merger Sub”) and Bendon Investments Ltd., a New Zealand company and at the time the owner of a majority of the outstanding shares of Bendon (the “Principal Shareholder”).

Pursuant to the Merger Agreement, (i) we undertook a reorganization (the “Reorganization”) pursuant to which all of the shareholders of Bendon exchanged all of the outstanding Bendon ordinary shares (the “Bendon Shares”) for our ordinary shares (the “Ordinary Shares”), and (ii) immediately thereafter, the parties effectuated a merger of Merger Sub and Naked (NV), with Naked (NV) surviving as a wholly owned subsidiary of ours and the Naked (NV) stockholders receiving Ordinary Shares in exchange for all of the outstanding shares of Naked (NV) common stock (the “Naked Shares”) (the “Merger” and together with the Reorganization, the “Transactions”).

As a result of the Transactions, Bendon and Naked (NV) became our wholly owned subsidiaries and the shareholders of Bendon and the stockholders of Naked (NV) became shareholders of ours. In addition, the historical financial statements of Bendon became our historical financial statements. Prior to the Transactions, in keeping with customary practice in New Zealand, Bendon’s fiscal year ended on June 30. In connection with the Transactions, Bendon changed its fiscal year end to January 31, effective on January 31, 2017, to align with Naked (NV)’s fiscal year end. As a result of the change in fiscal year end, our historical financial statements include audited financial statements for the seven-month transition period ended January 31, 2017. All references to the “12 months” ended January 31 or June 30 are to the fiscal year ended January 31 or June 30.

On December 20, 2019, we completed a reverse stock split of our Ordinary Shares, pursuant to which every 100 Ordinary Shares outstanding as of the effective time of the reverse stock split were combined into one Ordinary Share. Except as otherwise noted, all share and per share information in this prospectus is presented on post-reverse split basis.

## TRADEMARKS AND SERVICE MARKS

This Annual Report contains references to a number of trademarks which are our registered trademarks or trademarks for which we have pending applications or common law rights. Our major trademarks include, among others, Bendon, Bendon Man, Davenport, Fayreform, Lovable, Pleasure State, VaVoom, Evollove, Hickory and Frederick’s of Hollywood and other related trademarks.

Solely for convenience, the trademarks, service marks and trade names referred to in this Annual Report are listed without the ®, (sm) and (TM) symbols, but we will assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Forward-looking statements include all statements that are not historical facts. Forward-looking statements can be identified by words such as “anticipate,” “believe,” “envision,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “contemplate” and other similar expressions, although not all forward-looking statements contain these identifying words. They appear in a number of places throughout this Annual Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate. Forward-looking statements contained in this Annual Report include, among other things, statements relating to:

- expectations regarding industry trends and the size and growth rates of addressable markets;
- our business plan and our growth strategies, including plans for expansion to new markets and new products; and
- expectations for seasonal trends.

These statements are not assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, and other future conditions. Although we base the forward-looking statements contained in this Annual Report on assumptions that we believe are reasonable, we caution you that actual results and developments (including our results of operations, financial condition and liquidity, and the development of the industry in which we operate) may differ materially from those made in or suggested by the forward-looking statements contained in this Annual Report. In addition, even if results and developments are consistent with the forward-looking statements contained in this Annual Report, those results and developments may not be indicative of results or developments in subsequent periods. Certain assumptions made in preparing the forward-looking statements contained in this Annual Report include:

- our ability to implement our growth strategies;
- our ability to maintain good business relationships with our suppliers, wholesalers and distributors;
- our ability to keep pace with changing consumer preferences;
- our ability to protect our intellectual property; and
- the absence of material adverse changes in our industry or the global economy.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in Item 3.D of this Annual Report, “*Risk Factors*,” which include, but are not limited to, the following risks:

- our ability to raise any necessary capital;
- our ability to maintain the strength of our brand or to expand our brand to new products and geographies;
- our ability to protect or preserve our brand image and proprietary rights;
- our ability to satisfy changing consumer preferences;
- an economic downturn affecting discretionary consumer spending;
- our ability to compete in our markets effectively;
- our ability to manage our growth effectively;
- poor performance during our peak season affecting our operating results for the full year;
- our indebtedness adversely affecting our financial condition;
- our ability to maintain relationships with our select number of suppliers;
- our ability to manage our product distribution through our retail partners and international distributors;
- the success of our marketing programs;
- business interruptions because of a disruption at our headquarters;
- fluctuations in raw materials costs or currency exchange rates;
- the success of our business restructuring; and
- the impact of the COVID-19 pandemic.

Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. As a result, any, or all of our forward-looking statements in this Annual Report may turn out to be inaccurate. We have included important factors in the cautionary statements included in this Annual Report, particularly in Item 3.D of this Annual Report, “*Risk Factors*,” that we believe could cause actual results or events to differ materially from the forward-looking statements that we make. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not rely on our forward-looking statements. Moreover, we operate in a highly competitive and rapidly changing environment in which new risks often emerge. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make.

You should read this Annual Report and the documents that we reference herein and have filed as exhibits hereto completely and with the understanding that our actual future results may be materially different from what we expect. The forward-looking statements contained herein are made as of the date of this Annual Report, and we do not assume any obligation to update any forward-looking statements except as required by applicable law.

### **NON-IFRS FINANCIAL MEASURES**

This document includes “non-IFRS financial measures,” that is, financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measure calculated and presented in accordance with IFRS. Specifically, we make use of the non-IFRS measures “EBITDA.”

EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization and impairment. Our management uses EBITDA as a measure of our operating results and considers it to be a meaningful supplement to net income as a performance measurement, primarily because we incur significant depreciation and depletion and the exclusion of impairment losses in EBITDA eliminates the non-cash impact.

EBITDA is used by investors and analysts for the purpose of valuing an issuer. The intent of EBITDA is to provide additional useful information to investors and the measure does not have any standardized meaning under IFRS. Accordingly, this measure should not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other companies may calculate EBITDA differently. For a reconciliation of net income from continuing operations to EBITDA, please see Item 5.A of this Annual Report, “*Operating Results*.”

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIME TABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The selected statement of operations data set forth below for the years ended January 31, 2020, 2019 and 2018, and the selected balance sheet data as at January 31, 2020, 2019 and 2018, has been derived from our audited consolidated financial statements prepared and presented in accordance with IFRS that are included in this Annual Report. The selected financial information set forth below for the seven months ended January 31, 2017 and for the fiscal years ended June 30, 2016 and 2015, and the selected balance sheet data as at January 31, 2017, June 30, 2016 and June 30, 2015, has been derived from our audited consolidated financial information prepared and presented in accordance with IFRS that is not included in this Annual Report.

The selected financial information below is only a summary and should be read in conjunction with our audited financial statements and notes thereto contained elsewhere herein. The financial results should not be construed as indicative of financial results for subsequent periods. See Item 5 of this Annual Report, "Operating and Financial Review and Prospects," and the financial statements and the accompanying notes thereto included under Item 18 of this Annual Report, "Financial Statements," for further information about our financial results and condition.

Consolidated Statement of Operations Data

|   | 12<br>Months<br>Ended<br>Jan. 31,<br>2020 | 12<br>Months<br>Ended<br>Jan. 31,<br>2019 | 12<br>Months<br>Ended<br>Jan. 31,<br>2018 | 7<br>Months<br>Ended<br>Jan. 31,<br>2017 | 12<br>Months<br>Ended<br>June 30,<br>2016 | 12<br>Months<br>Ended<br>June 30,<br>2015 |
|---|---|---|---|--|---|---|
| <i>Thousands of NZ\$</i>  |   |   |   |  |   |   |
| Revenue   | 90,065                                    | 111,920                                   | 131,388                                   | 96,284                                   | 151,000                                   | 138,838                                   |
| Cost of goods sold  | (56,247)                                  | (74,480)                                  | (87,459)                                  | (57,144)                                 | (83,525)                                  | (79,031)                                  |
| Gross profit  | 33,818                                    | 37,440                                    | 43,929                                    | 39,140                                   | 67,475                                    | 59,807                                    |
| Brand management  | (35,555)                                  | (49,256)                                  | (53,653)                                  | (32,040)                                 | (48,362)                                  | (42,203)                                  |
| Administrative expenses   | (11,837)                                  | (3,432)                                   | (4,131)                                   | (2,383)                                  | (4,090)                                   | (4,691)                                   |
| Corporate expenses  | (12,772)                                  | (14,145)                                  | (12,851)                                  | (8,082)                                  | (13,002)                                  | (13,940)                                  |
| Finance expense   | (5,213)                                   | (4,041)                                   | (8,791)                                   | (6,238)                                  | (10,409)                                  | (5,870)                                   |
| Brand transition, restructure and transaction expenses  | (14,593)                                  | (10,075)                                  | (3,272)                                   | (1,321)                                  | (2,232)                                   | (12,182)                                  |
| Impairment expense  | (8,904)                                   | (8,173)                                   | (1,914)                                   | (292)                                    | (2,157)                                   | 0   |
| Other foreign currency gains/(losses)   | 615                                       | 1,963                                     | 757                                       | (3,306)                                  | (2,423)                                   | 4,700                                     |
| Interest Income   | 12  | 0   | 0   | 0  | 0   | 0   |
| Gain on sale of intangible assets   | 906                                       | 0   | 0   | 0  | 0   | 0   |
| Fair value gain/(loss) on convertible notes derivative  | 0   | (775)                                     | 2,393                                     | (592)                                    | 0   | 0   |
| Loss before income tax  | (53,523)                                  | (50,494)                                  | (37,533)                                  | (15,114)                                 | (15,200)                                  | (14,379)                                  |
| Income tax benefit/(expense)  | (782)                                     | 1,274                                     | (60)                                      | (865)                                    | (5,546)                                   | 1,274                                     |
| Loss for the period   | (54,305)                                  | (49,220)                                  | (37,593)                                  | (15,979)                                 | (20,746)                                  | (13,105)                                  |
| <i>Other comprehensive loss</i>   |   |   |   |  |   |   |
| Exchange differences on translation of foreign operations   | 2,131                                     | (7)                                       | 148                                       | (29)                                     | 31  | (93)                                      |
| Total comprehensive loss for the period   | (52,174)                                  | (49,227)                                  | (37,445)                                  | (16,008)                                 | (20,715)                                  | (13,198)                                  |
| <i>Loss per share for loss from continuing operations attributable to the ordinary equity holders of the company:</i> |   |   |   |  |   |   |
| Basic loss per share (NZ\$)*  | (34.74)                                   | (200.77)                                  | (179.03)                                  | (82.00)                                  | (113.00)                                  | (72.00)                                   |
| Diluted loss per share (NZ\$)*  | (34.74)                                   | (200.77)                                  | (179.03)                                  | (82.00)                                  | (113.00)                                  | (72.00)                                   |

\* On December 20, 2019, the Company executed a 1-100 reverse share split reducing the number of shares. The reverse split has also been reflected in the prior year number of shares. See note 23 of our audited consolidated financial statements for further information.

Consolidated Balance Sheet Data

| Thousands of NZ\$          | Jan. 31,<br>2020 | Jan. 31,<br>2019 | Jan. 31,<br>2018 | Jan. 31,<br>2017 | June 30,<br>2016 | June 30,<br>2015 |
|----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and cash equivalents  | 3,791            | 1,962            | 10,739           | 2,645            | 4,193            | 1,246            |
| Working capital            | (22,210)         | (29,426)         | (20,752)         | (19,644)         | (19,987)         | (24,067)         |
| Total assets               | 88,530           | 75,687           | 88,096           | 101,232          | 95,591           | 99,849           |
| Borrowings                 | 38,913           | 20,967           | 52,121           | 68,998           | 77,593           | 56,273           |
| Total shareholders' equity | (6,284)          | 10,519           | (5,710)          | (9,044)          | (17,876)         | 2,839            |

Unless otherwise noted, all translations from U.S. dollars to New Zealand dollars in this Annual Report were made at the closing rate as at January 31, 2020 of NZD\$1 = US\$0.64. We make no representation that any New Zealand dollars or U.S. dollar amounts could have been, or could be, converted into U.S. dollar or New Zealand dollars, as the case may be, at any particular rate, at the rates stated below, or at all.

**B. Capitalization and Indebtedness**

Not applicable.

**C. Reasons for the Offer and Use of Proceeds**

Not applicable.

**D. Risk Factors**

*We have a history of operating losses that may continue into the foreseeable future.*

We have a history of operating losses and negative cash flow that may continue into the foreseeable future. If we fail to execute our strategy to achieve and maintain profitability in the future, investors could lose confidence in the value of our Ordinary Shares, which could cause our share price to decline and adversely affect our ability to raise additional capital. Investors should evaluate an investment in our company in light of this.



***If we are unable to obtain additional financing on acceptable terms, we may have to curtail our growth or cease our development plans and operations.***

The operation of our business and our growth efforts will require significant cash outlays. We are largely dependent on outside capital to implement our business plan and support our operations. We anticipate for the foreseeable future that cash on hand and cash generated from operations will not be sufficient to meet our cash requirements, and that we will need to raise additional capital through investments to fund our operations and growth. We cannot assure you that we will be able to raise additional capital as needed on terms acceptable to us, if at all. If we are unable to raise capital as needed, we may be required to reduce the scope of our growth efforts, which could harm our business plans, financial condition and operating results, or cease our operations entirely, in which case, you may lose all your investment. Financings, including future equity investments, if obtained, may be on terms that are dilutive to our stockholders, and the prices at which new investors would be willing to purchase our securities may be lower than the price at which you purchase your shares. Furthermore, the terms of securities issued in a financing, if obtained, may be more favorable for new investors. Investors should be aware that the value of an investment in our company may go down as well as up. In addition, there can be no certainty that the market value of an investment in our company will fully reflect its underlying value.

***We may issue additional securities in the future, which may result in dilution to our shareholders.***

We are not restricted from issuing additional Ordinary Shares or securities convertible into or exchangeable for Ordinary Shares. Because we anticipate we will need to raise additional capital to operate and/or expand our business, we expect to conduct equity offerings in future.

We also may issue additional Ordinary Shares upon the exercise of our outstanding warrants and convertible notes. As of May 7, 2020, we had approximately 614,000 Ordinary Shares underlying our outstanding warrants, approximately 1,430,000 Ordinary Shares underlying our outstanding Convertible Notes (as defined in Item 4.B of this Annual Report, “*Business Overview—Recent Developments*”) issued in October and November 2019, and approximately 3,170,000 Ordinary Shares underlying our outstanding Convertible Notes issued in December 2019 and in January, February and April 2020 (assuming that the balance of each such note as of May 7, 2020 was converted in full at the fixed conversion price provided in each such note). Furthermore, the number of Ordinary Shares ultimately issued in respect of our outstanding Convertible Notes issued in October and November 2019 may be substantially greater than the amount set forth above, because such notes also may be converted at a floating conversion price based on the current market price of our Ordinary Shares, provided we approve such conversion. Subject to our approval, the holder of such notes may convert the outstanding balance of such notes into the Ordinary Shares at a floating conversion price per share that is equal to (i) a percentage of not less than 75%, multiplied by (ii) the lowest daily volume weighted average price of the Ordinary Shares in the preceding 20 trading days, but in any event not less than a specified floor price. Based on the outstanding balance of approximately US\$6,139,000 as of May 7, 2020, and an assumed floating conversion price of US\$0.465 (which is 75% of the closing price of the Ordinary Shares on May 6, 2020), the Convertible Notes issued in October and November 2019 would be convertible into approximately 13,204,000 Ordinary Shares.

There is no limit on the number of Ordinary Shares we may issue under our constitution. To the extent our outstanding warrants are exercised, our outstanding convertible promissory notes are converted or we conduct additional equity offerings, additional Ordinary Shares will be issued, which may result in dilution to our shareholders. Sales of substantial numbers of shares in the public market could adversely affect the market price of our Ordinary Shares. In addition, issuances of a substantial number of shares will reduce the equity interest of our existing investors and could cause a change in control of our company.

***Our new strategic direction may not be successful, which may adversely affect our results of operations and cause our share price to decline.***

On June 27, 2019, we announced our intention to strategically divest one or more brands as part of our new strategic direction. Subsequently, we sold the trademarks related to the “Naked” and “NKD” brands and terminated our license agreement for Heidi Klum branded products. We have completed plans to correct the operating cost structure, confirm the personnel restructure of the organization, close the New York and United Kingdom (“U.K.”) offices and exit two of the U.S. warehouses. We plan to exit the Sydney office in April 2020 and the Hong Kong office in June 2020. In order to improve our profitability, we exited the U.S. wholesale market, although we continue to sell merchandise there through online channels, and substantially reduced our operations in the U.K. and the European Union (which we refer to collectively as, the “E.U.”) wholesale market.

Our ability to achieve the anticipated benefits, including the anticipated cost savings, of our new strategic direction within expected timeframes is subject to many estimates, assumptions and uncertainties. Additional restructuring or reorganization activities may also be required in the future, which could further increase the risks associated with our new strategic direction. There is no assurance that we will successfully implement, or fully realize the anticipated impact of, our new strategic direction or execute successfully on our plan, in the timeframes we desire or at all. If we fail to realize the anticipated benefits from these measures, or if we incur charges or costs in amounts that are greater than anticipated, our financial condition and operating results may be adversely affected.

The changes and potential changes to our operations as a result of the new strategic direction, may introduce uncertainty regarding our prospects and may result in disruption of our business. These changes and activities caused our stock price to decline and may cause it to further decline in the future. As a result of these or other similar risks, our business, results of operations and financial condition may be adversely affected.

***The auditors' report on our consolidated financial statements included an explanatory paragraph regarding there being substantial doubt about our ability to continue as a going concern.***

For the financial year ended January 31, 2020, we experienced a loss after income tax from continuing operations of \$54.3m and operating cash outflows of \$19.9m. We also are in a net current liability position of \$22.2m and have negative shareholders' equity of \$6.3m. We anticipate we will need to continue to fund losses through to the start of the fiscal year beginning February 1, 2022. The losses in the year ended January 31, 2020 were impacted by the inventory product mix held which resulted in reduced revenue from wholesale customers along with reduced turnover in both outlet and retail stores in New Zealand and Australia. We have been working with our suppliers to pay outstanding creditor positions and focus on returning stock inflow to required levels. In periods when the stock level and product mix held were more appropriate for consumer demand the business realized strong sales results. During the year we maintained our BNZ loan facility (see Item 4.B of this Annual Report, "*Business Overview—Recent Developments*"). We did, however, breach our BNZ loan facility covenants during the financial year, although we were compliant at January 31, 2020. At January 31, 2020, we were in the process of extending our BNZ loan facility. On March 12, 2020, we entered into a Deed of Amendment and Restatement to extend our BNZ loan facility of \$16.7m (January 31, 2019: \$20.0m) until March 2022. The amended and restated facility stipulates the repayment dates to reduce the facility to March 2022 and compliance with additional covenants. The extension of this loan facility supports our ability to remain as a going concern. It is noted in our consolidated financial statements for the period ended January 31, 2020 there is substantial doubt about our ability to continue operations in the future as a going concern. Although our financial condition raises substantial doubt about our ability to continue as a going concern, our consolidated financial statements do not reflect any adjustments that might result if we are unable to continue our business. If we cannot continue as a viable entity, our shareholders may lose all of their investment in our company.

***We have a concentration of sales to key customers and any substantial reduction in sales to these customers would have a material adverse effect on our business.***

During the twelve-month period ended January 31, 2020 sales were concentrated with Myer, Farmers, and David Jones, accounting for 5%, 4% and 2%, respectively. During the twelve-month period ended January 31, 2019 sales were concentrated with Myer, Farmers, Woolworths and David Jones, accounting for 9%, 5%, 1% and 1%, respectively. During the twelve-month period ended January 31, 2018, sales were concentrated with Myer, Farmers and Woolworths, accounting for 7%, 6% and 2% respectively.

Our results of operations could be materially adversely affected if these relationships ceased. Although we have diversified our customers and continue to receive increasing sales orders from existing customers, along with a growing retail presence, these customers do not have any ongoing purchase commitment agreement with us; therefore, we cannot guarantee that the volume of sales will remain consistent going forward. Any substantial change in purchasing decisions by these customers, whether due to actions by our competitors, industry factors or otherwise, could have a material adverse effect on our business and our financial condition.

***Our wholesale customers generally purchase our products on credit, and as a result, our results of operations and financial condition may be adversely affected if our customers experience financial difficulties.***

During the past several years, various retailers, including some of our largest customers, have experienced significant difficulties, including restructurings, bankruptcies and liquidations. This could adversely affect us because our wholesale customers, who represent 17% of the business, generally pay us after goods are delivered. Adverse changes in our customers' financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's future purchases or limit our ability to collect accounts receivable relating to previous purchases by that customer, all of which could have a material adverse effect on our business, results of operations and financial condition.

***We operate in a highly competitive market and the size and resources of some of our competitors may allow them to compete more effectively than we can, resulting in a loss of our market share and a decrease in our net revenue and profitability.***

The market for intimate apparel products is highly competitive. Competition may result in pricing pressures, reduced profit margins or lost market share or a failure to grow our market share, any of which could substantially harm our business and results of operations. We compete directly against wholesalers and direct retailers of intimate apparel products, including large, diversified companies with substantial market share and strong worldwide brand recognition, such as L Brands Inc., Hanesbrands Inc. and PVH Corp., whose brands include Victoria's Secrets, Calvin Klein, Maidenform, Bonds and others. Many of our competitors have significant competitive advantages, including longer operating histories, larger and broader customer bases, more established relationships with a broader set of suppliers, greater brand recognition and greater financial, research and development, marketing, distribution and other resources than we do. Our competitors may be able to achieve and maintain brand awareness and market share more quickly and effectively than we can. Many of our competitors promote their brands through traditional forms of advertising, such as print media and television commercials, and through celebrity endorsements, and have greater and substantial resources to devote to such efforts. Our competitors may also create and maintain brand awareness using traditional forms of advertising more quickly than we can. Our competitors may also be able to increase sales in their new and existing markets faster than we can by emphasizing different distribution channels than we do, such as catalog sales or an extensive franchise network, as opposed to distribution through retail stores, wholesale or internet, and many of our competitors have substantial resources to devote toward increasing sales in such ways.

***If we are unable to anticipate consumer preferences and successfully develop and introduce new, innovative and updated products, we may not be able to maintain or increase our sales and profitability.***

Our success depends on our ability to identify and originate product trends as well as to anticipate and react to changing consumer demands in a timely manner. All of our products are subject to changing consumer preferences that cannot be predicted with certainty. We may be unable to introduce new products in a timely manner. Our customers may not accept our new products, or our competitors may introduce similar products in a more timely fashion. Failure to anticipate and respond in a timely manner to changing consumer preferences could lead to, among other things, lower sales and excess inventory levels. Even if we are successful in anticipating consumer preferences, our ability to adequately react to and address those preferences will in part depend upon our continued ability to develop and introduce innovative, high-quality products. Our failure to effectively introduce new products that are accepted by consumers could have a material adverse effect on our financial condition.

***Our net sales, profit and cash flows are sensitive to, and may be affected by, general economic conditions, consumer confidence, spending patterns, weather or other market disruptions.***

Our net sales, profit, cash flows and future growth may be affected by negative local, regional, national or international political or economic trends or developments that reduce the consumers' ability or willingness to spend on discretionary products, including the effects of general economic conditions, employment, consumer debt, changes in personal net worth based on changes in securities market price levels, residential real estate and mortgage markets, taxation, healthcare costs, fuel and energy prices, interest rates, credit availability, consumer confidence and other macroeconomic factors, and national and international security concerns such as war, terrorism or the threat thereof. In addition, market disruptions due to severe weather conditions, natural disasters, health hazards or other major events or the prospect of these events could also impact discretionary consumer spending and confidence levels.

The worldwide apparel industry is heavily influenced by general economic cycles. Apparel retailing is a cyclical industry that is heavily dependent upon the overall level of consumer spending. Purchases of specialty apparel and related goods tend to be highly correlated with the cycles of the levels of disposable income of consumers. As a result, purchases of women's intimate and other apparel, beauty and personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. Downturns, or the expectation of a downturn, in general economic conditions could materially and adversely affect consumer spending patterns. Because apparel generally is a discretionary purchase, declines in consumer spending may have a more negative effect on apparel retailers than on other retailers. A decline in consumer spending may negatively affect our profitability, because, in such circumstances, our sales may decrease and we may increase the number of promotional sales, either of which could have a material adverse effect on our results of operations, financial condition and cash flows.

Extreme weather conditions in the areas in which our stores or the stores of our wholesale customers are located, particularly in markets where we have multiple such stores, could adversely affect our business. For example, heavy snowfall, rainfall or other extreme weather conditions over a prolonged period might make it difficult for our customers to travel to such stores and thereby reduce our sales and profitability.

***Our financial condition and results of operations have been and may continue to be adversely affected by outbreaks of contagious disease such as the recent COVID-19 pandemic.***

Our business has been and may continue to be adversely affected by a widespread outbreak of contagious disease, including the recent COVID-19 pandemic, resulting in business closures and a limit on consumer and employee travel across the globe. Any outbreak of contagious diseases, or other adverse public health developments, could have a material and adverse effect on our business operations. These could include disruptions or restrictions on our ability to travel, reduced traffic in our stores and the stores of our wholesale customers, temporary closures of our stores and/or office buildings or the facilities of our wholesale customers or suppliers. We may also see disruptions or delays in shipments and negative impacts to pricing of certain components of our products. Further, any disruption of our customers or suppliers would likely impact our sales and operating results. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for our end customers' products and likely impact our operating results. The resulting economic downturn can also negatively impact our stock price.

As of the time of this filing, the impacts of the COVID-19 pandemic have been broad reaching, including impacts to our retail, wholesale and licensing businesses. The pandemic has had an impact on our business globally, with significant temporary store closures. The COVID-19 pandemic is also impacting the Asia region where we source most of our inventory. Temporary factory closures and the pace of workers returning to work has impacted our suppliers' ability to source certain raw materials and to produce and fulfill finished goods orders in a timely manner. As of the date of this filing, we have also experienced impacts on deliveries, driven primarily by factory labor shortages and port congestion. However, the ability of our distribution and logistics providers to operate may be further impacted depending on the continued severity and duration of the pandemic and may have a significant impact on the cost and timing of receipts for future seasons. The occurrence of any of these events could further negatively impact our future consolidated financial position, results of operations and cash flows. There could be a prolonged impact on our business due to slow economic recovery or changes in consumer behavior. If we experience a sustained decrease in consumer demand related to the COVID-19 pandemic, it may exacerbate our need for additional financing. There is no guarantee that we will be able to obtain such additional financing, on acceptable terms or at all. The results for the first quarter of fiscal 2021 as well as full fiscal 2021 could also be impacted in ways we are not able to predict today, including, but not limited to, non-cash write-downs and asset impairment charges (including impairments on property and equipment, operating lease right-of use assets and goodwill); unrealized gains or losses related to investments; foreign currency fluctuations; and collections of accounts receivables.

We are continuing to monitor the potential impact of the COVID-19 pandemic. At the time of filing, all our retail stores are temporarily closed to protect employees and customers from the spread of this virus, consistent with governmental restrictions and guidance. The two online stores are trading, and we are able to fulfill orders from the New Zealand and U.S. warehouses. In order to mitigate the significant impact on cash inflow we are working with our suppliers and lenders to extend payment terms. We are in discussions with BNZ to extend loan repayment dates and with our landlords to provide abatements through the period of closure. We have reduced staff hours and applied for government subsidies for the New Zealand and Australian employees. At the date of this report, we had received \$2.0m in subsidies from the New Zealand government. In addition, we are investigating funding packages for which we may be eligible.

***Our financial performance may be affected by credit and financial market conditions.***

Future increases in interest rates or other tightening of the credit markets, or future turmoil in the financial markets, could make it more difficult for us to access funds, to refinance our indebtedness (if necessary), to enter into agreements for new indebtedness, or to obtain funding through the issuance of our securities. Any such adverse changes in the credit or financial markets could also impact the ability of our suppliers to access liquidity, or could result in the insolvency of suppliers, which in turn could lead to their failure to deliver our merchandise. Worsening economic conditions could also result in difficulties for financial institutions (including bank failures) and other parties that we may do business with, which could potentially impair our ability to access financing under existing arrangements or to otherwise recover amounts as they become due under our other contractual arrangements. Any such events could have a material adverse effect on our results of operations, financial condition and cash flows.

***Our net sales, operating income, cash and inventory levels fluctuate on a seasonal basis.***

We experience major seasonal fluctuations in our net sales and operating income, with a significant portion of our operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a material adverse effect on our results of operations, financial condition and cash flows.

Seasonal fluctuations also affect our cash and inventory levels, since we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday season selling period. If we are not successful in selling inventory, we may have to sell the inventory at significantly reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on our results of operations, financial condition and cash flows.

***We are subject to risks associated with leasing retail space, are generally subject to long-term non-cancelable leases and are required to make substantial lease payments under our operating leases. Any failure to make these lease payments when due may lead to the landlord terminating the lease, which would harm our business, profitability and results of operations.***

We do not own any of our stores, but instead lease all of our retail stores under operating leases. Our leases generally have initial terms of 5 years. All of our leases require a fixed annual rent, and some of them require the payment of additional rent if store sales exceed a negotiated amount. Most of our leases are “net” leases, which require us to pay all of the cost of insurance, taxes, maintenance and utilities, and we generally cannot cancel these leases at our option.

***Our net sales depend on a volume of traffic to our stores and the availability of suitable lease space.***

Most of our stores are located in retail shopping areas including malls and other types of retail centers. Sales at these stores are derived, in part, from the volume of traffic in those retail areas. Our stores benefit from the ability of the retail center and other attractions in an area, including “destination” retail stores, to generate consumer traffic in the vicinity of our stores. Sales volume and retail traffic may be adversely affected by factors that we cannot control, such as economic downturns or changes in consumer demographics in a particular area, competition from internet and other retailers and other retail areas where we do not have stores, the closing or decline in popularity of other stores in the shopping areas where our stores are located and the deterioration in the financial condition of the operators of the shopping areas or developers in which our stores are located. Similarly, reduced customer traffic in the stores of our wholesale customers also could have a material adverse effect on our financial condition and results of operations.

***Our ability to grow depends in part on new store openings and existing store remodels and expansions.***

Our continued growth and success will depend in part on our ability to open and operate new stores and expand and remodel existing stores on a timely and profitable basis. Accomplishing our new and existing store expansion goals will depend upon a number of factors, including the ability to partner with developers and landlords to obtain suitable sites for new and expanded stores at acceptable costs, the hiring and training of qualified personnel and the integration of new stores into existing operations. There can be no assurance we will be able to achieve our store expansion goals, manage our growth effectively, successfully integrate the planned new stores into our operations or operate our new, remodeled and expanded stores profitably. These risks could have a material adverse effect on our ability to grow and on our results of operations, financial condition and cash flows.

***Our operations in international markets are subject to a number of risks inherent in any business operating in multiple countries.***

As an international company, our operations will continue to encounter the following risks, among others:

- Competition with new competitors or with existing competitors with an established market presence.
- Lack of familiarity with local customer preferences.
- General economic conditions in specific countries or markets.
- Seasonal differences in markets.
- Selection of suitable business partners, who may be independent contractors outside our control.
- Volatility in the geopolitical landscape.
- Restrictions on the repatriation of funds held internationally.
- Disruptions or delays in shipments.
- Changes in diplomatic and trade relationships.
- Political instability.
- Compliance with foreign governmental regulation by us and by our partners and contractors.

If any of these or other similar events should occur, it could have a material adverse effect on our results of operations, financial condition and cash flows.

***We may be impacted by our ability to service or refinance our debt.***

We currently have substantial indebtedness. Certain of our indebtedness is convertible at the option of the holder into Ordinary Shares. For our other indebtedness, and to the event our convertible indebtedness is not so converted, additional financing and our cash flow from operations provide the primary source of funds for our debt service payments. If we are unable to obtain additional financing or our cash flow from operations declines, we may be unable to service or refinance our current debt. If we are unable to service or refinance our current debt, we may not be able to continue as a viable entity, in which case you may lose your entire investment. Any additional debt we incur in the future could intensify this risk.

***If we do not comply with the terms of our existing debt agreements, and such debt agreements cannot be amended or replaced with new indebtedness, we may be in default of our obligations under such debt agreements.***

Our existing debt agreements (including our senior secured credit facility) contain a number of affirmative and negative covenants and representations and warranties. For instance, some of our debt agreements contain covenants which require maintenance of certain financial ratios and also, under certain conditions, restrict our ability to make distributions (including any redemption or repurchase of Ordinary Shares). We have, in the past, been required to seek waivers of compliance with, or amendments of, certain of the financial covenants in the debt agreements, and we may be required to seek such waivers or amendments in the future. Our ability to meet these financial covenants may be affected by events beyond our control, and there can be no assurance that the lenders will grant any required waivers under, or amendments to, the debt agreements if for any reason we are unable to meet the requirements of such covenants.

If we fail to make required cash payments, or fail to comply with covenants, representations or warranties under our debt agreements, or if an event of default otherwise occurs under one of our debt agreements, and we do not either receive a waiver or amendment from our lenders or refinance the indebtedness subject to such agreements, such failure could trigger a default under such agreement. Any such default or acceleration may further result in a cross-default under our other indebtedness. Upon a default, the lenders under those debt agreements could declare all borrowings owed to them, including accrued interest and other fees, to be due and payable, which declaration could have an adverse impact on our business and results of operations. Furthermore, the holders of our secured indebtedness could foreclose on their security interests in our assets, including our intellectual property. The terms of any future debt agreements into which we enter could intensify these risks.

***Our business is exposed to foreign currency exchange rate fluctuations and control regulations.***

Our business has substantial international components that expose us to significant foreign exchange risk. Changes in exchange rates can impact our financial results in two ways: a translation impact and a transaction impact. The translation impact refers to the impact that changes in exchange rates can have on our financial results, as our operating results in local foreign currencies are translated into New Zealand dollars using an average exchange rate over the representative period. Accordingly, during times of a strengthening New Zealand dollar, particularly against the Australian dollar, the Euro, the British pound sterling and the U.S. dollar, our results of operations will be negatively impacted, and during times of a weakening New Zealand dollar, our results of operations will be favorably impacted.

The transaction impact on financial results is common for apparel companies operating outside the U.S. that purchase goods in U.S. dollars, as is the case with most of our foreign operations. During times of a strengthening U.S. dollar, our results of operations will be negatively impacted from these transactions as the increased local currency value of inventory results in higher cost of goods sold in local currency when the goods are sold, and during times of a weakening U.S. dollar, our results of operations will be favorably impacted. We also have exposure to changes in foreign currency exchange rates related to certain intercompany transactions and, to a lesser extent, SG&A expenses that are denominated in currencies other than the functional currency of a particular entity.

We are also exposed to market risk for changes in exchange rates for the U.S. dollar in connection with our business as a licensee. Most of our license agreements require us to pay in United States dollars based on the exchange rate as of the last day of the contractual selling period but the sales are reported in the relevant territories' local currencies. Thus we are exposed to exchange rate changes during and up to the last day of the selling period. In addition, we are exposed to exchange rate changes up to the date we make payment in U.S. dollars. As a result, during times of a strengthening U.S. dollar, our royalty fees will be positively impacted, and during times of a weakening U.S. dollar, our royalty fees will be negatively impacted.

We conduct business, directly or through licensees and other partners, in countries that are or have been subject to exchange rate control regulations and have, as a result, experienced difficulties in receiving payments owed to us when due, with amounts left unpaid for extended periods of time. Although the amounts to date have been immaterial to our results, as our international businesses grow and if controls are enacted or enforced in additional countries, there can be no assurance that such controls would not have a material and adverse effect on our business, financial condition or results of operations.

***Our reported financial results may be adversely affected by changes in accounting principles***

Generally accepted accounting principles are subject to interpretation by the SEC and the Public Company Accounting Oversight Board and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported financial results, and could affect the reporting of transactions completed before the announcement of a change.

***Acquisitions may not be successful in achieving intended benefits, cost savings and synergies.***

We may engage in business acquisitions in the future. Prior to completing any acquisition, our management team identifies expected synergies, cost savings and growth opportunities but, due to legal and business limitations, we may not have access to all necessary information. The integration process may be complex, costly and time-consuming. The potential difficulties of integrating the operations of an acquired business and realizing our expectations for an acquisition, including the benefits that may be realized, include, among other things:

- failure to implement our business plan for the combined business;
- delays or difficulties in completing the integration of acquired companies or assets;
- higher than expected costs, lower than expected cost savings or a need to allocate resources to manage unexpected operating difficulties;

- unanticipated issues in integrating manufacturing, logistics, information, communications and other systems;
- unanticipated changes in applicable laws and regulations affecting the acquired business;
- unanticipated changes in the combined business due to potential divestitures or other requirements imposed by antitrust regulators;
- retaining key customers, suppliers and employees;
- retaining and obtaining required regulatory approvals, licenses and permits;
- operating risks inherent in the acquired business;
- diversion of the attention and resources of management;
- consumers' failure to accept product offerings by us or our licensees;
- assumption of liabilities not identified in due diligence;
- the impact on our or an acquired business' internal controls and compliance with the requirements under the Sarbanes-Oxley Act of 2002; and
- other unanticipated issues, expenses and liabilities.

We have completed acquisitions that have not performed as well as initially expected and cannot assure you that any acquisition will not have a material adverse impact on our financial condition and results of operations.

***The loss of the services of Justin Davis-Rice as Executive Chairman, Anna Johnson as Chief Executive Officer, other members of our executive management team, or other key personnel could have a material adverse effect on our business.***

Justin Davis-Rice's and Anna Johnson's leadership in the design, operations and marketing areas of our business is critical to the successful pursuit of our business plan. The death or disability of Mr. Davis-Rice, Ms. Johnson, or any other extended or permanent loss of his or her services, or any negative market or industry perception with respect to him or her or arising from his or her loss, could have a material adverse effect on our business, results of operations, and financial condition.

We also depend on the service and management experience of other key executive officers and other members of senior management who have substantial experience and expertise in our industry and our business and have made significant contributions to our growth and success. The loss of the services of any of our key executive officers or other members of senior management, or one or more of our other key personnel, or the concurrent loss of several of these individuals or any negative public perception with respect to these individuals, could also have a material adverse effect on our business, results of operations, and financial condition.

We are not protected by a material amount of key-man or similar life insurance covering our executive officers, including Mr. Davis-Rice or Ms. Johnson, or other members of senior management. We have entered into employment agreements with certain of our executive officers, but competition for experienced executives in our industry is intense and the non-compete period with respect to certain of our executive officers could, in some circumstances in the event of their termination of employment with our company, be of limited duration or not apply at all.

***We rely on third-party suppliers and manufacturers to provide fabrics for and to produce our products, and we have limited control over them and may not be able to obtain quality products on a timely basis or in sufficient quantity.***

We do not manufacture our products or the raw materials for them and rely instead on third-party suppliers and manufacturers. Many of the specialty fabrics used in our products are technically advanced textile products developed and manufactured by third parties and may be available, in the short-term, from only one or a very limited number of sources. We have experienced and may continue to experience a significant disruption in the supply of fabrics or raw materials from current sources or, in the event of a disruption, we may be unable to locate alternative materials suppliers of comparable quality at an acceptable price, or at all. In addition, if we experience significant increased demand, or if we need to replace an existing supplier manufacturer, we may be unable to locate additional suppliers of fabrics or raw materials or additional manufacturing capacity on terms that are acceptable to us, or at all, or we may be unable to locate any supplier or manufacturer with sufficient capacity to meet our requirements or to fill our orders in a timely manner. Identifying a suitable supplier is an involved process that requires us to become satisfied with their quality control, responsiveness and service, financial stability and labor and other ethical practices. Even if we are able to expand existing or find new manufacturing or fabric sources, we may encounter delays in production and added costs as a result of the time it takes to train our suppliers and manufacturers in our methods, products and quality control standards. Delays related to supplier changes could also arise due to an increase in shipping times if new suppliers are located farther away from other participants in our supply chain. Any delays, interruption or increased costs in the supply of fabric or manufacture of our products could have an adverse effect on our ability to meet customer demand for our products and result in lower net revenue and income from operations both in the short and long term. We have occasionally received, and may in the future continue to receive, shipments of products that fail to comply with our technical specifications or that fail to conform to our quality control standards. In that event, unless we are able to obtain replacement products in a timely manner, we risk the loss of net revenue resulting from the inability to sell those products and related increased administrative and shipping costs. If defects in the manufacture of our products are not discovered until after our customers purchase such products, our customers could lose confidence in the technical attributes of our products and our results of operations could suffer and our business could be harmed.



***The fluctuating cost of raw materials could increase our cost of goods sold and cause our results of operations and financial condition to suffer.***

The fabrics used by our suppliers and manufacturers include synthetic fabrics whose raw materials include petroleum-based products. Our products also include natural fibers, including cotton. Our costs for raw materials are affected by, among other things, weather, consumer demand, speculation on the commodities market, the relative valuations and fluctuations of the currencies of producer versus consumer countries and other factors that are generally unpredictable and beyond our control. Increases in the cost of raw materials could have a material adverse effect on our cost of goods sold, results of operations, financial condition and cash flows.

***We face challenges as consumers migrate to online shopping and we depend on our ability to compete in the e-commerce marketplace.***

As consumers continue to migrate online, we face pressures to compete in the e-commerce marketplace. We continue to significantly invest in our online sales capabilities to provide a seamless shopping experience to our customers between our brick and mortar locations and our online environments. Insufficient, untimely or misguided investments in this area could significantly impact our profitability and growth and affect our ability to attract new customers, as well as maintain our existing ones. In addition, declining customer store traffic and migration of sales from brick and mortar stores to digital platforms could lead to store closures, restructuring and other costs that could adversely impact our results of operations and cash flows.

***If our technology-based e-commerce systems do not function properly, our operating results could be negatively affected.***

Customers are increasingly using computers, tablets and smart phones to shop online and to do price and comparison shopping. We strive to anticipate and meet our customers' changing expectations and are focused on building a seamless shopping experience across our omnichannel business. Any failure to provide user-friendly, secure e-commerce platforms that offer a variety of merchandise at competitive prices with low cost and quick delivery options that meet customers' expectations could place us at a competitive disadvantage, result in the loss of e-commerce and other sales, harm our reputation with customers and have a material adverse impact on the growth of our business and our operating results.

***A material disruption in our computer systems could adversely affect our business or results of operations.***

We rely extensively on our computer systems to process transactions, summarize results and manage our business. Our computer systems are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, cyber-attack or other security breaches, catastrophic events such as fires, floods, earthquakes, tornadoes, hurricanes, acts of war or terrorism, and usage errors by our employees. If our computer systems are damaged or cease to function properly, including a material disruption in our ability to authorize and process transactions at our stores or on our online systems, we may have to make a significant investment to fix or replace them, and we may suffer loss of critical data and interruptions or delays in our operations. Any material interruption in our computer systems could negatively affect our business and results of operations.

***If we are unable to safeguard against security breaches with respect to our information systems, our business may be adversely affected.***

In the course of our business, we gather, transmit and retain confidential information, including personal information about our customers, and process payment transactions through our information systems. Although we endeavor to protect confidential information and payment information through the implementation of security technologies, processes and procedures, it is possible that an individual or group could defeat security measures and access sensitive information about our customers, employees and other third parties. Any misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information gathered, stored or used by us could have a material impact on the operation of our business, including damaging our reputation with our customers, employees, third parties and investors. We could also incur significant costs implementing additional security measures to comply with applicable federal, state or international laws and regulations governing the unauthorized disclosure of confidential or personally identifiable information, as well as increased costs such as organizational changes, training employees or engaging consultants. In addition, we could incur lost revenues and face increased litigation as a result of any potential cyber-security breach. We are not aware that we have experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a cyber-security breach or other act. However, a cyber-security breach or other act and/or disruption to our information technology systems could have a material adverse effect on our business, prospects, financial condition or results of operations.

***Our fabrics and manufacturing technology are not patented and can be imitated by our competitors.***

The intellectual property rights in the technology, fabrics and processes used to manufacture our products are owned or controlled by our suppliers and are generally not unique to us. Our ability to obtain intellectual property protection for our products is therefore limited and we currently own no patents or exclusive intellectual property rights in the technology, fabrics or processes underlying our products. As a result, our current and future competitors are able to manufacture and sell products with performance characteristics, fabrics and styling similar to our products. Because many of our competitors have significantly greater financial, distribution, marketing and other resources than we do, they may be able to manufacture and sell products based on our fabrics and manufacturing technology at lower prices than we can. If our competitors do sell similar products to ours at lower prices, our net revenue and profitability could suffer.

***Our failure or inability to protect our intellectual property rights could diminish the value of our brand and weaken our competitive position.***

We currently rely on trademarks, as well as confidentiality procedures, to establish and protect our intellectual property rights. We cannot assure you that the steps taken by us to protect our intellectual property rights will be adequate to prevent infringement of such rights by others, including imitation of our products and misappropriation of our brand. In addition, intellectual property protection may be unavailable or limited in some foreign countries where laws or law enforcement practices may not protect our intellectual property rights as fully as in the U.S. or the E.U. and it may be more difficult for us to successfully challenge the use of our intellectual property rights by other parties in these countries. If we fail to protect and maintain our intellectual property rights, the value of our brand could be diminished, and our competitive position may suffer. In addition, any litigation necessary to protect our intellectual property rights could result in significant costs to us and divert the attention of our management and key personnel from our business operations and the implementation of our business strategy.

***We may be subject to intellectual property infringement claims by third parties which could be costly to defend, divert management's attention and resources, and may result in liability.***

Third parties may assert against us their patent, copyright, trademark and other intellectual property rights relating to intellectual property that is important to our business. Any claims that our products or processes infringe these rights, regardless of their merit or resolution, could be costly, time consuming and may divert the efforts and attention of our management and technical personnel. In addition, we may not prevail in such proceedings given the inherent uncertainties in intellectual property litigation.

***We may be impacted by changes in taxation, trade and other regulatory requirements.***

We are subject to income tax in local, national and international jurisdictions. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. Fluctuations in tax rates and duties, changes in tax legislation or regulation or adverse outcomes of these examinations could have a material adverse effect on our results of operations, financial condition and cash flows.

We have significant tax losses arising on historical trading losses. The availability to utilize these tax losses to offset future taxable profit is dependent on future performance and trade of the business. There can be no assurance as to the availability of these losses for utilization.

***Our current operations in international markets and our efforts to expand into additional international markets, and any earnings in those markets, may be affected by legal and regulatory risks.***

We are subject to Australian and New Zealand anti-corruption laws, the U.S. Foreign Corrupt Practices Act, and the anti-corruption laws of the other foreign countries in which we operate and manufacture our products. Although we implement policies and procedures designed to promote compliance with these laws, our employees, contractors and agents, as well as those companies to which we outsource certain of our business operations, may take actions in violation of our policies. Any such violation could result in sanctions or other penalties and have an adverse effect on our business, reputation and operating results.

***We may be subject to loss and theft.***

Our merchandise is subject to loss and theft, including due to illegal or unethical conduct by associates, customers, vendors or unaffiliated third parties. We have experienced events such as inventory shrinkage in the past, and we cannot assure that incidences of loss and theft will decrease in the future or that the measures we are taking will effectively reduce these losses. Higher rates of loss or increased security costs to combat theft could have a material adverse effect on our results of operations, financial condition and cash flows.

***If we lose any of our license agreements, there may be significant loss of revenues and a negative effect on our business.***

We license the Frederick's of Hollywood brand, and we previously licensed the Stella McCartney brand through June 30, 2018 and the Heidi Klum brand through January 31, 2020. During the fiscal year ended January 31, 2020, the license arrangements for Heidi Klum and Frederick's of Hollywood contributed 19.5%, and 29.9% of revenue, respectively, and 22.1%, and 32.8% of gross margin, respectively.

There are certain payments as well as other requirements associated with our license agreements. Failure to meet any of these requirements could result in the loss of the license. Additionally, after the term of any license agreement has concluded, the licensor may decide not to renew with us. While we are not substantially dependent on any licensed brand, the loss of one of our licensed brands could have a material adverse effect on our results of operations and financial condition.

On the other hand, our revenues and profitability under our license agreements may change from period to period due to various factors, including the amount of the royalty fees, changes in consumer preferences, brand repositioning activities and other factors, some of which are outside of our control. We also depend to a certain extent on the marketing efforts of the owners of our licensed brands, and there can be no assurance that their efforts will be successful. If the profitability of our licensed brands is less than initially expected, our license agreements could have a material adverse effect on our results of operations and financial condition.

***A significant shift in the relative sources of our earnings, adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.***

We have direct operations in many countries and the applicable tax rates vary by jurisdiction. As a result, our overall effective tax rate could be materially affected by the relative level of earnings in the various taxing jurisdictions to which our earnings are subject. In addition, the tax laws and regulations in the countries where we operate may be subject to change and there may be changes in interpretation and enforcement of tax law. As a result, we may pay additional taxes if tax rates increase or if tax laws, regulations or treaties in the jurisdictions where we operate are modified by the competent authorities in an adverse manner.

In addition, various national and local taxing authorities periodically examine us and our subsidiaries. The resolution of an examination or audit may result in us paying more than the amount that we may have reserved for a particular tax matter, which could have a material adverse effect on our cash flows, business, financial condition and results of operations for any affected reporting period.

We and our subsidiaries are engaged in a number of intercompany transactions. Although we believe that these transactions reflect arm's length terms and that proper transfer pricing documentation is in place, which should be respected for tax purposes, the transfer prices and conditions may be scrutinized by local tax authorities, which could result in additional tax liabilities.

***If we fail to implement and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud.***

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations.

We have identified deficiencies in our internal controls that are deemed to be material weaknesses. A material weakness is a deficiency, or a combination of deficiencies in internal controls over financial reporting, such that if there is a material misstatement in our financial statements, they will not necessarily be prevented or detected on a timely basis. As of January 31, 2020, the matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were:

- 1) Lack of skilled resources and lack of expertise with complex IFRS and SEC reporting matters. There has been a high turnover of staff during the financial period.
- 2) No formally implemented system of internal control over financial reporting and no associated written documentation of our internal control policies and procedures.
- 3) We did not maintain an effective process for reviewing financial information and did not have a sufficient number of personnel with an appropriate level of accounting knowledge, experience and training in the application of IFRS commensurate with management's financial reporting requirements.
- 4) Lack of regular Compensation Committee meetings held during the year.

We have an audit committee and appointed additional independent directors, which, along with a more thorough governance process, has remediated certain of our prior material weaknesses and reduced the level of the weaknesses described above. There has been a high turnover of staff and a reliance on the use of contractors in the finance team, which has contributed to the weaknesses described above. We have implemented and plan to implement certain actions to remediate these material weaknesses. Just prior to year-end, we appointed a new Chief Financial Officer who has begun to increase the resources in the finance team and establish additional senior permanent roles. By the end of the first half of fiscal year 2021, with the assistance of third party consultants, we will have reviewed all our internal controls and will recommend improvements. We also intend to hold regular compensation meetings in fiscal year 2021

We cannot guarantee that we will be able to complete such actions successfully. In addition, such actions may not be effective in remediating these material weaknesses. If our efforts to remediate these material weaknesses are not successful, the remediated material weaknesses may reoccur, or other material weaknesses could occur in the future. As a result of these material weaknesses, we may be unable to report our financial results accurately on a timely basis, which could cause our reported financial results to be materially misstated and result in the loss of investor confidence and could cause the stock price to decline. As a result of such failures, we could also become subject to investigation by the stock exchange on which our shares are listed, the SEC, or other regulatory authorities, and become subject to litigation from investors, which would harm our reputation, business, financial condition and results or operations, and divert financial and management recoveries from our core business.

In addition, any future testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm, if and when required, may reveal additional deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement. If we are unable to remedy the existing material weaknesses in our internal control over financial reporting, if in the future we identify additional material weaknesses in our internal control over financial reporting, if we are unable to comply with the requirements of Section 404 in a timely manner or assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is required to and is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock could be negatively affected, and we could become subject to investigations by the stock exchange on which our securities are then listed, the SEC, or other regulatory authorities, which could require additional financial and management resources. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

***Nasdaq may delist the Ordinary Shares from quotation on its exchange, which could limit investors' ability to sell and purchase our securities and subject us to additional trading restrictions.***

The Ordinary Shares are currently listed on the Capital Market of The Nasdaq Stock Market LLC ("Nasdaq") under the trading symbol "NAKD". However, on March 11, 2020, we received a notice from the Listing Qualifications Department of Nasdaq stating that, for the last 30 consecutive business days, the closing bid price for the Ordinary Shares had been below the minimum of US\$1.00 per share required for continued inclusion on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). We were afforded 180 calendar days to regain compliance with the minimum bid price requirement. In addition, Nasdaq has tolled the compliance period from April 16, 2020 through June 30, 2020, due to the impact of COVID-19. Accordingly, we have until November 23, 2020 to regain compliance with the minimum bid price requirement. In order to regain compliance, the bid price for shares of the Ordinary Shares must close at US\$1.00 per share or more for a minimum of ten consecutive business days. The notification letter also states that in the event we do not regain compliance within the 180 day period, we will be eligible for additional time if we meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for the Nasdaq Capital Market, with the exception of the bid price requirement, and notify Nasdaq of our intention to cure the deficiency during such second compliance period, including by effecting a reverse stock split, if necessary. There can be no assurance that we will regain compliance with the minimum bid price requirement within the allotted period, or that we will be able to maintain compliance with the other continued listing requirements under the Nasdaq Listing Rules.

If the Ordinary Shares are not listed on Nasdaq at any time after this offering, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;
- reduced liquidity;
- a determination that the Ordinary Shares are a "penny stock" which will require brokers trading in our shares to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for the Ordinary Shares;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

***As a foreign private issuer, we are permitted and expect to follow certain home country corporate governance practices (in our case Australian) in lieu of certain Nasdaq requirements applicable to domestic issuers and we are permitted to file less information with the Securities and Exchange Commission than a company that is not a foreign private issuer. This may afford less protection to holders of our securities.***

As a foreign private issuer under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Nasdaq allows us to follow home country governance practices (in our case Australian) in lieu of the otherwise applicable Nasdaq corporate governance requirements. In accordance with this exception, we follow Australian corporate governance practices in lieu of certain of the Nasdaq corporate governance standards, as more fully described in Item 16G of this Annual Report, “*Corporate Governance*.” In particular, we will follow Australian law and corporate governance practices with respect to the composition of our board and audit committee, and with respect to quorum requirements applicable to shareholder meetings. These differences may result in a board that is more difficult to remove as well as less shareholder approvals required generally. We will also follow Australian law instead of the Nasdaq requirement to obtain shareholder approval prior to the issuance of securities in connection with a change of control, certain acquisitions, private placements of securities, or the establishment or amendment of certain stock option, purchase, or other equity compensation plans or arrangements. These differences may result in less shareholder oversight and requisite approvals for certain acquisition or financing related decisions or for certain company compensation related decisions. The Australian home country practices described above may afford less protection to holders of our securities than that provided under the Nasdaq Listing Rules.

***We do not intend to pay any dividends on our Ordinary Shares at this time.***

We have not paid any cash dividends on our Ordinary Shares to date. The payment of cash dividends on our Ordinary Shares in the future will be dependent upon our revenue and earnings, if any, capital requirements, and general financial condition, as well as the limitations on dividends and distributions that exist under the laws and regulations of Australia, and will be within the discretion of our board of directors. It is the present intention of our board of directors to retain all earnings, if any, for use in our business operations and, accordingly, our board of directors does not anticipate declaring any dividends on our Ordinary Shares in the foreseeable future. As a result, any gain you will realize on our Ordinary Shares will result solely from the appreciation of such shares.

#### **ITEM 4. INFORMATION ON THE COMPANY**

##### **A. History and Development of the Company**

###### ***Office Location***

Our principal executive office is located at 8 Airpark Drive, Airport Oaks, Auckland New, Zealand. Our registered office is located at 1/23 Court Road Double Bay New South Wales 2028, Australia. Our agent for service of process in the U.S. is Graubard Miller, our U.S. counsel, located at The Chrysler Building, 405 Lexington Avenue, New York, New York 10174.

###### ***Principal Legal Advisers***

Our principal legal adviser in the U.S. is Graubard Miller, located at The Chrysler Building, 405 Lexington Avenue, New York, New York 10174.

###### ***History and Development***

We are an Australian public limited company formed on May 11, 2017 under the name “Bendon Group Holdings Limited.” We were formed to serve as a holding company for Bendon and Naked (NV) after consummation of the Transactions. Bendon was formed in 1947. Naked (NV) was incorporated in the State of Nevada on May 17, 2005, under the name “Search By Headlines.com Corp.” Prior to the completion of the Transactions, we had no assets and had not conducted any material activities other than those incidental to our formation.

On June 19, 2018, we consummated the Transactions contemplated by the Merger Agreement. Pursuant to the Merger Agreement, Bendon and Naked (NV) completed a business combination transaction by means of (i) the Reorganization, pursuant to which all of the shareholders of Bendon exchanged all of the outstanding Bendon Ordinary Shares for our Ordinary Shares, and (ii) immediately thereafter, Merger Sub merged with and into Naked (NV), with Naked (NV) surviving as a wholly owned subsidiary of ours and the Naked (NV) stockholders receiving our Ordinary Shares in exchange for all of the outstanding shares of common stock of Naked (NV). Effective on and from the closing of the Transactions, we changed our name from Bendon Group Holdings Limited to “Naked Brand Group Limited.”

On November 15, 2018, we and our wholly-owned subsidiary, Bendon, entered into a stock purchase agreement with the shareholders of FOH Online Corp. (“FOH”), including Cullen Investments Limited (“Cullen”), at the time a significant shareholder of the Company and also a debtor to the Company. Pursuant to the agreement, on December 6, 2018, we purchased all of the issued and outstanding shares of FOH, in order to gain direct ownership of the Frederick’s of Hollywood license arrangement FOH had with ABG-Frederick’s of Hollywood, LLC (“ABG”). We previously marketed merchandise under the Frederick’s of Hollywood brand through a sub-license arrangement with FOH. As a result of the acquisition of FOH, we now have a direct relationship with ABG in relation to the Frederick’s of Hollywood license. Under the terms of the stock purchase agreement, we paid a purchase price of approximately US\$18.2 million, as follows (i) the Company forgave debt owed to it by FOH and Cullen, in the aggregate amount of approximately US\$9.9 million, and (ii) the Company issued 3,765,087 of our Ordinary Shares to FOH’s shareholders, valued at a price per share of US\$2.20. We also agreed to satisfy certain obligations with respect to certain claims involving the parties.

On December 20, 2019, we completed a reverse stock split of our Ordinary Shares, pursuant to which every 100 Ordinary Shares outstanding as of the effective time of the reverse stock split were combined into one Ordinary Share.

### ***Additional Information***

The SEC maintains an internet site, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements, and other information regarding issuers, like us, that file electronically with the SEC. We also maintain a website at [www.nakedbrands.com](http://www.nakedbrands.com), which contains information about our company. The information on our website shall not be deemed part of this Annual Report.

### ***Principal Capital Expenditures***

Our capital expenditures for the twelve months ended January 31, 2020, 2019 and 2018 amounted to \$1.3m, \$0.2m and \$2.2m, respectively. Our capital expenditures during those years consisted of investments in property, plant and equipment for new and existing stores. We anticipate our capital expenditures in fiscal year 2021 to include investments in property, plant and equipment for new and existing stores, which will be financed through cashflows from operations and from financing transactions.

## **B. Business Overview**

### ***Summary***

We operate in the highly competitive specialty retail business. We are a designer, distributor, wholesaler, and retailer of women’s and men’s intimate apparel, as well as women’s swimwear. Our merchandise is sold through company-owned retail stores in Australia and New Zealand; through online channels; and through wholesale partners in Australia and New Zealand and, on a more limited basis, through wholesale partners and distributors in the E.U. (collectively, “partners”).

We previously sold our merchandise through wholesale partners in the U.S., as well. Accordingly, for the fiscal year ended January 31, 2020, we had seven reportable segments:

- *Australia Retail*: This segment covers retail and outlet stores located in Australia.
- *New Zealand Retail*: This segment covers retail and outlet stores located in New Zealand.

- *Australia Wholesale*: This segment covers the wholesale of intimates apparel to customers based in Australia.
- *New Zealand Wholesale*: This segment covers the wholesale of intimates apparel to customers based in New Zealand.
- *U.S. Wholesale*: This segment covers the wholesale of intimates apparel to customers based in the U.S.
- *E.U. Wholesale*: This segment covers the wholesale of intimates apparel to customers based in the E.U.
- *E-commerce*: This segment covers the Company's online retail activities.

However, in order to improve our profitability, we have exited the U.S. wholesale market, although we continue to sell in the U.S. through online channels. We also substantially reduced the size of our operations in the E.U. wholesale market.

### **Revenues by Segment**

Our revenues in each of our reportable segments for the twelve months ended January 31, 2020, 2019 and 2018 were as follows:

|                       | <b>12 Months Ended January 31,</b> |             |             |
|-----------------------|------------------------------------|-------------|-------------|
|                       | <b>2020</b>                        | <b>2019</b> | <b>2018</b> |
| Australia Retail      | \$ 14.3m                           | \$ 18.5m    | \$ 18.2m    |
| New Zealand Retail    | \$ 28.3m                           | \$ 31.8m    | \$ 34.3m    |
| Australia Wholesale   | \$ 7.1m                            | \$ 11.5m    | \$ 15.5m    |
| New Zealand Wholesale | \$ 3.5m                            | \$ 7.2m     | \$ 10.5m    |
| U.S. Wholesale        | \$ 4.0m                            | \$ 5.8m     | \$ 6.4m     |
| E.U. Wholesale        | \$ 1.1m                            | \$ 5.0m     | \$ 14.1m    |
| E-commerce            | \$ 31.9m                           | \$ 32.1m    | \$ 32.2m    |

### **Recent Developments**

#### *COVID-19*

On January 30, 2020, the World Health Organization (the "WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, COVID-19, and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the business' financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

As of the time of this filing, the impacts of the COVID-19 pandemic have been broad reaching, including impacts to our retail, wholesale and licensing businesses. The business has temporarily closed its bricks and mortar stores although it does continue to trade through the two online stores and is able to fulfil online orders from the New Zealand and U.S. warehouses. To mitigate the significant impact on cashflow it is working with suppliers to get support with delayed payments and has reached an agreement with certain key suppliers to push back payments. In addition, the business is negotiating support from landlords to provide rent abatements through the period of closure and until revenue levels return to previous levels. Employees have agreed to work reduced hours and the business has applied for Government wage subsidies from the New Zealand and Australian governments. At the date of this report, we had received \$2.0m in subsidies from the New Zealand government. The business is also in discussion with BNZ to defer loan repayments (see "Senior Secured Credit Facility" below). The impact of COVID-19 in Asia delayed stock flow due to temporary factory closures and the business is working with suppliers who are now back operating to prioritise and reschedule orders, inventory flow has resumed. In addition, the business is investigating funding packages for which it may be eligible.

Management and the directors are monitoring the situation on a daily basis and forward planning to minimize the total impact to the group.



## *Senior Secured Credit Facility*

Effective March 12, 2020, we entered into a Deed of Amendment and Restatement (the “Restated Facility Agreement”) that amended and restated that certain Facility Agreement, originally dated June 27, 2016, as amended from time to time, by and among Bendon, as borrower, us and certain subsidiaries and affiliates of ours, as guarantors (collectively, the “Guarantors”), and Bank of New Zealand, as lender (“BNZ”). Under the Restated Facility Agreement, BNZ will continue to make available (i) a revolving credit facility (the “Revolving Facility”), for which the facility limit, as amended, currently is \$16.7 million, and (ii) an instrument facility (the “Instrument Facility”), for which the facility limit is \$1.345 million. The revolving facility presently has an outstanding principal balance of \$16.7 million. We will reduce our indebtedness under the Restated Facility Agreement by an aggregate of \$7 million in periodic installments through November 30, 2021, which will also reduce the facility limit under the Revolving Facility. The facilities terminate on March 12, 2022. As at January 31, 2020, we were compliant under the facility covenants then in effect. However, we are unlikely to be compliant with financial covenants under the Restated Facility Agreement, due to the impact of COVID-19, and we are currently in negotiations with BNZ to revise these temporarily. For more information, see Item 5.B of this Annual Report, “*Liquidity and Capital Resources.*”

## *Nasdaq Noncompliance*

On March 11, 2020, we received a notice from the Nasdaq Listing Qualifications Department stating that, for the last 30 consecutive business days, the closing bid price for the Ordinary Shares had been below the minimum of \$1.00 per share required for continued inclusion on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). The notification letter stated that we would be afforded 180 calendar days to regain compliance with the minimum bid price requirement. In addition, Nasdaq has tolled the compliance period from April 16, 2020 through June 30, 2020, due to the impact of COVID-19. Accordingly, we have until November 23, 2020 to regain compliance with the minimum bid price requirement. In order to regain compliance, the closing bid price for the Ordinary Shares must be at least \$1.00 per share for a minimum of ten consecutive business days. The notification letter also stated that in the event we do not regain compliance within the 180-day period, we may be eligible for additional time. The Nasdaq notification has no effect at this time on the listing of the Ordinary Shares, and the Ordinary Shares continue to trade under the symbol “NAKD.”

## *Convertible Promissory Notes*

In each of October, November and December 2019 and January, February and April 2020, we completed a private placement to one of St. George Investments LLC or Iliad Research and Trading L.P., entities affiliated with one another (each, a “Noteholder”), of a convertible promissory note (each, a “Convertible Note”) and a warrant to purchase Ordinary Shares (each, a “CN Warrant”), in each case pursuant to a Securities Purchase Agreement with the applicable Noteholder (each, an “Note SPA”). The aggregate purchase price of the Convertible Notes was US\$15,500,000 (approximately NZ\$23,500,000). Each of the Convertible Notes bears interest at 20% per annum, compounded daily, and matures 24 months after its issuance. As of May 7, 2020, an aggregate of US\$1,275,000 (approximately NZ\$1,992,000) of the Convertible Notes had been converted into 2,952,233 Ordinary Shares, and the aggregate outstanding principal balance of the Convertible Notes was approximately US\$18,820,000 (approximately NZ\$29,405,000). For more information, see Item 5.B of this Annual Report, “*Liquidity, and Capital Resources.*”

## **Brands**

### *Bendon*

Our brands include our flagship Bendon brand, as well as our Bendon Man, Davenport, Fayreform, Lovable, Pleasure State, VaVoom, Evollove, and Hickory brands. We sell products under these brands at 61 Bendon stores in Australia and New Zealand and online at [www.bendonlingerie.com](http://www.bendonlingerie.com). Additionally, we sell products under these brands in approximately 325 wholesale stores in Australia, New Zealand and the E.U., and through distributors in the E.U.

## *Frederick's of Hollywood*

Since 1946, Frederick's of Hollywood has set the standard for innovative apparel, introducing the push-up bra, the padded bra, and black lingerie to the U.S. market. The brand's rich history has led it to become one of the most recognized in the world. Through FOH, we are the exclusive licensee of the Frederick's of Hollywood global online license, under which we sell Frederick's of Hollywood intimates products, sleepwear and loungewear products, swimwear and swimwear accessories products, and costume products. We sell our Frederick's of Hollywood products online at [www.bendonlingerie.com](http://www.bendonlingerie.com) and [www.fredericks.com](http://www.fredericks.com).

## *Former Brands*

We previously sold products under the Stella McCartney, Heidi Klum and Naked brands. Our license to the Stella McCartney brand terminated on June 30, 2018. On January 31, 2020, we entered into a termination agreement with Heidi Klum and Heidi Klum Company, LLC, which provides for the termination of the license agreement between the parties. On January 28, 2020, we sold all of our right, title and interest in the Naked brands to Gogogo SRL. We may continue selling existing Heidi Klum branded products, as well as Heidi Klum branded products manufactured on or prior to June 30, 2020 under existing contracts. The right to continue selling such products will continue until six months after the date of the termination agreement in the Northern Hemisphere and until 12 months after the date of the termination agreement in the Southern Hemisphere. We also may continue selling any inventory bearing the Naked brand that was in existence as of the closing.

## ***Our Strengths***

We believe the following competitive strengths contribute to our leading market position and differentiate us from our competition:

### *Distinct, Well-Recognized Brands*

Our iconic brands, including Bendon, Pleasure State, Fayreform and Frederick's of Hollywood, have come to represent a unique lifestyle across its targeted customers. Our brands allow us to target markets across the economic spectrum, across demographics and across the world. We believe our flagship brands and prominent, highly-recognized creative directors provide us with a competitive advantage.

### *In-Store Experience and Store Operations*

We view our customers' in-store experience as an important vehicle for communicating the image of each brand. We utilize visual presentation of merchandise, in-store marketing and our sales associates to reinforce the image represented by the brands. Our in-store marketing is designed to convey the principal elements and personality of each brand. The store design, furniture, fixtures and music are all carefully planned and coordinated to create a unique shopping experience. Every brand displays merchandise uniformly to ensure a consistent store experience, regardless of location. Store managers receive detailed plans designating fixture and merchandise placement to ensure coordinated execution of the company-wide merchandising strategy. Our sales associates and managers are a central element in creating the atmosphere of the stores by providing a high level of customer service.

### *Product Development, Sourcing and Logistics*

We believe a large part of our success comes from frequent and innovative product launches, as well as launches of new collections from our existing brands. Our merchant, design and sourcing teams have a long history of bringing innovative products to our customers. Our key vendor partners are industry leaders in both innovation and social responsibility. We work closely together to form a world class supply chain that is dynamic and efficient.

### *Highly Experienced Leadership Team*

Our management team is led by Justin Davis-Rice, Executive Chairman, who joined Bendon in 2011 and is responsible for leading our revenue growth. Prior to joining Bendon, Mr. Davis-Rice co-founded Pleasure State. Anna Johnson, Chief Executive Officer, brings to us a track record of over 25 years' experience driving growth across a number of industries, including consumer electronics, outdoor adventure and intimate apparel. The rest of our senior management team has a wealth of retail and business experience at The Warehouse Group, Cotton On Group and Hewlett Packard. We have developed a strong and collaborative culture aligned around our goals to create the most sensual, functional and comfortable lingerie and underwear for women and men all over the world.

## **Strategy**

The first stage of our transformation is now complete following our recent business restructure. We have established a new team of talented and experienced individuals who are committed to growing the brands and working in an inclusive culture. We have changed our operating model, centralizing and relocating all functions to the existing office in New Zealand – the original home of the Bendon brand. This reset of our business not only significantly reduces cost, but facilitates the centralization of all key areas, resulting in seamless collaboration and a new way of working.

Our key result areas we will focus on are:

1. Our go to market strategy.
2. Returning to profitability.
3. Winning Australia.
4. Developing the world's best program.
5. Enhancing our customer experience.

Historically, we have had a strong wholesale focus, and while this remains important, we will develop and leverage our business-to-consumer infrastructure, including 61 retail outlets and growing online presence and sales. These changes will be reflected in the merchandise strategy and structure as well as in our use of technology.

Our transformation initiatives that sit within our strategy include:

- *Channel, product, price and promotional framework* – Review and establish clear framework for our direct to consumer (“DTC”) channels around product introductions and range hierarchy. Continue to work on our basic to indent ratio with category management to rationalize product offering and develop new product based on growth opportunities in market. Execute a full price review and establish clear guidelines across all channels of margin expectations. For all DTC channels clarify channel objectives, key calendar events and strategies for new product and promotions that allow each channel to have a differentiating offer to the market.
- *Reliable vendor base* – Expand factory base to mitigate supply chain risk with new material technology (whilst protecting heritage product lines) and Corporate Social Responsibility lens.
- *Relentless focus on profitability* – Negotiate all vendor contracts to reduce cost of doing business by 15%. Labour project to realign wages costs. Review fulfillment model for opportunity of online increases.
- *Customer growth in Australia* – Grow both in digital and bricks and mortar footfall in Australia.
- *Focus on fit* – Augment instore and online fit and training programs. Evolve Bendon's reputation for innovation and fit through new product releases and new fit attributes exclusive to each product.
- *Personalization of customer experience* – Personalize the customer experience through both instore and digital platforms, including exploring new initiatives of subscription, style finding, gifting, delivery, loyalty and dynamic content underpinned by new online platform.
- *People and culture* – Refocus on our vision, mission and values driven by the senior leadership team.

## **Vision and Culture**

We are passionate about making sure we have a company culture that supports our vision: To make all woman feel confident and comfortable for life.

We value individual differences and diverse thought processes. We believe the quality of decision making is improved by people with varying backgrounds and perspectives working together by connecting and sharing ideas.

WE CREATE, WE BUILD, WE SUPPORT. We know that when we get culture right, it enables us to achieve our goal to be the leader in intimate apparel by demonstrating outstanding customer service, leading in product design, cultivating passionate employees and thinking customer first. Our commitment to our customers has grown stronger over 70 years, evolving into the Bendon culture statement:

ONE COMPANY, ICONIC BRANDS, A MILLION IDEAS. ALIGNED WITH A PURPOSE.

We believe this simple, resonant message reminds our people to actively participate together, inspire others by building on our heritage, making us a world leader in intimate apparel. At our company, our values underpin everything we do, they guide the way we work, the way we make decisions and how we interact with each other. They define what we can expect when we interact with work colleagues, stakeholders and what our customers can expect when they deal with us. Our message is defined by four CORE values:



This coupled with our guiding principles – Will it make a profit? Is it right for our customer? Is it right for our people? Can we implement and execute SIMPLY? Should it be our focus? – will ensure we effectively execute on our key result areas over the next 12 to 18 months.

*People*

Our success is built on the success of our people, as it is our people who help create a high-performing culture. Friendly, like-minded, innovative and passionate, we work together to achieve a common goal. Driven to be the best we can be, we celebrate our successes and push boundaries in everything we do.

*Pride*

We are a house of brands that has captured hearts and souls all around the world. We are inspired by our customers and aim to delight our consumers through designing and creating high quality, beautiful products that engage our customers in a lifetime relationship with us. We promote a positive, energizing, and optimistic environment and continuously strive to find ways to improve what we do every day.

*Collaboration*

At our company, we believe that diverse minds are critical to our success and we drive innovation, creativity and problem-solving across all levels. We believe in building strong working relationships, always considering the views of others and most importantly letting people know when they've done a good job. A collaborative environment is encouraged with a flat structure and open door policy. Embracing our heritage as a family business means that we all work together as a unit to celebrate ideas enabling us to become stronger and more successful.

*Business strength*

We are determined to reach greater heights. By constantly raising the bar and aiming for ambitious goals, we commit to achieving superior financial results. Driven by targets, we push ourselves to win and increase our market share. We achieve this through our people and their drive to promote our brands positively at every opportunity and to operate with integrity, openness and honesty.

## Responsibility

We are all committed to contributing to a sustainable global community, and supporting non-profit organizations that seek to make a positive difference in the world. We recognize the importance of providing social support to our global community. At our company, we look for opportunities to change lives and shape the future by giving our time, money, and unique expertise. Giving is an essential aspect of our culture and we have been able to deliver projects and contributions throughout the years. We aim to attract employees who understand this is a core part of who we are.

## Real Estate

### Executive Offices and Warehouse

Our principal executive offices and a warehouse are in a 9,163 m2 facility located at 8 Airpark Drive, Airport Oaks, Auckland 2022, New Zealand, which is occupied pursuant to a six-year lease that expires on May 31, 2022. We believe that these facilities are in good condition and are suitable to the conduct of our business. In addition, we use an independent warehousing contractor in the U.S. to facilitate distribution of FOH products, which is located in Mira Loma, California.

### Company-Owned Retail Stores

Our company-owned retail stores are located in shopping malls and strips in Australia and New Zealand. As a result of our strong brands and established retail presence, we have been able to lease high-traffic locations.

The following table provides the number of our company-owned retail stores in operation for each location as of January 1, 2020, 2019 and 2018.

| <b>Store Location (State/City)</b> | <b>Country</b> | <b>January 1, 2018</b> | <b>January 1, 2019</b> | <b>January 1, 2020</b> |
|------------------------------------|----------------|------------------------|------------------------|------------------------|
| Australian Capital Territory       | Australia      | 1                      | 1                      | 1                      |
| New South Wales                    | Australia      | 8                      | 8                      | 8                      |
| Queensland                         | Australia      | 7                      | 6                      | 5                      |
| South Australia                    | Australia      | 1                      | 1                      | 1                      |
| Victoria                           | Australia      | 9                      | 9                      | 7                      |
| Western Australia                  | Australia      | 0                      | 2                      | 3                      |
| North Island                       | New Zealand    | 31                     | 29                     | 29                     |
| South Island                       | New Zealand    | 5                      | 7                      | 7                      |

The following table provides the changes in the number of our company-owned retail stores operated for the past five calendar years.

| <b>Calendar Year</b> | <b>As of<br/>January 1</b> | <b>Opened</b> | <b>Closed</b> | <b>As of<br/>December 31</b> |
|----------------------|----------------------------|---------------|---------------|------------------------------|
| 2019                 | 63                         | 1             | (3)           | 61                           |
| 2018                 | 62                         | 4             | (3)           | 63                           |
| 2017                 | 59                         | 5             | (2)           | 62                           |
| 2016                 | 52                         | 8             | (1)           | 59                           |
| 2015                 | 50                         | 3             | (1)           | 52                           |

### Franchise, License and Wholesale Arrangements

In addition to our company-owned stores, our products are sold at many partner locations in six countries. Under these arrangements, third parties operate stores that sell our products under our brand names. Revenue is generally recognized under wholesale or distributor arrangements at the time the title passes to the partner.

The following table provides the number of wholesale partner stores that sell our products as of January 1, 2020, 2019 and 2018. In addition to our wholesale partner stores, we also sell through distributors in the E.U., which is not reflected in the following table.

| <b>Wholesale doors, excluding distributors</b> | <b>January 1, 2018</b> | <b>January 1, 2019</b> | <b>January 1, 2020</b> |
|--|------------------------|------------------------|------------------------|
| Australia & New Zealand                        | 1,344                  | 1,078                  | 324                    |
| U.K.   | 137                    | 2                      | 1                      |
| International                                  | 105                    | 5                      | 0                      |
| U.S.   | 5,204                  | 4,456                  | 0                      |
| <b>Total</b>                                   | <b>6,790</b>           | <b>5,241</b>           | <b>325</b>             |

## ***Additional Information***

### ***Merchandise Suppliers***

During the twelve months ended January 31, 2020, 2019 and 2018, we purchased merchandise from approximately 54, 59 and 22 suppliers located primarily in China. We believe price volatility is low.

### ***Distribution and Merchandise Inventory***

Most of our merchandise is shipped from our suppliers to our distribution centers in New Zealand and Los Angeles. We use a variety of shipping terms that result in the transfer to us of title to the merchandise at either the point of origin or point of destination. From our distribution centers, our merchandise is transported to our wholesale customers, to our retail stores and directly to consumers who purchase online.

Our policy is to maintain sufficient quantities of inventories on hand in our retail stores and distribution centers to enable us to offer customers an appropriate selection of current merchandise. We emphasize rapid turnover and take markdowns as required to keep merchandise fresh and current.

### ***Information Systems***

Our management information systems consist of a full range of retail, financial and merchandising systems. The systems include applications related to point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management, data security and support systems including human resources and finance.

### ***Seasonal Business***

Our operations are seasonal in nature and consist of two selling periods across the year, where the second selling season generates the most sales (the August to January period). This second selling period, which includes the holiday season, accounted for approximately 53%, 57% and 54% of our net sales for the twelve months ended January 31, 2020, 2019 and 2018, respectively, and is typically our most profitable period.

### ***Working Capital***

We fund our business operations through a combination of available cash and cash equivalents, cash flows generated from operations and equity and debt financing transactions. In addition, our senior credit facilities may be available for additional working capital needs and investment opportunities, subject to the borrowing limit.

### ***Regulation***

We and our products are subject to regulation by various federal, state, local and foreign regulatory authorities. We are subject to a variety of customs regulations and international trade arrangements.

### *Legal Proceedings*

From time to time, we are subject to certain legal proceedings and claims in the ordinary course of business. Except as described below, we are not presently party to any legal proceedings the resolution of which we believe would have a material adverse effect on our business, financial condition, operating results or cash flows. We establish reserves for specific legal matters when we determine that the likelihood of an unfavorable outcome is probable, and the loss is reasonably estimable.

On March 24, 2020, Timothy Connell filed a complaint against us, a subsidiary of ours, and Mr. Davis-Rice, alleging, among other things, that certain shares issued to him in satisfaction of a debt were not registered for resale as promised. Mr. Connell seeks rescission of the transaction. Our management intends to defend the action vigorously. Nothing has been provided in our consolidated financial statements for this litigation as management believes this debt has already been settled.

### *Trademarks and Patents*

Our trademarks and patents, which constitute our primary intellectual property, have been registered or are the subject of pending applications in 20 countries and with the registries of many foreign countries and/or are protected by common law. The Frederick's of Hollywood trademarks are licensed under a license agreement, while all of our other trademarks are company-owned. We believe our products are identified by our intellectual property and, thus, our intellectual property is of significant value. Accordingly, we intend to maintain our intellectual property and related registrations and vigorously protect our intellectual property assets against infringement.

### *Competition*

The sale of women's intimate and other apparel, personal care and beauty products and accessories through retail stores is a highly competitive business. Our competitors are numerous and include individual and chain specialty stores, department stores and discount retailers. Brand image, marketing, design, price, service, assortment and quality are the principal competitive factors in retail store sales. Our online businesses compete with numerous online merchandisers. Image presentation, fulfillment and the factors affecting retail store sales discussed above are the principal competitive factors in online sales.

### *Employee Relations*

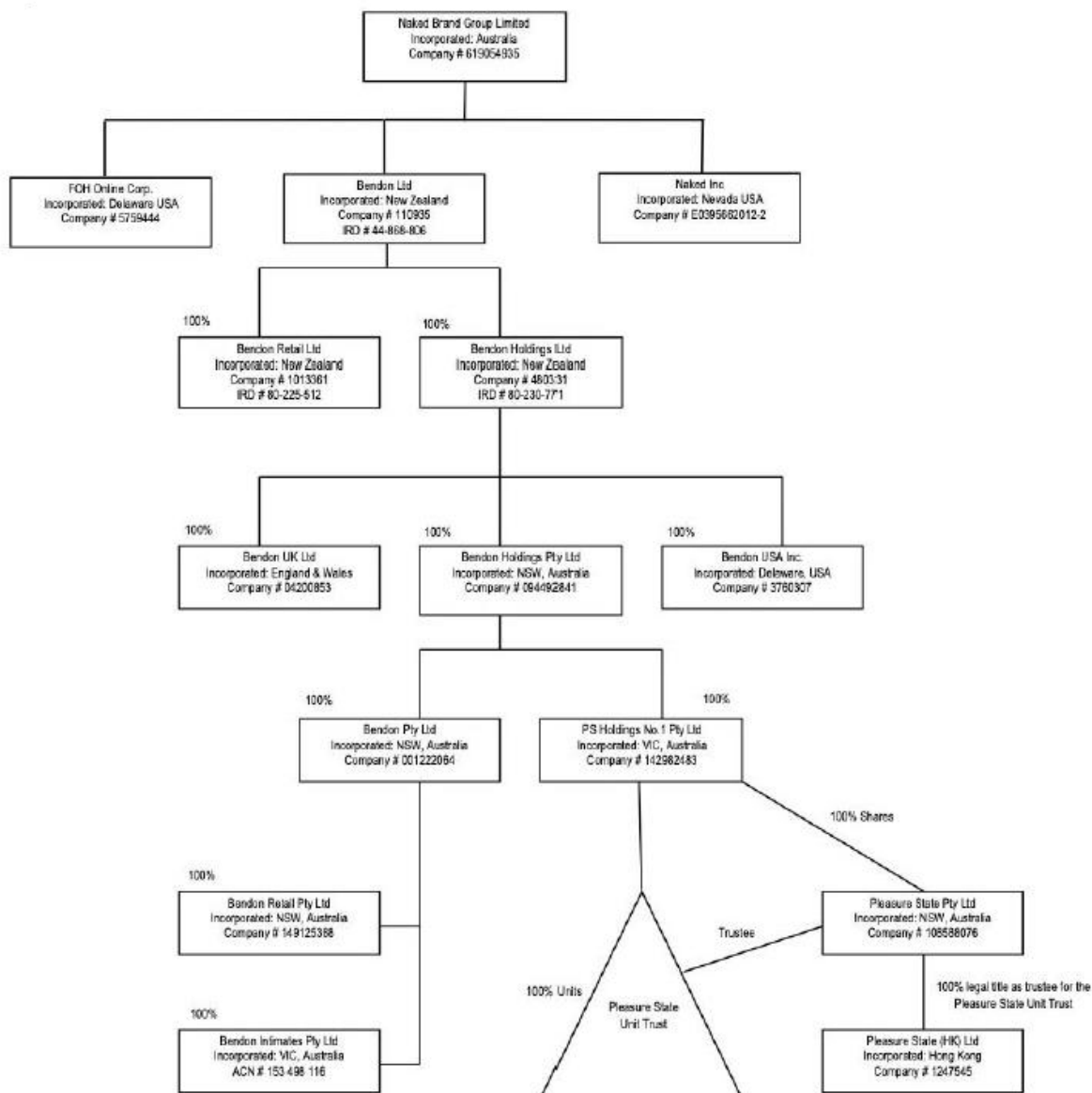
As of January 31, 2020, we employed approximately 577 employees, 70% of whom were part-time or casual. The number of employees, by geography, is noted in the table below.

| <b>Region</b>  | <b>Employees</b> |
|----------------|------------------|
| Australia      | 193              |
| New Zealand    | 377              |
| United Kingdom | 0                |
| Hong Kong      | 4                |
| U.S.           | 3                |

None of the employees are currently covered by a collective bargaining agreement. We have had no labor-related work stoppages and believes its relations with its employees are excellent.

### C. Organizational Structure

The following chart illustrates the organizational structure of us and our subsidiaries as of the date of this Annual Report:



### D. Property, Plants and Equipment

The disclosure set forth under “Real Estate” on page 26 is incorporated herein by reference.

#### ITEM 4A. UNRESOLVED STAFF COMMENTS

None.



## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following management's discussion and analysis (this "MD&A") provides information concerning our financial condition and results of operations for the fiscal years ended January 31, 2020, 2019 and 2018 and should be read in conjunction with our audited consolidated financial statements and the related notes included in Item 17 of this Annual Report, "Financial Statements."

The following discussion contains forward-looking statements that reflect our future plans, estimates, belief, and expected performance. The forward-looking statements are dependent upon events, risks and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include those discussed elsewhere in this Annual Report, particularly in Item 3.D of this Annual Report, "Risk Factors," and in "Cautionary Note Regarding Forward-Looking Statements." In light of these risks, uncertainties and assumptions, the forward-looking events discussed may not occur.

### Recent Developments

#### COVID-19

On January 30, 2020, the WHO announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, COVID-19, and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the business' financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

As of the time of this filing, the impacts of the COVID-19 pandemic have been broad reaching, including impacts to our retail, wholesale and licensing businesses. The business has temporarily closed its bricks and mortar stores although it does continue to trade through the two online stores and is able to fulfil online orders from the New Zealand and U.S. warehouses. To mitigate the significant impact on cashflow it is working with suppliers to get support with delayed payments and has reached an agreement with certain key suppliers to push back payments. In addition, the business is negotiating support from landlords to provide rent abatements through the period of closure and until revenue levels return to previous levels. Employees have agreed to work reduced hours and the business has applied for Government wage subsidies from the New Zealand and Australian governments. At the date of this report, we had received \$2.0m in subsidies from the New Zealand government. The business is also in discussion with BNZ to defer loan repayments (see "Senior Secured Credit Facility" below). The impact of COVID-19 in Asia delayed stock flow due to temporary factory closures and the business is working with suppliers who are now back operating to prioritise and reschedule orders, inventory flow has resumed. In addition, the business is investigating other funding packages for which they may be eligible.

Management and the directors are monitoring the situation on a daily basis and forward planning to minimize the total impact to the group.

#### Senior Secured Credit Facility

Effective March 12, 2020, we entered into the Restated Facility Agreement that amended and restated that certain Facility Agreement, originally dated June 27, 2016, as amended from time to time, by and among Bendon, as borrower, the Guarantors, as guarantors, and BNZ, as lender. Under the Restated Facility Agreement, BNZ will continue to make available (i) the Revolving Facility, for which the facility limit, as amended, currently is \$16.7 million, and (ii) the Instrument Facility, for which the facility limit is \$1.345 million. The revolving facility presently has an outstanding principal balance of \$16.7 million. We will reduce our indebtedness under the Restated Facility Agreement by an aggregate of \$7.0 million in periodic installments through November 30, 2021, which will also reduce the facility limit under the Revolving Facility. The facilities terminate on March 12, 2022. As at January 31, 2020, we were compliant under the facility covenants then in effect. However, we are unlikely to be compliant with financial covenants under the Restated Facility Agreement, due to the impact of COVID-19, and we are currently in negotiations with BNZ to revise these temporarily. For more information, see Item 5.B of this Annual Report, "*Liquidity and Capital Resources.*"

## *Nasdaq Noncompliance*

On March 11, 2020, we received a notice from the Nasdaq Listing Qualifications Department stating that, for the last 30 consecutive business days, the closing bid price for the Ordinary Shares had been below the minimum of \$1.00 per share required for continued inclusion on the Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2). The notification letter stated that we would be afforded 180 calendar days (until September 8, 2020) to regain compliance with the minimum bid price requirement. In order to regain compliance, the closing bid price for the Ordinary Shares must be at least \$1.00 per share for a minimum of ten consecutive business days. The notification letter also stated that in the event we do not regain compliance within the 180-day period, we may be eligible for additional time. The Nasdaq notification has no effect at this time on the listing of the Ordinary Shares, and the Ordinary Shares continue to trade under the symbol “NAKD.”

## *Convertible Promissory Notes*

In each of October, November and December 2019 and January, February and April 2020, we completed a private placement to one of the Noteholders of a Convertible Note and a CN Warrant, in each case pursuant to a Note SPA. The aggregate purchase price of the Convertible Notes was US\$15,500,000 (approximately NZ\$24,200,000). Each of the Convertible Notes bears interest at 20% per annum, compounded daily, and matures 24 months after its issuance. As of May 7, 2020, an aggregate of US\$1,275,000 (approximately NZ\$1,992,000) of the Convertible Notes had been converted into 2,952,233 Ordinary Shares, and the aggregate outstanding balance of the Convertible Notes was approximately US\$18,820,000 (approximately NZ\$29,405,000). For more information, see Item 5.B of this Annual Report, “*Liquidity, and Capital Resources.*”

## **Introduction**

We are a designer, distributor, wholesaler and retailer of women’s and men’s intimates apparel and swimwear. We sell products under our own brands, including Pleasure State, Davenport, Lovable, Bendon, Fayreform, VaVoom, Evollove, and Hickory, and under the licensed brand, Frederick’s of Hollywood.

We previously sold products under the Stella McCartney, Heidi Klum and Naked brands. Our license to the Stella McCartney and Heidi Klum brands terminated, and we sold all of our right, title and interest in the Naked brand. We may continue selling existing Heidi Klum branded products, as well as Heidi Klum branded products manufactured on or prior to June 30, 2020 under existing contracts. The right to continue selling such products will continue until six months after the date of the termination agreement in the Northern Hemisphere and until 12 months after the date of the termination agreement in the Southern Hemisphere. We also may continue selling any inventory bearing the Naked brand that was in existence as of the closing.

Our merchandise is sold through company-owned retail stores in Australia and New Zealand; through online channels; and through wholesale partners in Australia and New Zealand and, on a more limited basis, through wholesale partners and distributors in the E.U. (who we sometimes refer to as “partners”). We previously sold our merchandise through wholesale partners in the U.S., as well. However, in order to improve our profitability, we have exited the U.S. wholesale market, although we continue to sell in the U.S. through online channels. We also substantially reduced the size of our operations in the E.U. wholesale market.

As a result of the Transactions, the historical financial statements of Bendon became our historical financial statements. Prior to the Transactions, in keeping with customary practice in New Zealand, Bendon’s fiscal year ended on June 30. In connection with the Transactions, Bendon changed its fiscal year end to January 31, effective on January 31, 2017, to align with Naked (NV)’s fiscal year end.

On December 20, 2019, we completed a reverse stock split of our Ordinary Shares, pursuant to which every 100 Ordinary Shares outstanding as of the effective time of the reverse stock split were combined into one Ordinary Share. Except as otherwise noted, all share and per share information in this prospectus is presented on post-reverse split basis.

## Basis of Presentation

Our audited annual consolidated financial statements have been prepared in accordance with IFRS as issued by the IASB, and are presented in thousands of New Zealand dollars, except where otherwise indicated. However, certain financial measures contained in this MD&A are non-IFRS measures and are discussed further under “Non-IFRS Measures” below. All references to “\$” and “dollars” refer to New Zealand dollars, unless otherwise indicated. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding. All references to the “12 months” ended January 31 are to the fiscal year ended January 31.

## Overview

### *Comparison of 12 Months Ended January 31, 2020 and 2019*

During the 12 months ended January 31, 2020 and 12 months ended January 31, 2019, we incurred a net comprehensive loss of \$52.2m and \$49.2m, respectively.

Net sales in the 12 months ended January 31, 2020 decreased by \$21.9m, or 19.5%, to \$90.1m when compared with \$111.9m in the 12 months ended January 31, 2019. The sales in the 12 months ending January 31, 2020 were negatively impacted by a stock supply issue because of liquidity issues. Our strategic decision to exit the U.S. wholesale market and substantially exit the E.U./U.K. wholesale market also contributed to the reduction in sales for the Company.

Brand management expenses decreased by \$13.7m, or 27.8%, from \$49.2m to \$35.6m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. This was largely due to cost savings in our store overheads and reduced marketing spend.

Administrative expenses increased by \$8.4m, or 244.9% from \$3.4m to \$11.8m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. \$8.8m of the variance was due to a change in accounting standard. Under IFRS 16, operating leases that were traditionally charged to profit or loss account have been replaced by depreciation and an implied interest charge. More details on this can be found in note 3(b) in the consolidated financial statements. This was slightly offset by changes in depreciation.

Corporate expenses decreased by \$1.4m, or 9.7%, from \$14.1m to \$12.8m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. This was largely due to cost savings in our overheads, specifically lower salaries due to headcount reductions and collection of previously impaired receivables.

Finance expenses increased by \$1.2m, or 29.0% from \$4.0m to \$5.2m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. Lower interest on reduced bank borrowings and derecognition of interest on a shareholder loan was offset by interest on convertible loan notes and the implied interest due to the change in accounting standard for operating leases under IFRS 16.

Brand transition, restructure and transaction expenses increased by \$4.5m, or 44.8%, from \$10.1m to \$14.6m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, which was driven by contract termination costs.

Impairment expense increased by \$0.7m, or 8.9%, from \$8.2m to \$8.9m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, which was driven by stock supply issue due to liquidity issues.

Other foreign currency gains decreased by \$1.4m, or 68.7%, from \$1.9m to \$0.6m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, due to fluctuating exchange rates and reduced foreign exchange contracts.

Fair value loss on convertible notes derivative decreased by \$0.7m, or 100%, from \$0.7m to \$0.0m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, due to the underlying features of the outstanding convertible loan notes.

Gains on sale of intangible assets increased by \$0.9m, or 100%, from \$0.0m to \$0.9m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, due to gains on sale of Naked brand.

### ***Comparison of 12 Months Ended January 31, 2019 and 2018***

During the 12 months ended January 31, 2019 and 12 months ended January 31, 2018 we incurred a net comprehensive loss of \$49.2m and \$37.4m respectively.

Net sales in the 12 months ended January 31, 2019 decreased by \$19.5m, or 14.8%, to \$111.9m when compared with \$131.4m in the 12 months ended January 31, 2018. The sales in the 12 months ending January 31, 2019 were negatively impacted by a stock supply issue because of liquidity issues. In addition, we also ended our wholesale relationship with key major accounts in the U.S. market. Our strategic decision to substantially exit the E.U./U.K. wholesale market as well as the loss of the Stella McCartney license also contributed to the reduction in sales for the Company.

Brand management expenses decreased by \$4.4m, or 8.2% from \$53.7m to \$49.3m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018. This was largely due to cost savings in our store overheads and reduced marketing spend.

Corporate expenses increased by \$1.3m, or 10.1%, from \$12.8m to \$14.1m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, primarily driven by increased salary allocation and rental costs.

Finance expenses decreased by \$4.8m, or 54.5% from \$8.8m to \$4.0m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, due to a reduction in interest on both external borrowings and shareholder loans.

Brand transition, restructure and transaction expenses increased by \$6.8m, or 212.5%, from \$3.2m to \$10.0m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, which was driven by costs incurred in respect of the U.S. listing process.

Impairment expense increased by \$6.3m, or 331.6%, from \$1.9m to \$8.2m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, which was driven by stock supply issue because of liquidity issues.

Other foreign currency gains increased by \$1.2m or 159.2% from \$0.7m to \$1.9m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, due to positive movements in exchange rates on foreign exchange contracts.

### **Application of Critical Accounting Policies, Estimates, and Judgements**

Our accounting policies form the basis for preparation of our financial statements and our financial statements in turn are an essential factor in understanding our operations. Our accounting policies are in accordance with IFRS as issued by the IASB and are fully described in the notes to our audited financial statements as of and for the fiscal years ended January 31, 2020, 2019 and 2018. The preparation of our financial statements required management to make judgments, estimates, assumptions and judgments that affect the reported amounts of revenue, assets, liabilities and expenses. Our management re-evaluates estimates on an on-going basis and such estimates are based on historical experience and on various other assumptions that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

#### ***Critical accounting policies***

Critical accounting policies are those that reflect our industry and activity specific accounting treatments used in preparing our financial statements for the 12 months ended January 31, 2020, 2019 and 2018, or that have significant potential to result in a material adjustment to the carrying amounts of assets and liabilities during each of the years.

### *Going concern*

For the financial year ended January 31, 2020, we experienced a loss after income tax from continuing operations of NZ\$54.305 million and operating cash outflows of NZ\$19.894 million. We also are in a net current liability position of NZ\$22.21 million and a negative shareholder equity position of NZ\$6.284 million.

The losses in the year ended January 31, 2020 were impacted by inventory levels which resulted in reduced revenue from wholesale customers along with reduced turnover in both outlet and retail stores in New Zealand and Australia. We have been working with our suppliers to correct outstanding debt positions and focus on returning stock inflow to required levels. In periods when stock levels were normal the business realized strong sales results.

During the year, we maintained our loan facility with BNZ. We did, however, breach our BNZ debt loan covenants during the financial year, although we were compliant in January 2020. At the time of January 31, 2020, we were in the process of extending the facilities. On March 12, 2020, we entered into a Deed of Amendment with BNZ to extend our loan facility of NZ\$16.7m (January 31, 2019: NZ\$20.0m) until March 2022. The business raised NZ\$34.1m of funds in the form of issued capital and convertible notes over the course of the financial year to assist with the negative operating cashflow. In addition, the business used this to repay part of the bank debt from NZ\$20m to NZ\$17.9m, reduce balances with overdue trade creditors, rebuild higher margin inventory, fund operating losses and restructure the business. The business also issued share equity to a number of suppliers in order to reduce debt balances.

The funds raised and cash flow generated during the financial year ended January 31, 2020 have not been sufficient to provide us with adequate working capital, so subsequent to the end of the financial year management has continued to raise further capital to complete a program that will fund new inventory to restock stores and supply wholesale customers, fund further losses, reduce out of term creditors, open new stores and provide funds to amortise the BNZ debt. It is expected we will need to continue to fund losses through to the start of the year ending January 31, 2022. This capital raising is continuing at the time of this report with management having set a target to raise a further NZ\$13.9 million (US\$9m) between February 2020 and June 30, 2020. At the date of this report management had raised NZ\$6.8 million (US\$4.5m) and was still planning on raising the balance. We must complete the fundraising to continue as a going concern.

During the year management engaged in further restructuring of the business's operations including reducing costs across distribution channels, renegotiating supplier contracts, resetting customer supply commitments and updating leadership roles with the final member of the leadership team joining the business in February 2020.

Despite the ongoing losses, the directors are confident that we will continue as a going concern. However, while the directors are confident of continuing as a going concern and meeting our debt obligation to BNZ and creditor commitments as they fall due, the going concern is dependent upon the directors and us being successful in:

- Raising further capital of at least NZ\$6.8 million and collecting it before October 2020, which will enable the business to continue to be cashflow positive;
- Having sufficient funds from the capital raised to reduce costs, rebuild higher margin inventory, increase revenue across the all channels, increase gross margin percentages and contribution that leads to a reduction in the current cash outflow being incurred each month to reach a cash flow positive position, and to reduce bank debt;
- Generating enough sales and increasing gross margins from trading in line with forecast;
- Maintaining key personnel;
- Continuing to receive support from creditors to delay payment of overdue amounts until we have adequate cash flow to commence a repayment arrangement or repay the debt in full; and
- Renegotiating the current amortisation level of the facility to enable the business to maximise cashflow opportunities.

Due to the impact of COVID-19 the business has temporarily closed its bricks and mortar stores although it does continue to trade through its two online stores. To mitigate the significant impact on cashflow, we are working with suppliers to get support with delayed payments and has reached an agreement with certain key suppliers to push back payments, these include royalty payments. In addition, the business is negotiating support from landlords to provide rent abatements through the period of closure and until revenue levels return to required levels. Employees have agreed to work reduced hours and the business has applied for Government wage subsidies from the New Zealand and Australian governments. At the date of this report, we had received \$2.0m in subsidies from the New Zealand government. The business is also in discussion with the bank to defer loan repayments.

The impact of COVID-19 in Asia has delayed stock flow due to temporary factory closures and the business is working with suppliers who are now back operating to prioritise and reschedule orders. Inventory flow has resumed, and we are able to fulfil online orders from the New Zealand and U.S. warehouses.

In addition, the business is investigating funding packages for which it may be eligible.

As a result, our viability is dependent on the above matters, and there could be a substantial doubt about our ability to continue as a going concern. However, the directors believe that we will be successful in the above matters and, accordingly, have prepared the report on a going concern basis.

#### *Revenue recognition*

##### Sale of goods

Sales of goods through retail stores, e commerce and wholesale channels are recognised when control of the products have been transferred to the customer which is a point in time. For wholesale and e commerce sales, risks and rewards are transferred when goods are delivered to customers, and therefore reflects an estimate of shipments that have not been received at year end based on shipping terms and historical delivery times. We also provide a reserve for projected merchandise returns based on prior experience. We sell gift cards to customers. We recognise revenue from gift cards when they are redeemed by the customers. In addition, we recognise revenue on all of our unredeemed gift cards when the gift cards have expired.

##### *(i) Sale of goods – wholesale*

We sell a range of lingerie products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. The estimates of discount are based on the trading terms in the contracts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume payable to customers in relation to sales made until the end of the reporting period. Our obligation to provide a refund for faulty products under the standard trading terms is recognised as a provision.

##### *(ii) Sale of goods – retail/e commerce*

We operate a chain of retail stores and e commerce websites selling lingerie products. Revenue from the sale of goods is recognised when we sell a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the product. It is our policy to sell our products to the end customer with a right of return within 30 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in inventory if deemed saleable) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

##### Interest revenue

Interest is recognised using the effective interest method.

##### Other income

Other income is recognised on an accruals basis when we are entitled to it.

#### ***Significant Accounting Judgments, Estimates, and Assumptions***

Significant accounting judgments, estimates, and assumptions that have been used in the preparation of our financial statements are set out below. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

We make estimates and assumptions concerning the future in determining accounting treatments and quantifying amounts for transactions and balances in certain circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

##### *Inventory*

Each item on inventory is reviewed on an annual basis to determine whether it is being carried at higher than its net realizable value. During the period, management have written down inventory based on best estimate of the net realizable value, although until the time that inventory is sold this is an estimate.

### *Impairment of Goodwill*

In accordance with IAS 36 Impairment of Assets, we are required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA future cash flows;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect our impairment evaluation and hence results.

Our review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 17(b) to the consolidated financial statements.

#### *Fair Value of Financial Instruments*

We have certain financial assets and liabilities which are measured at fair value. Where fair value has not been able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

#### *Impairment of Brands*

In accordance with IFRS 36, Impairment of Assets, the Company is required to estimate the recoverable amount of indefinite-lived brand assets at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by their value in use or fair value less cost to sell.

In calculating the fair value less costs to sell, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in brand revenues,
- market royalty rate,
- the selection of discount rates to reflect the risks involved, and
- long-term growth rates.

Changing the assumptions selected by management, in particular the growth rate, discount rate and market royalty rate assumption used, could significantly affect our impairment evaluation and hence results.

Our review includes the key assumptions related to sensitivity in the model. Further details are provided in note 17(d) to the consolidated financial statements.

#### *Determining the lease term of contracts with renewal options*

We determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised within the next 12 months. As per our policy, the options are not exercised when the lease terms are beyond 12 months as of the assessment date. When we have the option to lease the assets for additional terms, we apply judgement in evaluating whether we are reasonably certain to exercise the option to renew, considering all relevant factors that create an economic incentive for us to exercise the renewal. After the commencement date, we reassess the lease term if there is a significant event or change in circumstances that is within our control and affect our ability to exercise (or not to exercise) the option to renew.

#### *Taxes*

Determining income tax provisions and the recognition of deferred tax assets including carried forward income tax involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable income being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.



## Recent Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for January 31, 2020 reporting periods and have not been early adopted by us.

## A. Operating Results

The following table sets forth certain operating results and other financial information for each of the years ended January 31, 2020, 2019 and 2018:

| <i>Thousands of NZ\$</i>                                  | <b>12 Months<br/>Ended<br/>Jan. 31,<br/>2020</b> | <b>12 Months<br/>Ended<br/>Jan. 31,<br/>2019</b> | <b>12 Months<br/>Ended<br/>Jan. 31,<br/>2018</b> | <b>%<br/>movement<br/>FY20 v<br/>FY19</b> | <b>%<br/>movement<br/>FY19 v<br/>FY18</b> |
|---|--|--|--|---|---|
| Revenue   | 90,065   | 111,920  | 131,388  | -19.5%                                    | -14.8%                                    |
| Cost of goods sold  | (56,247)   | (74,480)   | (87,459)   | -24.5%                                    | -14.8%                                    |
| Gross profit  | 33,818   | 37,440   | 43,929   | -9.7%                                     | -14.8%                                    |
| Brand management  | (35,555)   | (49,256)   | (53,653)   | -27.8%                                    | -8.2%                                     |
| Administrative expenses                                   | (11,837)   | (3,432)  | (4,131)  | 244.9%                                    | -16.9%                                    |
| Corporate expenses  | (12,772)   | (14,145)   | (12,851)   | -9.7%                                     | 10.1%                                     |
| Finance expense   | (5,213)  | (4,041)  | (8,791)  | 29.0%                                     | -54.0%                                    |
| Brand transition, restructure and transaction expenses    | (14,593)   | (10,075)   | (3,272)  | 44.8%                                     | 207.9%                                    |
| Impairment expense  | (8,904)  | (8,173)  | (1,914)  | 8.9%                                      | 326.9%                                    |
| Other foreign currency gains                              | 615  | 1,963  | 757  | -68.7%                                    | 159.3%                                    |
| Fair value gain/(loss) on convertible notes derivative    | 0  | (775)  | 2,393  | -100.0%                                   | -132.4%                                   |
| Interest Income   | 12   | 0  | 0  | 100.0%                                    | 0.0%                                      |
| Gain on sale of intangible assets                         | 906  | 0  | 0  | 100.0%                                    | 0.0%                                      |
| Loss before income tax                                    | (53,523)   | (50,494)   | (37,533)   | 6.0%                                      | 34.5%                                     |
| Income tax benefit/(expense)                              | (782)  | 1,274  | (60)   | -161.4%                                   | -2223.3%                                  |
| Loss for the period                                       | (54,305)   | (49,220)   | (37,593)   | 10.3%                                     | 30.9%                                     |
| <i>Other comprehensive loss</i>                           |  |  |  |   |   |
| Exchange differences on translation of foreign operations | 2,131  | (7)  | 148  | -30,542.9%                                | -104.7%                                   |
| Total comprehensive loss for the period                   | (52,174)   | (49,227)   | (37,445)   | 6.0%                                      | 31.5%                                     |

## Revenue

### Comparison of 12 Months Ended January 31, 2020 and 2019

During the 12 months ended January 31, 2020, net sales decreased by \$21.9m, or 19.5%, when compared with \$111.9m in the 12 months ended January 31, 2019. The sales in the 12 months ended January 31, 2020 continued to be negatively impacted by a stock supply issue because of liquidity issues. Our strategic decision to exit the U.S. wholesale market and substantially exit the E.U./U.K. wholesale markets also contributed to the reduction in sales for the Company.

One new store was opened in New Zealand and three stores were closed in Australia.

### Comparison of 12 Months Ended January 31, 2019 and 2018

During the 12 months ended January 31, 2019 the net sales decreased by \$19.5m or 14.8% when compared with \$131.4m in the 12 months ended January 31, 2018. The sales in the 12 months ended January 31, 2019 continued to be negatively impacted by a stock supply issue because of liquidity issues. In addition, we also ended our wholesale relationship with key major accounts in the U.S. market. Our strategic decision to substantially exit the E.U./U.K. wholesale market as well as the loss of the Stella McCartney license also contributed to the reduction in sales for the Company.

One new store was opened in Australia, as well as three new stores in New Zealand to continue to expand our brand presence across the Australasian market during the year ended January 31, 2019. During the current financial year, we also successfully acquired both the Naked and Fredricks of Hollywood entities.

### Gross margins

#### Comparison of 12 Months Ended January 31, 2020 and 2019

During the 12 months ended January 31, 2020 and the 12 months ended January 31, 2019, gross margin was 37.5% and 33.5% respectively. Higher margin product and promotional activity along with customer mix have influenced this however there is room for improvement as margin does continue to be impacted by supply issues.

#### Comparison of 12 Months Ended January 31, 2019 and 2018

During the 12 months ended January 31, 2019 and the 12 months ended January 31, 2018, the gross margin was 33.5% and 33.4% respectively. The movement year on year is consistent, however the margin continues to be impacted by the sales mix, discounts provided to customers and a lack of current season stock because of the supply issue.

### Operating expenses

The following table sets forth operating expenses for each of the years ended January 31, 2020, 2019 and 2018:

| <i>Thousands of NZ\$</i>                               | <b>12 Months<br/>Ended<br/>Jan. 31,<br/>2020</b> | <b>12 Months<br/>Ended<br/>Jan. 31,<br/>2019</b> | <b>12 Months<br/>Ended<br/>Jan. 31, 2018</b> | <b>%<br/>movement<br/>FY20 v<br/>FY19</b> | <b>%<br/>movement<br/>FY19 v<br/>FY18</b> |
|--|--|--|--|---|---|
| Brand management                                       | (35,555)   | (49,256)   | (53,653)                                     | -27.8%                                    | -8.2%                                     |
| Administrative expenses                                | (11,837)   | (3,432)  | (4,131)                                      | 244.9%                                    | -16.9%                                    |
| Corporate expenses                                     | (12,772)   | (14,145)   | (12,851)                                     | -9.7%                                     | 10.1%                                     |
| Finance expense  | (5,213)  | (4,041)  | (8,791)                                      | 29.0%                                     | -54.0%                                    |
| Brand transition, restructure and transaction expenses | (14,593)   | (10,075)   | (3,272)                                      | 44.8%                                     | 207.9%                                    |
| Impairment expense                                     | (8,904)  | (8,173)  | (1,914)                                      | 8.9%                                      | 326.9%                                    |
| Other foreign currency gains                           | 615  | 1,963  | 757  | -68.7%                                    | 159.3%                                    |
| Fair value gain/(loss) on convertible notes derivative | 0  | (775)  | 2,393  | -100.0%                                   | -132.4%                                   |
| Interest income  | 12   | 0  | 0  | 100.0%                                    | 0.0%                                      |
| Gain on sale of intangible assets                      | 906  | 0  | 0  | 100.0%                                    | 0.0%                                      |

#### Comparison of 12 Months Ended January 31, 2020 and 2019

Brand management expenses decreased by \$13.7m, or 27.8%, from \$49.2m to \$35.6m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. This was largely due to cost savings in our store overheads and reduced marketing spend.

Administrative expenses increased by \$8.4m, or 244.9%, from \$3.4m to \$11.8m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. This was due to a change in accounting standard. Under IFRS 16, operating leases that were traditionally charged to profit or loss account have been replaced by depreciation and an implied interest charge. More details on this can be found in note 3(b) in the consolidated financial statements.

Corporate expenses decreased by \$1.4m, or 9.7%, from \$14.1m to \$12.8m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. This was largely due to cost savings in our overheads, specifically lower salaries due to headcount reductions and collection of previously impaired receivables

Finance expenses increased by \$1.2m, or 29.0%, from \$4.0m to \$5.2m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019. Lower interest on reduced bank borrowings and derecognition of interest on a shareholder loan was offset by interest on convertible loan notes and the implied interest due to the change in accounting standard for operating leases under IFRS 16.

Brand transition, restructure and transaction expenses increased by \$4.5m, or 44.8%, from \$10.1m to \$14.6m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, which was driven by contract termination costs.

Impairment expense increased by \$0.7m, or 8.9%, from \$8.2m to \$8.9m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, which was driven by stock supply issue due to liquidity issues.

Other foreign currency gains decreased by \$1.4m, or 68.7%, from \$1.9m to \$0.6m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, due to fluctuating exchange rates and reduced foreign exchange contracts.

Fair value loss on convertible notes derivative decreased by \$0.7m, or 100% ,from \$0.7m to \$0.0m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, due to the underlying features of the outstanding convertible loan notes.

Gains on sale of intangible assets increased by \$0.9m, or 100%, from \$0.0m to \$0.9m in the 12 months ended January 31, 2020 as compared with the 12 months ended January 31, 2019, due to gains on sale of Naked brand.

#### *Comparison of 12 Months ended January 31, 2019 and 2018*

Brand management decreased by \$4.4m, or 8.2% from \$53.6m to \$49.2m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018. This was largely due to cost savings in our store overheads and reduced marketing spend.

Administrative expenses decreased by \$0.7m, or 17% from \$4.1m to \$3.4m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018. This was due to cost saving initiatives implemented by our new CEO who joined us during the financial year ended January 31, 2019.

Corporate expenses increased by \$1.3m, or 10.1%, from \$12.8m to \$14.1m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, which was primarily driven by an increase in salary and rental costs.

Finance expenses decreased by \$4.8m, or 54.5% from \$8.8m to \$4.0m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, due to a reduction in interest on both external borrowings and shareholder loans.

Brand transition, restructure and transaction expenses increased by \$6.4m, or 195.9%, from \$3.2m to \$9.6m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, which was driven by costs incurred in respect of the U.S. listing process.

Impairment expense increased by \$6.3m, or 331.6%, from \$1.9m to \$8.2m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018, which was driven by stock supply issue due to liquidity issues.

Other foreign currency gains increased by \$1.2m or 159.2% from \$0.7m to \$1.9m in the 12 months ended January 31, 2019 as compared with the 12 months ended January 31, 2018 due to gains on foreign exchange contracts.

### **Taxation**

#### *Comparison of 12 Months Ended January 31, 2020 and 2019*

The tax expense of \$782k in the 12 months ended January 31, 2020 was a decrease of \$2,056k when compared to the tax benefit of \$1,274k for the 12 months ended January 31, 2019. This year on year movement is due to current tax charges in the current year and adjustment for current tax related to prior periods.

#### *Comparison of 12 Months ended January 31, 2019 and 2018*

The tax benefit of \$1,274k in the 12 months ended January 31, 2019 was an increase of \$1,334k when compared to the tax expense of \$60k for the 12 months ended January 31, 2018. This year on year movement is due to increased tax benefits resulting from the increased losses and adjustments for current tax for prior periods.

### **Net loss and comprehensive loss**

#### *Comparison 12 Months Ended January 31, 2020 and 2019*

The net loss in the 12 months ended January 31, 2020 increased by \$5.1m, or 10.3%, to \$54.3m when compared with \$49.2m in the 12 months ended January 31, 2019. This was due to both the decrease in gross profit of \$3.6m and the decrease in expense of \$0.6m and increase in tax of \$2.0m in the 12 months ended January 31, 2020 when compared with the 12 months ended January 31, 2019.

#### *Comparison of 12 Months ended January 31, 2019 and 2018*

The net loss in the 12 months ended January 31, 2019 increased by \$11.8m, or 31.5%, to \$49.2m when compared with \$37.4m in the 12 months ended January 31, 2018. This was due to both the decrease in gross profit of \$6.5m and the increase in expenses of \$5.3m in the 12 months ended January 31, 2019 when compared with the 12 months ended January 31, 2018.

### **Segmented Reporting**

For the fiscal year ended January 31, 2020, we had seven reportable segments:

- *Australia retail.* This segment covers retail and outlet stores located in Australia.
- *New Zealand retail.* This segment covers retail and outlet stores located in New Zealand.
- *Australia wholesale.* This segment covers the wholesale of intimates apparel to customers based in Australia.
- *New Zealand wholesale.* This segment covers the wholesale of intimates apparel to customers based in New Zealand.
- *U.S. wholesale.* This segment covers the wholesale of intimates apparel to customers based in the U.S.
- *E.U. wholesale.* This segment covers the wholesale of intimates apparel to customers based in the E.U.
- *E-commerce.* This segment covers the Company's online retail activities.

However, in order to improve our profitability, we have exited the U.S. wholesale market, although we continue to sell in the U.S. through online channels. We also substantially reduced the size of our operations in the E.U. wholesale market.

The following tables provide our segment net sales, gross margin and EBITDA for the 12 months ended January 31, 2020, 2019 and 2018.

**12 Months Ended January 31, 2020**  
*Thousands of NZ\$*

|              | <b>NZ<br/>Retail</b> | <b>AU<br/>Retail</b> | <b>NZ<br/>Wholesale</b> | <b>AU<br/>Wholesale</b> | <b>US<br/>Wholesale</b> | <b>EU<br/>Wholesale</b> | <b>e-<br/>commerce</b> | <b>Unallocated</b> | <b>Total</b> |
|--------------|----------------------|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|--------------------|--------------|
| Revenue      | 28,302               | 14,274               | 3,482                   | 7,066                   | 3,955                   | 1,051                   | 31,935                 | 0                  | 90,605       |
| Gross margin | 15,305               | 7,689                | 27                      | 2,229                   | 1,689                   | 266                     | 11,020                 | (4,407)            | 33,818       |
| EBITDA       | 4,814                | (604)                | (446)                   | 80                      | 1,166                   | 299                     | (2,639)                | (18,837)           | (16,167)     |

**12 Months Ended January 31, 2019**  
*Thousands of NZ\$*

|              | <b>NZ<br/>Retail</b> | <b>AU<br/>Retail</b> | <b>NZ<br/>Wholesale</b> | <b>AU<br/>Wholesale</b> | <b>US<br/>Wholesale</b> | <b>EU<br/>Wholesale</b> | <b>e-<br/>commerce</b> | <b>Unallocated</b> | <b>Total</b> |
|--------------|----------------------|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|--------------------|--------------|
| Revenue      | 31,801               | 18,547               | 7,154                   | 11,491                  | 5,798                   | 4,996                   | 32,133                 | -                  | 111,920      |
| Gross margin | 16,377               | 9,355                | 782                     | 2,993                   | 576                     | 506                     | 10,885                 | (4,034)            | 37,440       |
| EBITDA       | 2,840                | (1,648)              | (130)                   | (1,502)                 | (2,148)                 | (1,030)                 | (362)                  | (21,622)           | (25,602)     |

**12 Months Ended January 31, 2018**  
*Thousands of NZ\$*

|              | <b>NZ<br/>Retail</b> | <b>AU<br/>Retail</b> | <b>NZ<br/>Wholesale</b> | <b>AU<br/>Wholesale</b> | <b>US<br/>Wholesale</b> | <b>EU<br/>Wholesale</b> | <b>e-<br/>commerce</b> | <b>Unallocated</b> | <b>Total</b> |
|--------------|----------------------|----------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------|--------------------|--------------|
| Revenue      | 34,269               | 18,236               | 10,453                  | 15,512                  | 6,390                   | 14,192                  | 32,234                 | 102                | 131,388      |
| Gross margin | 17,781               | 8,779                | 2,240                   | 2,967                   | (48)                    | 3,971                   | 11,260                 | (3,021)            | 43,929       |
| EBITDA       | 4,330                | (2,550)              | 1,172                   | (814)                   | (3,349)                 | 1,067                   | (260)                  | (23,649)           | (24,053)     |

*New Zealand and Australia Retail*

Comparison of 12 Months ended January 31, 2020 and 2019

In the 12 months ended January 31, 2020, New Zealand retail EBITDA was \$4.8m compared with \$2.8m in the 12 months to January 31, 2019. Australian Retail EBITDA for the 12 months ended January 31, 2020 was a loss of \$0.6m compared with a loss of \$1.6m in the 12 months to January 31, 2019. The retail environment continued to be challenging for our Bendon stores, and this along with a lack of current season stock supply were the key reasons for the reduction in the New Zealand market sales year on year as well as the continued operating loss in the Australian market.

Comparison of 12 Months ended January 31, 2019 and 2018

In the 12 months ended January 31, 2019 New Zealand retail EBITDA was \$2.8m compared with \$4.3m in the 12 months to January 31, 2018. Australian Retail EBITDA for the 12 months ended January 31, 2019 was a loss of \$1.6m compared with a loss of \$2.5m in the 12 months to January 31, 2018. The retail environment continued to be challenging for our Bendon stores, and this along with a lack of current season stock supply were the key reasons for both the reduction in the New Zealand market EBITDA year on year as well as the continued operating loss in the Australian market.

*NZ Wholesale, AU Wholesale, US Wholesale and EU wholesale*

Comparison of 12 Months ended January 31, 2020 and 2019

In the 12 months ended January 31, 2020, the EBITDA was positive \$1.1m compared with a \$4.8m loss in the 12 months ended January 31, 2019, with the key improvement in the U.S. and Australia markets.

In the 12 months end January 31, 2020 and 2019, New Zealand wholesale revenue was \$3.5m and \$7.1m, respectively. In the 12 months ended January 31, 2020, New Zealand wholesale EBITDA was a loss of \$0.4m, compared with a loss of \$0.1m in the 12 months ended January 31, 2019. Both the reduction in sales, and EBITDA loss in the New Zealand wholesale market is attributed to a lack of order fulfillment due to the reduced stock supply, additional costs were also incurred as a result of unfulfilled orders.

In the 12 months ended January 31, 2020 and 2019, Australia wholesale revenue was \$7.1m and \$11.5m, respectively. In the 12 months ended January 31, 2020, Australia wholesale EBITDA was a profit of \$0.1m, compared with a loss of \$1.5m in the 12 months ended January 31, 2019. The EBITDA improvement for the Australian wholesale market came from withdrawing from unprofitable customers which led to an increased gross margin and a reduction in operating costs. This sector was also impacted by reduced stock supply.

In the 12 months end January 31, 2020 and 2019, U.S. wholesale revenue was \$4.0m and \$5.8m, respectively. In the 12 months ended January 31, 2020, U.S. wholesale EBITDA profit was \$1.2m, compared with a loss of \$2.1m for the 12 months ended January 31, 2019. The EBITDA profit improvement U.S. wholesale market was primarily to strategically ending our relationship with unprofitable key major wholesale accounts as part of the implementation of our strategic decision to exit this market.

In the 12 months ended January 31, 2020 and 2019, E.U. wholesale revenue was \$1.1m and \$5.0m, respectively. In the 12 months ended January 31, 2020, E.U. wholesale EBITDA profit was \$0.3m, compared with a loss of \$1.0m for the year ended January 31, 2019. A strategic decision was made by the business to substantially exit the E.U. market and close the U.K. office, and this is the key driver for reduction in sales and operating cost savings in the current period.

#### Comparison of 12 Months ended January 31, 2019 and 2018

In the 12 months ended January 31, 2019 the EBITDA loss decreased in the U.S. market and increased in the New Zealand, Australia and E.U. markets when compared with the 12 months ended January 31, 2018.

In the 12 months end January 31, 2019 and 2018, New Zealand wholesale revenue was \$7.1m and \$10.4m, respectively. In the 12 months ended January 31, 2019, New Zealand wholesale EBITDA was a loss of \$0.1m, compared with a profit of \$1.1m in the 12 months ended January 31, 2018. Both the reduction in sales, and EBITDA loss in the New Zealand wholesale market is attributed to a lack of order fulfillment due to the reduced stock supply, additional costs were also incurred as a result of unfulfilled orders.

In the 12 months ended January 31, 2019 and 2018, Australia wholesale revenue was \$11.5m and \$15.5m, respectively. In the 12 months ended January 31, 2019, Australia wholesale EBITDA was a loss of \$1.5m, compared with a loss of \$0.8m in the 12 months ended January 31, 2018. The EBITDA loss for the Australian wholesale market was also due to a lack of fulfillment of orders because of the reduced stock supply.

In the 12 months end January 31, 2019 and 2018, U.S. wholesale revenue was \$5.8m and \$6.4m, respectively. In the 12 months ended January 31, 2019, U.S. wholesale EBITDA loss was \$2.1m, compared with a loss of \$3.3m for the 12 months ended January 31, 2018. The EBITDA loss incurred for the U.S. wholesale market was primarily due to our relationship ending with key major wholesale accounts.

In the 12 months ended January 31, 2019 and 2018, E.U. wholesale revenue was \$5.0m and \$14.2m, respectively. In the 12 months ended January 31, 2019, E.U. wholesale EBITDA loss was \$1.0m, compared with a profit of \$1.1m for the year ended January 31, 2018. A strategic decision was made by the business to substantially exit the E.U. market and this is the key driver for reduction in sales and the loss for the current period.

#### *E-commerce*

#### Comparison of 12 Months ended January 31, 2020 and 2019

For the 12-months ended January 31, 2020, e-commerce EBITDA was a loss of \$2.6m compared with a loss of \$0.4m for the 12-months ended January 31, 2019. The loss for this period was impacted by increase in operating costs in this sector. Sales are comparable year on year.

## Comparison of 12 Months ended January 31, 2019 and 2018

For the 12-months ended January 31, 2019, e-commerce EBITDA was a loss of \$0.4m compared with a loss of \$0.3m for the 12-months ended January 31, 2018. The loss for this period was impacted by the reduction in gross margin between the 12 months to January 31, 2019 and 12 months to January 31, 2018 from 34.9% to 33.9%. Sales are comparable year on year.

### **Non-IFRS Financial Measures**

EBITDA is defined as earnings before interest, taxes, depreciation, depletion, amortization and impairment. Our management uses EBITDA as a measure of our operating results and considers it to be a meaningful supplement to net income as a performance measurement, primarily because we incur significant depreciation and depletion and impairment charges, and the exclusion of such amounts in EBITDA eliminates the non-cash impact.

A reconciliation of EBITDA to the consolidated statements of profit or loss and other comprehensive income for the 12 months ended January 31, 2020, 2019 and 2018 is as follows:

| <i>Thousands of NZ\$</i>        | <b>12 Months Ended<br/>Jan. 31, 2020</b> | <b>12 Months Ended<br/>Jan. 31, 2019</b> | <b>12 Months Ended<br/>Jan. 31, 2018</b> |
|---------------------------------|--|--|--|
| EBITDA                          | (16,167)                                 | (25,602)                                 | (24,053)                                 |
| Income tax (expense)/benefit    | (782)                                    | 1,274                                    | (60)                                     |
| Any other reconciling items     | (37,356)                                 | (24,892)                                 | (13,480)                                 |
| <b>Total net loss after tax</b> | <b>(54,305)</b>                          | <b>(49,220)</b>                          | <b>(37,593)</b>                          |

## **B. Liquidity, and Capital Resources**

### **Liquidity**

We finance our business through cash from operations and equity and debt financing. Our cash requirements have been principally to fund working capital needs, to support the growth of the business and to partially repay our bank loan.

Management intends to continue to raise funds from equity and debt financing to fund our operations and objectives. There is no assurance the additional funding will be achieved. If we are unable to achieve the additional funding, we may not be able to conduct our operations and pursue our objectives as presently contemplated, which may adversely affect our results of operations and financial condition.

As at January 31, 2020, 2019 and 2018, we had cash totaling \$3.8m, \$1.9m and \$10.7m, respectively. During the 12-months ended January 31, 2020, 2019 and 2018 insufficient cash availability directly contributed to a lack of stock. During the year ended January 31, 2020, we undertook a number of financing activities and raised \$34.2m. Of this amount, \$1.2m was utilized to repay the BNZ debt and the balance was utilized as working capital in the operating business. A further \$0.9m from the sale of the Naked trademark was also used to repay BNZ debt. During the year ended January 31, 2019, we undertook a number of financing activities and raised \$23.2m. Of this amount, \$18.5m was utilized to repay the BNZ debt and the balance was utilized as working capital in the operating business.

### **Working capital**

We have managed and continue to manage our working capital constraints through the deferral of creditor settlement. Our relationships with our suppliers are managed carefully and we do not have any significant concerns about the deferred payment arrangements. We are continuing to raise capital and believe that this will assist greatly in reducing the overdue creditor position in the coming financial year.

Thousands of NZU\$

|                     | <u>Jan. 31, 2020</u> | <u>Jan. 31, 2019</u> | <u>Jan. 31, 2018</u> |
|---------------------|----------------------|----------------------|----------------------|
| Current Assets      | 33,391               | 33,369               | 70,343               |
| Current Liabilities | (55,601)             | (62,795)             | (91,095)             |
| Working Capital     | (22,210)             | (29,426)             | (20,752)             |

As of January 31, 2020, current assets were flat. Our current liabilities reduced by \$7.2m from \$62.8m as at the year ended January 31, 2019 to \$55.6m as at the year ended January 31, 2020 due to reduction in accounts payable, and related party payables, offset by increases in lease liabilities and provisions. Our cash balance increased by \$1.9m from \$1.9m as at the year ended January 31, 2019 to \$3.8m as at the year ended January 31, 2020.

As of January 31, 2019, current assets decreased due to the reduction in related party receivables, the reduction in inventory because of the reduced stock supply, and the reduced trade and other receivables because of cancelled orders from our wholesale accounts due to ongoing stock supply issues. Our cash balance also reduced by \$8.8m from \$10.7m as at the year ended January 31, 2018 to \$1.9m as at the year ended January 31, 2019.

### **Cash flows**

| Thousands of NZ\$   | <u>12 months ended Jan.<br/>31, 2020</u> | <u>12 months ended Jan.<br/>31, 2019</u> | <u>12 months ended Jan.<br/>31, 2018</u> |
|---|--|--|--|
| Net cash outflow from operating activities                | (19,894)                                 | (9,434)                                  | (4,116)                                  |
| Net cash outflow from investing activities                | (388)                                    | (1,867)                                  | (2,312)                                  |
| Net cash inflow from financing activities                 | 22,098                                   | 2,168                                    | 14,496                                   |
| Net increase/(decrease) in cash and cash equivalents held | 1,816                                    | (9,133)                                  | 8,068                                    |
| Cash and cash equivalents at end of the year              | 3,791                                    | 1,962                                    | 10,739                                   |

### **Operating Activities**

Net cash outflow from operating activities for the 12 months to January 31, 2020 and 12 months to January 31, 2019 was \$19.9m, and \$9.4m, respectively. This was largely because of the reduction in accounts payable during the period.

Net cash outflow from operating activities for the 12 months to January 31, 2019 and, 12 months to January 31, 2018 was \$9.4m, and \$4.1m, respectively. This was largely because of the increased net loss for the current period. The company is committed to a strategic plan lead by our new CEO to create cost savings and manage the overhead structure moving forward, we anticipate that this plan will have a positive impact on our operating cashflow moving forward.

### **Investing Activities**

Net cash outflow from investing activities for the 12 months to January 31, 2020 and for the 12 months to January 31, 2019 was \$0.4m and \$1.9m respectively. This was driven by reduced investing activities during the period.

Net cash outflow from investing activities for the 12 months to January 31, 2019 and for the 12 months to January 31, 2018 was \$1.9m and \$2.3m respectively. This was driven by the proceeds from the businesses acquired during the period.

### **Financing Activities**

Net cash inflow from financing activities for the 12 months to January 31, 2020 and 12 months to January 31, 2019 was \$22.1m, and \$2.2m, respectively. During the 12 months to January 31, 2020 the company raised \$34.2m through the issue of shares. These funds were partially used to reduce accounts payable during the period and to repay the bank \$2.1m.

Net cash inflow from financing activities for the 12 months to January 31, 2019 and, 12 months to January 31, 2018 was \$2.2m, and \$14.5m, respectively. During the 12 months to January 31, 2019 the company raised \$23.2m through the issue of shares. These funds were partially used to fund interest charges of \$2.3m during the period, and to also repay the bank \$18.5m.



## Equity Financing

Since the beginning of our most recently completed fiscal year, we completed the following equity financing transactions.

On the March 27, 2019, we closed on the following share issuances.

- US\$4.50 million (NZ\$6.60 million) related to the issue of 11,248,415 Ordinary Shares to trade creditors in satisfaction of trade payables due to them, at an effective per share price of US\$0.40.
- US\$0.85 million (NZ\$1.25 million) related to the issue of 2,119,178 Ordinary Shares to the holder of one of our outstanding promissory notes in the amount of US\$847,671, at an effective per share price of US\$0.40 per share.
- US\$1.15 million (NZ\$1.69 million) related to the issue of 4,510,588 Ordinary Shares to investors in a private placement at a share price of US\$0.255. The investors also received warrants to purchase 100% of the number of Ordinary Shares for which they had subscribed. The warrants have an exercise price of US\$0.306 and expire two years from the date of issuance. The exercise price and the number of shares covered by the warrants are subject to adjustment for stock splits, stock combinations and certain other transactions affecting the share capital as a whole.
- US\$2.75 million (NZ\$4.05 million) relating to the issue of 10,784,313 Ordinary Shares to certain accredited investors at an agreed per share price of US\$0.255, except that, to the extent an investor would beneficially own more than 9.9% of our outstanding Ordinary Shares after the closing, we agreed to issue the investor a “pre-funded” warrant in lieu of such shares. Each investor also received an “investment” warrant to purchase 100% of the number of Ordinary Shares for which it had agreed to subscribe. As a result, we issued 3,914,846 Ordinary Shares, pre-funded warrant to purchase 6,869,467 Ordinary Shares and “investment” warrants to purchase 10,784,313 Ordinary Shares to the investor at the closing. The “pre-funded” warrants subsequently were exercised in full for cash. The “investment” warrants subsequently were exercised on a cashless basis for a number of shares equal to the Black-Scholes value of the warrants (as calculated in accordance with the formula set forth in such warrants), divided by the closing bid price as of two business days prior to the exercise date, resulting in the issuance of 30,256,932 Ordinary Shares.

On July 21, 2019, we sold 15,750,000 Ordinary Shares in a registered direct offering, at a purchase price of US\$0.10 per share. Each of the investors also received, in a concurrent private placement, a warrant to purchase up to 100% of the aggregate number of shares purchased by such investor in the offering. The warrants expire five and one-half years from the date of issuance. The warrants have an exercise price per share equal to US\$0.10, subject to adjustment for stock dividends, stock splits, stock combinations, stock dividends and stock reclassifications. In connection with offering, we reduced the exercise price (to US\$0.10 per share) of certain outstanding warrants held by one of the investors, consisting of a warrant to purchase up to 2,000,000 Ordinary Shares at an exercise price of US\$1.55 per share and a warrant to purchase up to 800,000 Ordinary Shares at an exercise price of US\$3.75 per share. We also sold 25,068,250 Ordinary Shares to certain of our suppliers at a price of US\$0.10 per share, with the purchase price paid through the cancellation of trade payables due to them in an aggregate amount equal to the purchase price. After deducting the placement agent’s fees and estimated expenses payable by us in connection with the offerings, the net cash proceeds to us were approximately US\$1.36 million (which does not include the cancellation of approximately US\$2.5 million in trade payables in the Supplier Offering).

On August 19, 2019, we sold 28,571,431 Ordinary Shares in a registered direct offering, at a purchase price of US\$0.07 per share. Each of the investors also received, in a concurrent private placement, a warrant to purchase up to 100% of the aggregate number of shares purchased by such investor in the offering. The warrants expire five and one-half years from the date of issuance. The warrants have an exercise price per share equal to US\$0.07, subject to adjustment for stock dividends, stock splits, stock combinations, stock dividends and stock reclassifications. In connection with offering, we reduced the exercise price (from US\$0.10 per share to US\$0.07 share) of outstanding warrants to purchase up to 18,550,000 Ordinary Shares held by certain of the investors. We also sold 57,142,857 Ordinary Shares to certain of our suppliers at a price of US\$0.07 per share, with the purchase price paid through the cancellation of trade payables due to them and the establishment of prepayment credits in an aggregate amount equal to the purchase price. After deducting the placement agent’s fees and estimated expenses payable by us in connection with the offerings, the net cash proceeds to us were approximately US\$1.75 million (which does not include approximately US\$4.00 million in cancelled trade payables and prepayment credits in the offering to our suppliers).

## **Outstanding Indebtedness**

### *Senior Secured Credit Facility*

On June 27, 2016, all banking facilities were repaid and a new banking arrangement with BNZ commenced. This debt arrangement with BNZ was entered into on June 27, 2016 and included a term loan facility and revolving (working capital) loan facility. The facility limits of the term loan and revolving loan were \$54,000,000 in aggregate. On June 13, 2018, we entered into a Deed of Amendment with BNZ to reduce the facility limits from \$54,000,000 in the aggregate to a single revolving facility limit of \$20,000,000. In addition, the new facility takes over guarantees and financial instruments totaling \$1,345,000. In connection with the Deed of Amendment, we repaid approximately \$18 million of the outstanding loans.

Effective March 12, 2020, we entered into the Restated Facility Agreement. Under the Restated Facility Agreement, BNZ will continue to make available (i) the Revolving Facility, for which the facility limit, as amended, initially was NZ\$16.7 million, and (ii) the Instrument Facility, for which the facility limit is NZ\$1.345 million. We agreed to reduce our indebtedness under the Restated Facility Agreement by an aggregate of \$7.0 million in installments between March 31, 2020 and November 30, 2021, which will also reduce the facility limit under the Revolving Facility. As of April 30, 2020, we have made an aggregate of \$0 in installment payments. The facilities terminate on March 12, 2022.

Drawings in New Zealand dollars will bear interest for each interest period at a rate per annum equal to the sum of (i) the New Zealand bank bill reference rate administered by the New Zealand Financial Markets Association, as determined and adjusted in accordance with the Restated Facility Agreement, (ii) a liquidity premium determined by BNZ from time to time and advised to us, (iii) a business basis premium published by BNZ on its website, if the interest period is greater than one month but less than three months, and (iv) 2.00% per annum. Each interest period will be three months, unless otherwise agreed by BNZ.

BNZ will make instruments available under the Instrument Facility, subject to the facility limit and certain other conditions being satisfied. The types of available instruments include letters of credit, bank guarantees and performance bonds. The expiration, repayment or other discharge of an instrument does not reduce the facility limit for the Instrument Facility. All instruments will expire no later than the termination date of the facilities.

The Borrower paid BNZ a one-time establishment fee equal to 3% of the aggregate facility limit and will pay BNZ an annual line fee equal to 2% of the aggregate facility limit.

All of the obligations under the Restated Facility Agreement are guaranteed by us and the other Guarantors. The obligations are secured pursuant to a general security interest granted over the assets of Bendon, us and certain of the other Guarantors.

The Restated Agreement contains certain customary representations, covenants and events of default. The Restated Facility Agreement also includes financial covenants providing that (i) for any calendar month in the 12-month period preceding each fiscal quarter end, our actual sales and gross profit shall not vary adversely by more than 15% from our budget and (ii) for each calendar month, the ratio of inventory to debt under the Revolving Facility shall be more than 1.35 times until July 31, 2020 and more than 1.65 times thereafter.

The amount outstanding under the Revolving Facility as of April 30, 2020 was \$16.7 million. The amount outstanding under the Revolving Facility was \$17.9m and \$20.0m as of January 31, 2020 and 2019, respectively. The interest rate on the Revolving Facility as of April 30, 2020 was 5.57%. The average interest rate on the Revolving Facility was 5.28% and 5.57% for the 12 months ended January 31, 2020 and 2019, respectively.

As at January 31, 2020, we were compliant under the facility covenants then in effect. However, we are unlikely to be compliant with financial covenants under the Restated Facility Agreement, due to the impact of COVID-19, and we are currently in negotiations with BNZ to revise these temporarily.

## *Convertible Promissory Notes*

In each of October, November and December 2019 and January, February and April 2020, we completed a private placement to one of the Noteholders of a Convertible Note and a CN Warrant, in each case pursuant to a Note SPA. The aggregate purchase price of the Convertible Notes was US\$15,500,000 (approximately NZ\$24,200,000). Each of the Convertible Notes bears interest at 20% per annum, compounded daily, and matures 24 months after its issuance. Each CN Warrant entitled the holder to purchase a number of Ordinary Shares equal to the number of shares issued under the related Convertible Note.

Pursuant to the Note SPAs, a 5% original issue discount and certain expenses of the Noteholders' were added to the principal balance of the Convertible Notes at each closing, resulting in an aggregate initial outstanding balance of the Convertible Notes of US\$16,395,000 (approximately NZ\$25,600,000). In addition, the Noteholders had the right to exchange each CN Warrant for a 5% increase in the outstanding balance of the related Convertible Note, a right the Noteholders exercised in each case. Furthermore, the outstanding balance of each Convertible Note is subject to a 10% increase upon our failure to comply with certain covenants, as described below, which resulted in one such increase for each of the October, November and December 2019 and January and February 2020 Convertible Notes.

We have the right to prepay the Convertible Notes in cash, subject to a 25% premium. The Noteholders have the right, beginning six months after the cash payment of the purchase price, to cause us to redeem any portion of each Convertible Note, up to a maximum of US\$400,000 per month, in the case of the October 2019 Convertible Note, US\$600,000 per month, in the case of the other November and December 2019 and January and February 2020 Convertible Notes, and US\$300,000 per month, in the case of the April 2020 Convertible Note. The right of first offer and the restriction on sales of equity securities expire under certain conditions as set forth in the SPA, and do not apply to one financing of up to \$12 million, provided the securities are not registered for resale within six months and certain other conditions are met.

Commencing six months after the cash payment of the purchase price, the Noteholder has the right to convert the outstanding balance of each Convertible Note into Ordinary Shares at a conversion price of US\$5.00 per share, in the case of the October 2019 Convertible Note, or US\$4.00 per share, in the case of the other Convertible Notes, subject to adjustment for stock dividends or subdivisions or combinations of the Ordinary Shares. In the case of the October and November 2019 Convertible Notes, pursuant to an amendment dated as of April 9, 2020, the outstanding balance also may be converted at a conversion price that floats with the market price of the Ordinary Shares, subject to our approval. The Noteholders are prohibited from converting the Convertible Notes to the extent they (together with their affiliates) would beneficially own more than 4.99% of our outstanding Ordinary Shares (subject to increase to 9.99% if our market capitalization is less than US\$10,000,000). Through May 7, 2020, we approved the conversion of US\$650,000 (approximately NZ\$1,015,000) in outstanding balance of the amended Convertible Notes at the floating conversion price and issued 2,087,532 Ordinary Shares upon such conversions. In addition, in January and February 2020, we entered into amendments to the December 2019 Convertible Note, pursuant to which we temporarily reduced the conversion price of such notes. The Noteholder converted US\$625,000 (approximately NZ\$975,000) into an aggregate of 864,701 Ordinary Shares pursuant to such temporary reductions.

Each Note SPA includes certain customary representations and warranties and covenants. In addition, we agreed to file a registration statement registering the shares issuable upon conversion of each Convertible Note, ensure such registration statement is declared effective and complete a financing for an additional US\$5,000,000, through the sale of equity securities (not including securities with price reset features or with a price that varies with market price), in each case by the deadline set forth in each such Note SPA. Upon each failure by us to comply with one of the covenants set forth in the preceding sentence, the related Convertible Note will be subjected to a 10% premium.

We also granted the Noteholders, for any financing through the sale of equity securities, a right of first offer to complete the financing on substantially the terms contained in the transaction documents for the Convertible Promissory Notes. We further agreed not to engage in sales of equity securities in excess of US\$3 million per calendar month (except such limit shall be US\$1.5 million for April and May 2020) or US\$15 million cumulatively. The right of first offer and the restriction on sales of equity securities expire under certain conditions as set forth in the Note SPAs, and do not apply to one financing of up to US\$12 million, provided the securities are not registered for resale within six months and certain other conditions are met.

Each Convertible Note includes certain customary events of default. Upon the occurrence of an event of default, the holder may accelerate the Convertible Note, such that all amounts due under the Convertible Note, plus up to an additional 25%, will become immediately due and payable. The holder may also increase the interest rate to 22% per annum. Acceleration of each Convertible Note is automatic in the case of events of default relating to our bankruptcy or insolvency.

As of May 7, 2020, the aggregate outstanding balance of the October, November and December 2019 and the January, February and April 2020 Convertible Notes was approximately US\$18,820,000 (approximately NZ\$29,405,000). As of January 31, 2020, the aggregate outstanding balance of such Convertible Notes was approximately US\$12,800,000 (approximately NZ\$19,400,000).

We also completed a private placement to one of the Noteholders of a Convertible Promissory Note and a CN Warrant in May 2019. The purchase price of the May 2019 Convertible Note was US\$3,000,000 (approximately NZ\$4,500,000). The May 2019 Convertible Note bore interest at 10% per annum, compounded daily, and would have matured 18 months after its issuance. Pursuant to the May 2019 Note SPA, a 10% original issue discount and certain expenses of the Noteholder were added to the principal balance, resulting in an aggregate initial principal balance of the May 2019 Convertible Notes of US\$3,320,000 (NZ\$5,030,303). In addition, the Noteholder had the right to exchange the CN Warrant for a 5% increase in the outstanding balance of the Convertible Note, a right the Noteholder exercised. From November 2019 through January 2020, we entered into a series of exchange agreements with the Noteholder of the May 2019 Convertible Note, pursuant to which the Noteholder exchanged the entire outstanding balance of the May 2019 Note for an aggregate of 1,985,259 Ordinary shares.

#### *Other Indebtedness*

We have additional indebtedness outstanding relating to a promissory note that originally was convertible, but as to which the conversion right has expired. The amount outstanding under this note was \$1.315m and \$1.237m as of January 31, 2020 and 2019, respectively.

#### **C. Research and Development, Patents and Licenses**

We do not have any set research and development policies and have not spent a significant amount on research and development in the last three fiscal years

#### **D. Trend Information**

For a discussion of trends relating to revenues, please see Item 5.A of this Annual Report, "Operating Results," contained in this Annual Report and incorporated herein by reference.

#### **E. Off-balance Sheet Arrangements**

Except for amounts due under operating lease commitments disclosed below under Item 5.F of this Annual Report, "Contractual Obligations," we do not have any material off-balance sheet commitments or arrangements.

## F. Contractual Obligations

As of January 31, 2020, our contractual, obligations, excluding trade creditors, were as set forth below:

| <i>Thousands of NZ\$</i>              | <b>Total<br/>January 31, 2020</b> | <b>Not later<br/>than one year</b> | <b>Between<br/>one year and<br/>five years</b> | <b>Later than<br/>five years</b> |
|---------------------------------------|-----------------------------------|------------------------------------|--|----------------------------------|
| Bank loan                             | 17,900                            | 17,900                             | 0  | 0                                |
| Convertible notes                     | 19,698                            | 0                                  | 19,698   | 0                                |
| Other loans                           | 1,315                             | 1,315                              | 0  | 0                                |
| Contracted commitments <sup>(1)</sup> | 5,392                             | 5,392                              | 0  | 0                                |
| Payments under lease agreements       | 28,897                            | 9,409                              | 19,311   | 177                              |
| Total                                 | <u>73,201</u>                     | <u>34,016</u>                      | <u>39,009</u>                                  | <u>177</u>                       |

(1) On January 31, 2020 the Group, through mutual consent, terminated the license agreement with Heidi Klum and Heidi Klum Company LLC.

## G. Safe Harbor

The safe harbor provided in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act applies to forward-looking information provided under “Off-Balance Sheet Arrangements” and “Contractual Obligations.”

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. Directors and Senior Management

Currently, our officers and directors are as follows:

| <b>Name</b>       | <b>Age</b> | <b>Position</b>                    |
|-------------------|------------|------------------------------------|
| Justin Davis-Rice | 49         | Executive Chairman and Director    |
| Anna Johnson      | 49         | Chief Executive Officer            |
| Cheryl Durose     | 48         | Chief Financial Officer            |
| Kelvin Fitzalan   | 50         | Independent Non Executive Director |
| Paul Hayes        | 54         | Independent Non Executive Director |
| Andrew Shape      | 47         | Independent Non Executive Director |

**Justin Davis-Rice** has been a member of our board of directors since our formation and has served as our Executive Chairman since April 2019. Prior to becoming Executive Chairman, Mr. Davis-Rice served as our Chief Executive Officer (commencing upon the consummation of the Transactions) and as the Chief Executive Officer of Bendon (commencing in May 2010). As Chief Executive Officer, he transformed the company through an operational restructuring and a re-engineering of key functional and operational aspects of the business including, supply chain, human resources, design and development, sourcing, wholesale and retail sales. Prior to joining the Company, Mr. Davis-Rice co-founded Pleasure State, an intimate apparel company which he merged with Bendon Limited in May 2010. Mr. Davis-Rice helped turn Pleasure State into a business with multi-million-dollar earnings. Mr. Davis-Rice has served as a member of Naked (NV)’s board of directors since January 2017. The Company believes Mr. Davis-Rice’s experience in the fashion industry makes him well suited to serve as a member of the board of directors.

**Anna Johnson** became our Chief Executive Officer in April 2019. She brings to Naked a track record of over 25 years’ experience driving growth across a number of industries, including consumer electronics, outdoor adventure and intimate apparel. From September 2018 until her appointment as Chief Executive Officer of the Company, Ms. Johnson was the Chief Executive Officer of Bendon, our wholly owned subsidiary. In addition, from 2012 to June 2017, she was Executive General Manager of Bendon, spearheading Bendon’s retail channel and delivering sequential 30% plus returns from multiple women’s categories. From June 2017 to September 2018, Ms. Johnson was Executive General Manager of operations with The Warehouse Group (NZE: WHS), one of New Zealand’s largest publicly listed companies, where she oversaw \$1 billion of revenue and a 93-store footprint. Prior to 2012, Ms. Johnson was the General Manager for the New Zealand territory and franchisee with Harvey Norman (ASX: HVN), one of Australia’s largest list retailers.

**Cheryl Durose** became our Chief Financial Officer in January 2020. She has over 20 years of experience in key finance, planning and business partnering roles with high profile businesses. Prior to joining us, Ms. Durose spent 10 years in several roles within The Warehouse Group. Most recently, from 2017 to 2019, she served as the Chief Financial Officer of the Noel Leeming and Torpedo7 Group (part of The Warehouse Group), a retailer specializing in consumer electronics, appliances, bike, apparel and outdoor adventure. She also served in several roles of increasing responsibility at Warehouse Stationery Limited (part of The Warehouse Group), a retailer specializing in technology, office and stationery equipment. From 2009 to 2011, she was Finance Manager, from 2011 to 2014, she was Head of Finance, and from 2014 to 2017, she was Chief Financial Officer of Warehouse Stationery Limited. Prior to joining The Warehouse Group, from 1994 to 2008, she served in a several roles with adidas UK Ltd and adidas Area North Europe and as a consultant to adidas (NZ) Ltd. Ms. Durose received her Bachelor of Science (with honors) from Salford University, U.K. She is qualified under the Chartered Institute of Management Accountants.

**Kelvin Fitzalan** became a member of our board of directors in July 2019. He is a tax professional with approximately 30 years of experience working with closely held active businesses and their owners across a wide range of industries. He has been a senior partner at Rothsay Chartered Accountants since January 2019. From September 2006 to December 2018, he was a senior partner at PwC Australia. Prior to working at PwC Australia, Mr. Fitzalan held roles of increasing responsibility at Deloitte Australia, Arthur Andersen, Nexia Australia and StewartBrown Chartered Accountants. He holds a Master of Taxation (Honours) and a Bachelor of Business from the University of Technology Sydney. Mr Fitzalan holds directorships with taxat Pty Ltd, a tax advisory company and Chairman of Sumo Australia Pty Limited an energy and telecommunications retailer as well as a member of the advisory board assisting Partners for Growth LLC an alternate lender to the Venture Capital Industry. He also is a chartered accountant with the Chartered Accountants of Australia and New Zealand and a chartered tax advisor with The Tax Institute (Australia).

**Paul Hayes** became a member of our board of directors upon consummation of the Transactions. Mr. Hayes also served as a member of Naked (NV)'s board of directors from February 2015 until the consummation of the Transactions. Mr. Hayes, a certified public accountant, has been the Vice President Finance for Parfums de Coeur Ltd, a beauty and wellness products concern, since September 2014. From October 2013 to August 2014 he was an independent consultant providing advice to a range of companies in the areas of financial reporting, systems implementation, risk management, and compliance. Through September 2013 and for more than five years previous he was with The Warnaco Group, Inc. in several roles of financial leadership. He has extensive global experience managing and driving growth in a wide range of industries, particularly in the intimate apparel and sleepwear categories through his tenure at Calvin Klein. Mr. Hayes is a Certified Public Accountant and led the commercial finance and accounting team for the \$500 million Calvin Klein brand business in Europe in his capacity as Chief Financial Officer for the Europe region of The Warnaco Group. Previously, he held senior positions at Nokia Corporation and Deloitte & Touche LLP. Mr. Hayes received a BBA from Iona College and an MBA from New York University Leonard N. Stern School of Business. The Company believes Mr. Hayes' extensive business experiences in the apparel merchandising industries makes him well suited to serve as a member of the board of directors.

**Andrew Shape** became a member of our board of directors upon consummation of the Transactions. Mr. Shape has over 25 years of merchandising, marketing, branding, licensing, and management experience. He also has provided consulting and management services to early stage brands on launching of the brand, creating a marketing plan, establishing distribution models, earning market share, and formulating an exit strategy. Mr. Shape is a co-founder of Stran & Company, Inc., a promotional merchandise and marketing agency that provides leading consumer brands with promotional merchandise and marketing support, and has served as its President since September 1996. Since 2018, he has served as Chief Executive Officer and as a member of the board of directors of Long Blockchain Corp (OTC: LBCC), a public company focused on developing and investing in globally scalable blockchain technology solutions. Prior to forming Stran & Company, Inc., he worked at Copithorne & Bellows Public Relations (a Porter Novelli company) as an Account Executive covering the technology industry. Mr. Shape received a BA from the University of New Hampshire. The Company believes Mr. Shape's extensive experience in branding and licensing makes him well suited to serve as a member of the board of directors.

## B. Compensation

### *Compensation of Senior Management/Executive Officers*

Justin Davis-Rice, Anna Johnson and Cheryl Durose served as our executive officers as of January 31, 2020. During the 12 months ended January 31, 2020, Carole Hochman served as our Executive Chairman (until February 2019), Howard Herman and David Anderson served as our Chief Financial Officer (until June 2019 and from June 2019 until July 2019, respectively) and David Adams served as our Interim Chief Financial Officer (from July 2019 until January 2020).

During the 12 months ended January 31, 2020, the aggregate amount of compensation paid to our executive officers (former and current) was approximately NZ\$3.0m.

### *Compensation of Non-Executive Independent Directors*

Our non-employee directors receive an annual cash fee of US\$25,000 and an annual grant of US\$35,000 of Ordinary Shares for service on our board of directors. In addition, the chair of our audit committee receives an additional annual cash fee of US\$10,000, the chair of our compensation committee receives an additional annual cash fee of US\$5,000 and the chair of our nominating committee receives an additional annual cash fee of US\$5,000. In addition, one of our non-employee directors also receives an additional fee of US\$25,000 and an annual grant of US\$35,000 of ordinary shares for service as a director of FOH, our wholly owned subsidiary.

During the twelve months ended January 31, 2020, the aggregate amount of compensation paid to our non-employee directors was US\$0.2m (NZ0.3m). The following table sets forth the compensation of each of our non-employee directors for the twelve months ended January 31, 2020 in U.S. dollars:

| <b>Name and Principal Position</b> | <b>Cash Fees</b> | <b>Equity</b> | <b>All Other Compensation</b> | <b>Total</b> |
|------------------------------------|------------------|---------------|-------------------------------|--------------|
| Kelvin Fitzalan                    | \$ 12,917        | \$ -          | \$ -                          | \$ 12,917    |
| Paul Hayes                         | \$ 35,000        | \$ 35,000     | \$ -                          | \$ 70,000    |
| Andy Shape                         | \$ 60,000        | \$ 70,000     | \$ -                          | \$ 130,000   |

## C. Board Practices

### *Director Term of Office*

Each director will serve until our next annual general meeting, if one is called for, and until his successor is elected and qualified. Each of our directors has served since the consummation of the Transactions in June 2018, except for Mr. Fitzalan, who has served since July 2019. We have not entered into service or similar contracts with our directors.

### *Independence of Directors*

The Ordinary Shares are listed on Nasdaq. As a result, we adhere to the rules of Nasdaq in determining whether a director is independent. The rules of Nasdaq general define an "independent director" as a person, other than an executive officer of a company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our board of directors has consulted, and will consult, with its counsel to ensure that the board's determinations are consistent with these rules and all relevant securities and other laws and regulations regarding the independence of directors. Based on the foregoing, we have determined that Messrs. Fitzalan, Hayes and Shape are independent directors. Our independent directors will have regularly scheduled meetings at which only independent directors are present.

### *Board Committees*

We have separately standing audit, corporate governance and nominating and compensation committees.

### ***Audit Committee Information***

We have an audit committee of the board of directors, comprised of Messrs. Hayes and Shape. Each of the members of the audit committee is independent under the applicable listing standards and the rules and regulations of the SEC. Pursuant to the Nasdaq listing rules, we follow home country corporate governance practices (in our case Australian) in lieu of the otherwise applicable Nasdaq requirement that our audit committee consist of at least three members. The audit committee has a written charter. The purpose of the audit committee is, among other things, to appoint, retain, set compensation of, and supervise our independent accountants, review the results and scope of the audit and other accounting related services and review our accounting practices and systems of internal accounting and disclosure controls.

### ***Financial Experts on Audit Committee***

The audit committee will at all times be composed exclusively of directors who are “financially literate,” as defined under the applicable listing standards. Such listing standards generally define “financially literate” as being able to read and understand fundamental financial statements, including a company’s balance sheet, income statement and cash flow statement. In addition, we will be required to certify to the exchange that the committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual’s financial sophistication. Our board of directors has determined that Mr. Hayes satisfies the exchange’s definition of financial sophistication and also qualifies as an “audit committee financial expert” as defined under rules and regulations of the SEC.

### ***Nominating Committee Information***

We have a nominating committee of the board of directors, comprised of Messrs. Hayes and Shape. Each member of the nominating committee is independent under the applicable listing standards. The nominating committee has a written charter. The nominating committee is responsible for overseeing the selection of persons to be nominated to serve on our board of directors.

### ***Compensation Committee Information***

We have a compensation committee of the board of directors, comprised of Messrs. Hayes and Shape. Each member of the compensation committee is independent under the applicable listing standards. In addition, each member is a “non-employee” director as defined in Rule 16b-3 under the Exchange Act and the rules and regulations thereunder. The compensation committee has a written charter. The purpose of the compensation committee is to review and approve compensation paid to our officers and directors and to administer our incentive compensation plans, including authority to make and modify awards under such plans.

### **D. Employees**

For information about the Company’s employees, see Item 4.B of this Annual Report, “*Business Overview—Additional Information—Employee Relations*,” contained in this Annual Report and incorporated herein by reference.

### **E. Share Ownership**

Disclosure relating to the share ownership of the persons listed in Item 6.B of this Annual Report, “*Compensation*,” is set forth in Item 7.A of this Annual Report, “*Major Shareholders*,” and such disclosure is incorporated herein by reference

## **ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **A. Major Shareholders**

The following table sets forth information regarding the beneficial ownership of Ordinary Shares as of May 7, 2020:

- each person expected by us to be the beneficial owner of more than 5% of the outstanding Ordinary Shares;
- each of our executive officers and directors; and



- all of our executive officers and directors as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security. The beneficial ownership of Ordinary Shares is based on 7,168,958 Ordinary Shares issued and outstanding. Unless otherwise indicated, we believe that all persons named in the table below have sole voting and investment power with respect to all ordinary shares beneficially owned by them. None of the major shareholders have different voting rights from other shareholders.

| Name and Address of Beneficial Owner <sup>(1)</sup> | Amount and Nature of Beneficial Ownership | Percentage of Beneficial Ownership |
|---|---|------------------------------------|
| <i>Current Directors and Officers:</i>              |   |                                    |
| Justin Davis-Rice <sup>(2)</sup>                    | 16,853                                    | *                                  |
| Anna Johnson  | —   | *                                  |
| Cheryl Durose                                       | —   | *                                  |
| Kelvin Fitzalan                                     | —   | *                                  |
| Paul Hayes  | 351                                       | *                                  |
| Andrew Shape  | 351                                       | *                                  |
| All directors and executive officers (5 persons)    | 17,555                                    | *                                  |
| <i>Five Percent Holders:</i>                        |   |                                    |
| Fife Trading, Inc. <sup>(3)</sup>                   | 795,666                                   | 9.99%                              |

\* Less than 1%.

(1) Unless otherwise indicated, the business address of each of the individuals is c/o Bendon Limited, 1/23 Court Road, Double Bay, NSW 2028 Australia.

(2) Includes (i) 9,973 Ordinary Shares held by PS Holdings No. 2 Pty Ltd., which is controlled by Mr. Davis-Rice, and (iii) 291 Ordinary Shares held by Nesriver Pty Ltd., which is controlled by Mr. Davis-Rice.

(1) Includes Ordinary Shares underlying the Convertible Notes issued to St. George Investments, LLC and Iliad Research and Trading, L.P. in October, November and December 2019 and January, February and April 2020. The Convertible Notes are convertible into approximately 4,600,000 ordinary Shares (assuming that the balance of each such note as of May 7, 2020 was converted in full at the fixed conversion price provided in each such note). Furthermore, the number of Ordinary Shares ultimately issued in respect of our outstanding Convertible Notes issued in October and November 2019 may be substantially greater than the amount set forth above, because such notes also may be converted at a floating conversion price based on the current market price of our Ordinary Shares, provided we approve such conversions. The holders of the Convertible Notes are prohibited from converting the Convertible Notes to the extent the holders (together with their affiliates) would beneficially own more than 4.99% of our outstanding Ordinary Shares (subject to increase to 9.99% if our market capitalization is less than \$10,000,000). The beneficial ownership set forth in the table above gives effect to the foregoing limit. St. George Investments, LLC previously held the Convertible Note issued in May 2019, which was exchanged in full for Ordinary Shares between November 2019 and January 2020. John M. Fife is the president of Fife Trading, Inc., which is the manager of St. George Investments, LLC and the manager of the general partner of Iliad Research and Trading, L.P. The business address of Mr. Fife, Fife Trading, Inc., St. George Investments, LLC and Iliad Research and Trading, L.P. is 303 East Wacker Drive, Suite 1040, Chicago, IL 60601

As of May 7, 2020, we had 7,168,958 Ordinary Shares outstanding. Based on information known to us, as of May 7, 2020, 4,455 Ordinary Shares were being held in the U.S. by 70 holders of record and 227,917 of Ordinary Shares were being held in Australia and other countries by 60 holders of record. Substantially all of the Ordinary Shares are held in “street name” or otherwise by nominee companies, so we cannot be certain of the identity of those beneficial owners.

We are not controlled by another corporation, by any foreign government or by any natural or legal persons except as set forth herein, and there are no arrangements known to us which would result in a change in control of the Company at a subsequent date.

## **B. Related Party Transactions**

### ***Related Party Policy***

Upon consummation of the Transactions, we adopted a related party policy that will require us and our subsidiaries to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interests, except under guidelines approved by the board of directors (or audit committee). A conflict of interest situation can arise when a person takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise if a person, or a member of his or her family, receives improper personal benefits as a result of his or her position.

Our audit committee, pursuant to its written charter, will be responsible for reviewing and approving related party transactions to the extent we enter into such transactions. The audit committee will consider all relevant factors when determining whether to approve a related party transaction, including whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. We will require each of our directors and executive officers to complete an annual directors' and officers' questionnaire that elicits information about related party transactions.

These procedures are intended to determine whether any such related party transaction impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

### ***Related Party Transactions***

Since the beginning of our last fiscal year, we have been party to the following transactions and loans with (a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, us; (b) associates; (c) individuals owning, directly or indirectly, an interest in our voting power that gives them significant influence over us, and close members of any such individual's family; (d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling our activities, including directors and senior management of companies and close members of such individuals' families; and (e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence.

On March 27, 2019, we sold 45,106 Ordinary Shares in a private placement to certain accredited investors, including Justin Davis-Rice, at the time our Chief Executive Officer, at a per share price of US\$25.50 (the closing bid price on the immediately preceding day). The investors also received warrants to purchase 100% of the number of Ordinary Shares for which they had subscribed. The warrants have an exercise price of US\$30.60 and expire two years from the date of issuance. The exercise price and the number of shares covered by the warrants are subject to adjustment for stock splits, stock combinations and certain other transactions affecting the share capital as a whole.

We are party to compensation arrangements with our directors and executive officers. For more information, see Item 6.B of this Annual Report, "*Compensation.*"

## Summary of Shareholder Loans

Below is a summary of loans to and from entities owned or controlled by our shareholders during the last three fiscal years:

|                                   | <u>Opening balance</u> | <u>Closing balance</u> |
|-----------------------------------|------------------------|------------------------|
| <b>Loans to related parties</b>   |                        |                        |
| Cullen Investments Limited        |                        |                        |
| January 31, 2020                  | \$ —                   | \$ —                   |
| January 31, 2019                  | 11,535,677             | —                      |
| January 31, 2018                  | 13,051,321             | 11,535,677             |
| Whitespace Atelier Limited        |                        |                        |
| January 31, 2020                  | 281,714                | —                      |
| January 31, 2019                  | 272,665                | 281,714                |
| January 31, 2018                  | —                      | 272,665                |
| FOH Online Corp.                  |                        |                        |
| January 31, 2020                  | —                      | —                      |
| January 31, 2019                  | 3,518,009              | —                      |
| January 31, 2018                  | —                      | 3,518,009              |
| <b>Loans from related parties</b> |                        |                        |
| SBL Holdings, Limited             |                        |                        |
| January 31, 2020                  | (1,448,646)            | —                      |
| January 31, 2019                  | —                      | (1,448,646)            |
| Naked Brand Group, Inc.           |                        |                        |
| January 31, 2020                  | —                      | —                      |
| January 31, 2019                  | (1,368,577)            | —                      |
| January 31, 2018                  | —                      | (1,368,577)            |
| EJ Watson                         |                        |                        |
| January 31, 2020                  | (2,289,212)            | —                      |
| January 31, 2019                  | —                      | (2,289,212)            |

Beginning February 1, 2017, Whitespace Atelier Limited (“Whitespace”), which was owned by one of our shareholders, was engaged by us to procure stock from various suppliers at competitive prices. During the 12 months ended January 31, 2019 and 2018, purchases amounting to \$12,720,499 and \$13,281,727, respectively, were made from Whitespace. As at January 31, 2019 and 2018, we had made prepayments to Whitespace amounting to \$281,714 and \$272,665. At January 31, 2020, Whitespace was not a related party.

Subsequent to the consummation of the Transactions on June 19, 2018, Naked (NV) and Bendon became subsidiaries of ours. Accordingly, as at January 31, 2020 and 2019, the balances between the subsidiaries were eliminated in our balance sheet. As at January 31, 2018, the balances between the subsidiaries were \$1,368,557.

On November 15, 2018, we and our wholly-owned subsidiary, Bendon, entered into a Stock Purchase Agreement with the shareholders of FOH, including Cullen, at the time a significant shareholder of ours. Pursuant to the agreement, on December 6, 2018, we purchased all of the issued and outstanding shares of FOH. Under the terms of the agreement, we paid a purchase price of approximately US\$18.2 million, as follows (i) Bendon forgave all of debt owed to it by FOH and Cullen, in the aggregate amount of approximately US\$9.9 million, and (ii) we issued 3,765,087 of our Ordinary Shares to FOH’s shareholders, valued at a price per share of US\$2.20. We also agreed to satisfy certain obligations with respect to certain claims involving the parties.

During the year, a financial liability relating to a shareholder loan created on the acquisition of FOH was derecognised as the current acquisition accounting results in a debt free balance with the shareholder. This adjustment is reflected in the January 31, 2020 accounts in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for the accrued and capitalised interest. This has resulted in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for accrued and capitalised interest. Further information can be found in note 17 of the consolidated financial statements.

During the 12 months ended January 31, 2019, a shareholder, SBL Holdings, Limited, loaned the business funds to be utilised as working capital in the business.

### **C. Interests of Experts and Counsel**

Not applicable.

## **ITEM 8. FINANCIAL INFORMATION**

### **A. Consolidated Financial Statements and Other Financial Information**

#### ***Consolidated Financial Statements***

See Item 18 of this Annual Report, “*Financial Statements.*”

#### ***Legal Proceedings***

See Item 4.B of this Annual Report, “*Business Overview—Additional Information—Legal Proceedings.*”

#### ***Dividend Policy***

Shareholders are entitled to receive such dividends as may be declared by the directors. If the directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any shares or class of shares) paid on all shares proportionate to the amount for the time being paid on each share. Dividends may be paid by cash, electronic transfer or any other method as the board determines.

The directors have the power to capitalize and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to shareholders. The capitalization and distribution must be in the same proportions which the shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the rules of Nasdaq, the directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

### **B. Significant Changes**

Except for the events described in Item 5 of this Annual Report, “*Operating and Financial Review and Prospects—Recent Developments,*” we have not experienced any significant changes since the date of our audited annual consolidated financial statements included in this Annual Report.

## **ITEM 9. THE OFFER AND LISTING**

### **A. Offer and Listing Details**

The Ordinary Shares are listed on the Nasdaq Capital Market under the symbol “NAKD.” The Ordinary Shares are not listed on any exchange or traded in any market outside of the U.S.

### **B. Plan of Distribution**

Not applicable.

### **C. Markets**

See Item 9.A of this Annual Report, “*Offer and Listing Details.*”

### **D. Selling Shareholders**

Not applicable.

## **E. Dilution**

Not applicable.

## **F. Expenses of the Issue**

Not applicable.

## **ITEM 10. ADDITIONAL INFORMATION**

### **A. Share Capital**

Not applicable.

### **B. Constitution**

See Exhibit 2.2 of this Annual Report, which is incorporated herein by reference.

### **C. Material Contracts**

The following summarizes each material contract, other than contracts entered into in the ordinary course of business, to which we or any subsidiary of ours is a party, for the preceding two years.

*Deed of Lease.* Bendon Pty Limited's lease for the property located in Alexandria, Australia has an expiry of July 2020, and the office closed at the end of April 2020. Bendon has renegotiated a new lease for the property located in Airpark Drive. The term is for six years commencing May 1, 2018 and annual rental of circa NZD\$1.4m per annum.

*Heidi Klum License Agreement.* In September 2014, Bendon signed a seven-year license agreement with Heidi Klum for the design, manufacture and sale of Heidi Klum branded intimate apparel and swimwear. The initial term was to expire in December 2021 and was renewable for additional periods of five years at our discretion. On January 31, 2020, we entered into an agreement terminating the license agreement with Heidi Klum. The termination agreement provides that we may continue selling existing Heidi Klum branded products, as well as Heidi Klum branded products manufactured on or prior to June 30, 2020 under existing contracts. The right to continue selling such products will continue until six months after the date of the termination agreement in the Northern Hemisphere and until 12 months after the date of the termination agreement in the Southern Hemisphere. We will pay a termination fee to Heidi Klum Company, LLC in lieu of further royalties, payable in installments through December 30, 2020. We will continue to own the product designs developed by us and all product designs used by us pursuant to the license agreement.

*Frederick's of Hollywood License Agreement.* In June 2015, FOH signed a license agreement with ABG, the owner of the Frederick's of Hollywood brand. In April 2020, FOH entered into an amended and restated license agreement with ABG. The amended and restated agreement will become effective January 1, 2021 and have an initial term lasting until December 31, 2025. FOH will have nine options to renew the agreement for a period of five years each. The original agreement will remain in effect until effective date of the amended and restated agreement. Pursuant to the amended and restated agreement, FOH will continue to have a license to use certain Frederick's of Hollywood trademarks to manufacture and sell certain lingerie, sleepwear, and swimwear products, in the United States, Australia, and New Zealand, through the Frederick's of Hollywood website and through retail channels owned and/or operated by FOH and its affiliates, including Bendon. The license to use the trademarks to sell the licensed products through the Frederick's of Hollywood website is exclusive. Under the amended and restated agreement, FOH will pay ABG certain royalties and will pay a portion of net sales of the licensed products to a common marketing fund. In addition, FOH committed to spend a portion of net sales of the licensed products on advertising. The amended and restated agreement contains certain customary representations and warranties of the parties and customary indemnification provisions. ABG has the right to suspend or terminate the amended and restated agreement upon the occurrence of certain events, including upon a failure to make payment when due or upon a material uncured or repetitive breach of the agreement.

*Agreement and Plan of Reorganization.* On June 19, 2018, we consummated the transactions contemplated by that certain Merger Agreement, dated as of May 25, 2017 and amended on July 26, 2017, February 21, 2018, March 19, 2018 and April 23, 2018, by and among our us, Naked (NV), Bendon Limited, Merger Sub and the Principal Shareholder, at the time the owner of a majority of the outstanding shares of Bendon Limited. The Merger Agreement is more fully described Item 4.A of this Annual Report, “*History and Development of the Company.*”

*Stock Purchase Agreement.* On November 15, 2018, we and our wholly-owned subsidiary, Bendon, entered into a stock purchase agreement with the shareholders of FOH, including Cullen, at the time a significant shareholder of the Company. Pursuant to the agreement, on December 6, 2018, we purchased all of the issued and outstanding shares of FOH, in order to gain direct ownership of the Frederick’s of Hollywood license arrangement FOH had with ABG. The stock purchase agreement is more fully described in Item 4.A of this Annual Report, “*History and Development of the Company,*” and in the Report of Foreign Private Issuer on Form 6-K filed by us on November 21, 2018, and such descriptions are incorporated herein by reference.

*BNZ Facility Agreement.* Effective March 12, 2020, we entered into the Restated Facility Agreement that amended and restated that certain Facility Agreement, originally dated June 27, 2016, as amended from time to time, by and among Bendon, as borrower, the Guarantors, as guarantors, and BNZ, as lender. Under the Restated Facility Agreement, BNZ will continue to make available (i) the Revolving Facility, for which the facility limit, as amended, currently is \$16.7 million, and (ii) the Instrument Facility, for which the facility limit is \$1.345 million. The Convertible Notes, the CN Warrants and the Note SPAs are more fully described in Item 5.B of this Annual Report, “*Liquidity, and Capital Resources,*” and such description is incorporated herein by reference.

*Convertible Note Transaction Documents.* In each of October, November and December 2019 and January, February and April 2020, we completed a private placement to one of the Noteholders of a Convertible Note and a CN Warrant, in each case pursuant to a Note SPA. The aggregate purchase price of the Convertible Notes was US\$15,500,000 (approximately NZ\$23,500,000). Each of the Convertible Notes bears interest at 20% per annum, compounded daily, and matures 24 months after its issuance. We also completed a private placement to one of the Noteholders of a Convertible Promissory Note and a CN Warrant in May 2019. The purchase price of the May 2019 Convertible Note was US\$3,000,000 (approximately NZ\$4,500,000). The Convertible Notes, the CN Warrants and the Note SPAs are more fully described in Item 5.B of this Annual Report, “*Liquidity, and Capital Resources,*” and such description is incorporated herein by reference.

#### **D. Exchange Controls**

Under Australian law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to nonresident holders of our shares.

#### **E. Taxation**

*The following is a summary of material U.S. federal and Australian income tax considerations to U.S. holders, as defined below, of the acquisition, ownership and disposition of Ordinary Shares. This discussion is based on the laws in force as at the date of this annual report, and is subject to changes in the relevant income tax law, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any country or other taxing jurisdiction other than the U.S. and Australia. Holders are advised to consult their tax advisors concerning the overall tax consequences of the acquisition, ownership and disposition of Ordinary Shares in their particular circumstances. This discussion is not intended, and should not be construed, as legal or professional tax advice.*

*This summary does not describe U.S. federal estate and gift tax considerations, or any state and local tax considerations within the U.S., and is not a comprehensive description of all U.S. federal or Australian income tax considerations that may be relevant to a decision to acquire or dispose of Ordinary Shares. Furthermore, this summary does not address U.S. federal or Australian income tax considerations relevant to holders subject to taxing jurisdictions other than or in addition to the U.S. and Australia, and does not address all possible categories of holders, some of which may be subject to special tax rules.*

## ***U.S. Federal Income Tax Considerations***

In this section, we discuss certain material U.S. federal income tax considerations applicable to the acquisition, ownership and disposition of Ordinary Shares by a U.S. holder, as defined below, that will hold the Ordinary Shares as capital assets within the meaning of Section 1221 of Internal Revenue Code of 1986, as amended (the “Code”). This discussion is based on the Code, U.S. Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect. There can be no assurances that the U.S. Internal Revenue Service (the “IRS”) will not take a different position concerning the tax consequences of the acquisition, ownership and disposition of Ordinary Shares or that such a position would not be sustained. We do not discuss the tax consequences to any particular U.S. holder nor any tax considerations that may apply to U.S. holders subject to special tax rules, such as banks, insurance companies, individual retirement and other tax-deferred accounts, regulated investment companies, individuals who are former U.S. citizens or former long-term U.S. residents, dealers in securities or currencies, tax-exempt entities, persons subject to the alternative minimum tax, persons that hold Ordinary Shares as a position in a straddle or as part of a hedging, constructive sale or conversion transaction for U.S. federal income tax purposes, persons that have a functional currency other than the U.S. dollar, persons that own (directly, indirectly or constructively) 10% or more of our equity or persons that are not U.S. holders.

In this section, a “U.S. holder” means a beneficial owner of Ordinary Shares that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the U.S. or any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (i) the administration of which is subject to the primary supervision of a court in the U.S. and for which one or more U.S. persons have the authority to control all substantial decisions or (ii) that has an election in effect under applicable income tax regulations to be treated as a U.S. person.

As used in this section, a “non-U.S. holder” is a beneficial owner of Ordinary Shares that is not a U.S. holder or an entity or arrangement treated as a partnership for U.S. federal income tax purposes.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Ordinary Shares, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. Partners of partnerships that will hold Ordinary Shares should consult their tax advisors.

**YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR WITH RESPECT TO THE U.S. FEDERAL, AS WELL AS STATE, LOCAL AND NON-U.S., TAX CONSEQUENCES TO YOU OF ACQUIRING, OWNING AND DISPOSING OF NAKED ORDINARY SHARES IN LIGHT OF YOUR PARTICULAR CIRCUMSTANCES, INCLUDING THE POSSIBLE EFFECTS OF CHANGES IN U.S. FEDERAL AND OTHER TAX LAWS.**

### *Dividends*

Subject to the passive foreign investment company (“PFIC”) rules, discussed below, U.S. holders will include as dividend income the U.S. dollar value of the gross amount of any distributions of cash or property (without deduction for any withholding tax), other than certain pro rata distributions of Ordinary Shares, with respect to Ordinary Shares to the extent the distributions are made from our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. holder will include the dividend income at the time of actual or constructive receipt. To the extent, if any, that the amount of any distribution by us is not a dividend because it exceeds the U.S. holder’s pro rata share of our current and accumulated earnings and profits, as so determined, the excess will be treated first as a tax-free return of capital and reduce (but not below zero) the U.S. holder’s tax basis in the Ordinary Shares. Thereafter, to the extent, if any, that the amount of any distribution by us exceeds the adjusted tax basis of the U.S. holder’s Ordinary Shares, the remainder will be taxed as capital gain. Notwithstanding the foregoing, there can be no assurance that we will maintain calculations of earnings and profits, as determined for U.S. federal income tax purposes. Consequently, U.S. holders should therefore assume that any distribution with respect to the Ordinary Shares will constitute ordinary dividend income and that any distributions generally will be reported as dividend income for U.S. information reporting purposes. See “Backup Withholding Tax and Information Reporting Requirements” below. Dividends paid by us will not be eligible for the dividends-received deduction generally allowed to U.S. corporate shareholders.

Subject to the PFIC rules, discussed below, certain distributions treated as dividends received by an individual U.S. holder (as well as certain trusts and estates) from a “qualified foreign corporation” are eligible for a preferential U.S. federal income tax rate (currently a maximum tax rate of 20%), subject to certain minimum holding period requirements and other limitations. A foreign corporation (other than a corporation that is treated as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) may be a “qualified foreign corporation” if (i) it is eligible for the benefits of a comprehensive income tax treaty with the U.S. which the U.S. Secretary of Treasury determines is satisfactory for this purpose and which includes an exchange of information program or (ii) with respect to any dividend it pays on stock which is readily tradable on an established securities market in the U.S. We expect to be considered a qualified foreign corporation with respect to the Ordinary Shares because we believe we are eligible for the benefits under the Double Taxation Convention between Australia and the U.S. and because we expect the Ordinary Shares will continue to be listed on the Nasdaq Capital Market (although there can be no assurance that the Ordinary Shares will remain so listed). Accordingly, dividends we pay generally should be eligible for the reduced income tax rate. However, the determination of whether a dividend qualifies for the preferential tax rates must be made at the time the dividend is paid. U.S. holders should consult their own tax advisers. The additional 3.8% “net investment income tax” (described below) may apply to dividends received by certain U.S. holders who meet certain modified adjusted gross income thresholds.

Non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company in the taxable year in which such dividends are paid or in the preceding taxable year.

Includible distributions paid in Australian dollars, including any Australian withholding taxes, will be included in the gross income of a U.S. holder in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of actual or constructive receipt of such distribution, regardless of whether the Australian dollars are converted into U.S. dollars at that time. If Australian dollars are converted into U.S. dollars on the date of actual or constructive receipt of the distribution, the tax basis of the U.S. holder in those Australian dollars will be equal to their U.S. dollar value on that date and, as a result, a U.S. holder generally should not be required to recognize any foreign exchange gain or loss.

If Australian dollars so received are not converted into U.S. dollars on the date of actual or constructive receipt, the U.S. holder will have a basis in the Australian dollars equal to their U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the Australian dollars generally will be treated as ordinary income or loss to such U.S. holder and generally such gain or loss will be income or loss from sources within the U.S. for foreign tax credit limitation purposes.

Dividends received by a U.S. holder with respect to Ordinary Shares generally will be treated as foreign source income, which may be relevant in calculating the holder’s foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For these purposes, dividends will be categorized as “passive” or “general” income depending on a U.S. holder’s circumstance.

Subject to certain complex limitations, a U.S. holder generally will be entitled, at its option, to claim either a credit against its U.S. federal income tax liability or a deduction in computing its U.S. federal taxable income in respect of any Australian taxes withheld by us. If a U.S. holder elects to claim a deduction, rather than a foreign tax credit, for Australian taxes withheld by us for a particular taxable year, the election will apply to all foreign taxes paid or accrued by or on behalf of the U.S. holder in the particular taxable year.

The availability of the foreign tax credit and the application of the limitations on its availability are fact specific. You are urged to consult your own tax advisor as to the consequences of Australian withholding taxes and the availability of a foreign tax credit or deduction. See “Australian Tax Considerations — Taxation of Dividends.”



### *Sale or Exchange of Ordinary Shares*

Subject to the PFIC rules, discussed below, a U.S. holder generally will, for U.S. federal income tax purposes, recognize capital gain or loss on a sale, exchange or other disposition of Ordinary Shares equal to the difference between the amount realized on the disposition and the U.S. holder's tax basis in the Ordinary Shares. This gain or loss recognized on a sale, exchange or other disposition of Ordinary Shares will generally be long-term capital gain or loss if the U.S. holder has held the Ordinary Shares for more than one year. Generally, for U.S. holders who are individuals (as well as certain trusts and estates), long-term capital gains are subject to U.S. federal income tax at preferential rates. For foreign tax credit limitation purposes, gain or loss recognized upon a disposition generally will be treated as from sources within the U.S. The deductibility of capital losses is subject to limitations for U.S. federal income tax purposes.

You should consult your own tax advisor regarding the availability of a foreign tax credit or deduction in respect of any Australian tax imposed on a sale or other disposition of Ordinary Shares. See "Australian Tax Considerations — Tax on Sales or other Dispositions of Shares."

### *Passive Foreign Investment Company Considerations*

The Code provides special, generally adverse, rules regarding certain distributions received by U.S. holders with respect to, and sales, exchanges and other dispositions, including pledges, of shares of stock of, a passive foreign investment company, or PFIC. A foreign corporation will be treated as a PFIC for any taxable year if at least 75% of its gross income for the taxable year is passive income or at least 50% of its gross assets during the taxable year, based on a quarterly average and generally by value, produce or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, rents, royalties, gains from commodities and securities transactions and gains from assets that produce passive income. In determining whether a foreign corporation is a PFIC, a pro-rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

The determination of whether or not we are or will become a PFIC is a factual determination that must be determined annually at the close of each taxable year. We do not believe that we are a PFIC for U.S. federal income tax purposes for the taxable year ended January 31, 2020. Similarly, we do not anticipate being classified as a PFIC for the taxable year ended January 31, 2021 or in the foreseeable future. Notwithstanding the foregoing, because PFIC status is a fact-intensive determination made on an annual basis, and also may be affected by the application of the PFIC rules, which are subject to differing interpretations, no assurance can be given that we are not, or will not become in any future taxable year, a PFIC. Our U.S. counsel expresses no opinion with respect to our PFIC status in any prior taxable year or the current taxable year and also expresses no opinion with respect to our predictions regarding our PFIC status in the future. Prospective investors should consult their own tax advisors regarding our potential PFIC status.

If we are a PFIC for any taxable year during which a U.S. holder holds Ordinary Shares, any "excess distribution" that the holder receives and any gain realized from a sale or other disposition (including a pledge) of such Ordinary Shares will be subject to special tax rules, unless the holder makes a mark-to-market election or qualified electing fund election as discussed below. Any distribution in a taxable year that is greater than 125% of the average annual distribution received by a U.S. holder during the shorter of the three preceding taxable years or such holder's holding period for the Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the U.S. holder's holding period for the Ordinary Shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to income tax at the highest rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or excess distribution cannot be offset by any net operating loss, and gains (but not losses) realized on the transfer of the Ordinary Shares cannot be treated as capital gains, even if the Ordinary Shares are held as capital assets. In addition, non-corporate U.S. holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

If we are a PFIC for any taxable year during which any of our non-U.S. subsidiaries is also a PFIC, a U.S. holder of Ordinary Shares during such year would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules to such subsidiary. You should consult your tax advisors regarding the tax consequences if the PFIC rules apply to any of our subsidiaries.

Unless otherwise provided by the U.S. Treasury, each U.S. shareholder of a PFIC is required to file an IRS Form 8621 (Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) and such other form as the U.S. Treasury may require. If you are a U.S. holder, you should consult your tax advisors regarding whether we are a PFIC and the potential application of the PFIC rules, including any reporting requirements that may apply to you as a result of our status as a PFIC.

A U.S. holder may avoid some of the adverse tax consequences of owning shares in a PFIC by making a “qualified electing fund” election. The availability of this election with respect to the Ordinary Shares requires that we provide information to shareholders making the election. We do not intend to provide you with the information you would need to make or maintain a qualified electing fund election and you will, therefore, not be able to make such an election with respect to your Ordinary Shares.

Alternatively, a U.S. holder owning marketable stock in a PFIC may make a mark-to-market election to elect out of the tax treatment discussed above. If a valid mark-to-market election for the Ordinary Shares is made, the electing U.S. holder will include in income each year an amount equal to the excess, if any, of the fair market value of the Ordinary Shares as of the close of the holder’s taxable year over the adjusted basis in such Ordinary Shares. The U.S. holder is allowed a deduction for the excess, if any, of the adjusted basis of the Ordinary Shares over their fair market value as of the close of the holder’s taxable year. Deductions are allowable, however, only to the extent of any net mark-to-market gains on the Ordinary Shares included in the U.S. holder’s income for prior taxable years. Amounts included in the U.S. holder’s income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to the deductible portion of any mark-to-market loss on the Ordinary Shares, as well as to any loss realized on the actual sale or disposition of the Ordinary Shares, to the extent the amount of such loss does not exceed the net mark-to-market gains previously included for such Ordinary Shares. The tax basis in the Ordinary Shares will be adjusted to reflect any such income or loss amounts. A mark-to-market election will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Ordinary Shares are no longer regularly traded on an applicable exchange or the IRS consents to the revocation of the election.

The mark-to-market election is available only for stock which is regularly traded on (i) a national securities exchange that is registered with the U.S. Securities and Exchange Commission, (ii) NASDAQ, or (iii) an exchange or market that the U.S. Secretary of the Treasury determines has rules sufficient to ensure that the market price represents a legitimate and sound fair market value. The Ordinary Shares are listed on the Nasdaq Capital Market and, consequently, we expect that, assuming the Ordinary Shares are so listed and are regularly traded, the mark-to-market election would be available to you were we to be or become a PFIC.

U.S. holders are urged to contact their own tax advisors regarding the determination of whether we are a PFIC and the tax consequences of such status.

#### *Net Investment Income Tax*

Certain U.S. holders who are individuals, estates, or trusts must pay a 3.8% tax on, among other things, dividends and capital gains from the sale or other disposition of shares of common stock.

#### *Backup Withholding Tax and Information Reporting Requirements*

U.S. holders that are “exempt recipients” (such as corporations) generally will not be subject to U.S. backup withholding tax and related information reporting requirements on payments of dividends on, and the proceeds from the disposition of, Ordinary Shares unless, when required, they fail to demonstrate their exempt status. Other U.S. holders (including individuals) generally will be subject to U.S. backup withholding tax at the applicable statutory rate, currently 24%, in respect of any payments of dividends on, and the proceeds from the disposition of, Ordinary Shares if they fail to furnish their correct taxpayer identification number or otherwise fail to comply with applicable backup withholding requirements. Information reporting requirements generally will apply to payments of dividends on, and the proceeds from the disposition of, Ordinary Shares to a U.S. holder that is not an exempt recipient. U.S. holders who are required to establish their exempt status generally must provide IRS Form W-9 (Request for Taxpayer Identification Number and Certification).

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability. A U.S. holder may obtain a refund of any amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the Internal Revenue Service in a timely manner and furnishing any required information.

U.S. holders are urged to contact their own tax advisors as to their qualification for an exemption from backup withholding tax and the procedure for obtaining this exemption.

Certain U.S. holders who are individuals may be required to report information relating to an interest in the Ordinary Shares, subject to certain exceptions by filing IRS Form 8938 (Statement of Specified Foreign Financial Assets) with their U.S. federal income tax return. U.S. holders are urged to consult their tax advisers regarding their reporting obligation in connection with their ownership and disposition of the Ordinary Shares.

THE DISCUSSION ABOVE IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO AN INVESTMENT IN NAKED ORDINARY SHARES. YOU SHOULD CONSULT WITH YOUR OWN TAX ADVISOR CONCERNING THE TAX CONSEQUENCES TO YOU IN YOUR PARTICULAR SITUATION.

### ***Australian Tax Considerations***

In this section, we discuss the material Australian income tax considerations related to the acquisition, ownership and disposal by the absolute beneficial owners of the Ordinary Shares. This discussion does not address all aspects of Australian income tax law which may be important to particular investors in light of their individual investment circumstances, such as shares held by investors subject to special tax rules (for example, financial institutions, insurance companies or tax exempt organizations). In addition, this summary does not discuss any foreign or state tax considerations, other than transfer duty. Prospective investors are urged to consult their tax advisors regarding the Australian and foreign income and other tax considerations of the purchase, ownership and disposition of the shares. This summary is based upon the premise that the holder is not an Australian tax resident.

#### *Taxation of Dividends*

Australia operates a dividend imputation system under which dividends may be declared to be 'franked' to the extent of tax paid on company profits. Fully franked dividends are not subject to dividend withholding tax. Dividends payable to non-Australian resident shareholders that are not operating from an Australian permanent establishment (Foreign Shareholders) will be subject to dividend withholding tax, to the extent the dividends are not foreign sourced and declared to be conduit foreign income (CFI) and are unfranked. Dividend withholding tax will be imposed at 30%, unless a shareholder is a resident of a country with which Australia has a double taxation agreement and qualifies for the benefits of the treaty. Under the provisions of the current Double Taxation Convention between Australia and the U.S., the Australian tax withheld on unfranked dividends that are not CFI paid by us to which a resident of the U.S. is beneficially entitled is limited to 15%.

If a company that is a non-Australian resident shareholder owns a 10% or more interest, the Australian tax withheld on dividends paid by us to which a resident of the U.S. is beneficially entitled is limited to 5%. In limited circumstances the rate of withholding can be reduced to nil.

#### *Tax on Sales or other Dispositions of Shares — Capital gains tax*

Foreign Shareholders will not be subject to Australian capital gains tax on the gain made on a sale or other disposal of our shares, unless they, together with associates, hold 10% or more of our issued capital, at the time of disposal or for 12 months of the last 2 years.

Foreign Shareholder who, together with associates, owns a 10% or more interest would be subject to Australian capital gains tax if more than 50% of our direct or indirect assets determined by reference to market value, consists of Australian land, leasehold interests or Australian mining, quarrying or prospecting rights. Double Taxation Convention between the U.S. and Australia is unlikely to limit the amount of this taxable gain. Australian capital gains tax applies to net capital gains at a taxpayer's marginal tax rate but for certain shareholders a discount of the capital gain may apply if the shares have been held for 12 months or more. For individuals, this discount is 50%, which may not be available for non-resident shareholders. Net capital gains are calculated after reduction for capital losses, which may only be offset against capital gains. Non-resident shareholders are urged to obtain tax advice as required.

#### *Tax on Sales or other Dispositions of Shares — Shareholders Holding Shares on Revenue Account*

Some Foreign shareholders may hold shares on revenue rather than on capital account, for example, share traders. These shareholders may have the gains made on the sale or other disposal of the shares included in their assessable income under the ordinary income provisions of the income tax law, if the gains are sourced in Australia.

Non-Australian resident shareholders assessable under these ordinary income provisions in respect of gains made on shares held on revenue account would be assessed for such gains at the Australian tax rates for non-Australian residents, which start at a marginal rate of 32.5%. Some relief from Australian income tax may be available to such non-Australian resident shareholders under the Double Taxation Convention between the U.S. and Australia.

To the extent an amount would be included in a non-Australian resident shareholder's assessable income under both the capital gains tax provisions and the ordinary income provisions, the capital gain amount would generally be reduced, so that the shareholder would not be subject to double tax on any part of the income gain or capital gain.

#### *Dual Residency*

If a shareholder were a resident of both Australia and the U.S. under those countries' domestic taxation laws, that shareholder may be subject to tax as an Australian resident. If, however, the shareholder is determined to be a U.S. resident for the purposes of the Double Taxation Convention between the U.S. and Australia, the Australian tax would be subject to limitation by the Double Taxation Convention. Shareholders should obtain specialist taxation advice in these circumstances.

#### *Transfer Duty*

No transfer duty is payable by Australian residents or foreign residents on the trading of shares that are quoted on Nasdaq.

#### *Australian Death Duty*

Australia does not have estate or death duties. As a general rule, no capital gains tax liability is realized upon the inheritance of a deceased person's shares. The disposal of inherited shares by beneficiaries, may, however, give rise to a capital gains tax liability if the gain falls within the scope of Australia's jurisdiction to tax (as discussed above).

#### *Goods and Services Tax*

The issue or transfer of shares will not incur Australian goods and services tax.

#### **F. Dividends and Paying Agents**

Not applicable.

#### **G. Statement by Experts**

Not applicable.

## H. Documents on Display

We file annual reports on Form 20-F and furnish certain reports and other information with the SEC as required by the Exchange Act in accordance with our status as a foreign private issuer. You may read and copy any report or other document filed or furnished by us, including the exhibits, at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Such materials can also be obtained on the SEC's site on the internet at <http://www.sec.gov>.

We will also provide without charge to each person, including any beneficial owner, upon written or oral request of that person, a copy of any and all of the information that has been incorporated by reference in this Annual Report. Please direct such requests to us, Attention Justin Davis-Rice, Naked Brand Group Limited, c/o Bendon Limited, Building 7C, Huntley Street, Alexandria, NSW 2015, Australia.

## I. Subsidiary Information

Not applicable.

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is a broad term for the risk of economic loss due to adverse market changes affecting financial instruments. These changes may be the result of various factors, including interest rates, foreign exchange rates, commodity prices and/or equity prices. Our business is exposed to a variety of market risks, including credit risk, currency risk, interest rate risk and price risk. These risks arise in part through use of the following financial instruments: trade receivables, cash bank accounts, bank overdrafts, trade and other payables, floating rate bank loans, forward currency contracts.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to our company. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

We have adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable. Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

### Currency Risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which financial instruments are held in currencies other than the functional currency. Exposures to currency exchange rates arise from overseas sales and purchases, which are primarily denominated in currencies other than the functional currency, in particular U.S. dollars.

We have no open forward exchange contracts at January 31, 2020.

### Interest Rate

We are exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose us to fair value interest rate risk.

Our policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At January 31, 2020, we are exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

### Price Risk

We do not believe that inflation has had a material impact on our revenues or income over the past two fiscal years. However, increases in inflation could result in increases in our expenses, which may not be readily recoverable in the price of goods or services provided to our clients. To the extent that inflation results in rising interest rates and has other adverse effects on capital markets, it could adversely affect our financial position and profitability.

## ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

During the 12 months ended January 31, 2020, we had breached certain of the financial covenants contained in the facility agreement governing our loan from BNZ over the financial year. We were, however, compliant in January and February 2020. Effective March 12, 2020, we entered into the Restated Facility Agreement with BNZ. We are unlikely to be compliant with financial covenants under the Restated Facility Agreement, due to the impact of COVID-19, and we are currently in negotiations with BNZ to revise these temporarily. See Item 5.B of this Annual Report, “*Liquidity, and Capital Resources.*”

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

#### A-D. Material Modifications to the Rights of Security Holders

None.

#### E. Use of Proceeds

Not applicable.

### ITEM 15. CONTROLS AND PROCEDURES

#### Evaluation of Disclosure Controls and Procedures

Our management are responsible for establishing and maintaining our disclosure controls and procedures. These controls and procedures were designed to ensure that information that we are required to disclose in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms of the Securities and Exchange Commission, and that it is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Executive Chairman (our principal executive), Chief Executive Officer and Chief Financial Officer (principal financial officer), performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of January 31, 2020 under the supervision of our Chief Executive Officer and Chief Financial Officer. Based upon this evaluation, our Company Chief Executive Officer and Company Chief Financial Officer have concluded that our disclosure controls and procedures were not effective as of January 31, 2020, due to the material weakness described below.

#### Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f) and 15d-15(f) under the Exchange Act. Internal control over financial reporting is a process used to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with IFRS. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with the authorization of our board of directors and management; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Any system of internal control, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the system are met. Because of the inherent limitations in all internal control systems, no system of internal control over financial reporting can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013*. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of January 31, 2020, due to the material weaknesses described below.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting as such report is not required for emerging growth companies.

### **Material Weaknesses**

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual financial statements will not be prevented or detected on a timely basis. In connection with the preparation of our fiscal year 2020 consolidated financial statements, the matters involving internal controls and procedures that our management considered to be material weaknesses were the following:

- 1) Lack of skilled resources and lack of expertise with complex IFRS and SEC reporting matters. There has been a high turnover of staff during the financial period.
- 2) No formally implemented system of internal control over financial reporting and no associated written documentation of our internal control policies and procedures.
- 3) We did not maintain an effective process for reviewing financial information and did not have a sufficient number of personnel with an appropriate level of accounting knowledge, experience and training in the application of IFRS commensurate with management's financial reporting requirements.
- 4) Lack of regular Compensation Committee meetings held during the year.

These control deficiencies could result in a material misstatement of the annual consolidated financial statements that would not be prevented or detected. Accordingly, management has determined that these control deficiencies constitute material weaknesses.

Notwithstanding the assessment that there were material weaknesses, we believe that our consolidated financial statements contained in this annual report fairly present our financial position, results of operations and cash flows for the years covered thereby in all material respects.

### **Management's Plan for Remediation of Material Weaknesses**

We have implemented and plan to implement the following actions to address the material weaknesses:

- Just prior to year-end, we appointed a new Chief Financial Officer who has begun to increase the resources in the finance team and establish additional senior permanent roles.
- By the end of the first half of fiscal year 2021, with the assistance of third party consultants, we will have reviewed all our internal controls and will recommend improvements.
- We intend to hold regular compensation meetings in fiscal year 2021.

We cannot guarantee that we will be able to complete such actions successfully. In addition, such actions may not be effective in remediating these material weaknesses. If our efforts to remediate these material weaknesses are not successful, the remediated material weaknesses may reoccur, or other material weaknesses could occur in the future. Even if we are able to complete these planned remediation activities successfully, there is no assurance that these measures will address our material weaknesses effectively. In addition, it is possible that we will discover additional material weaknesses in the future.

## Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended January 31, 2020 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

For information about our audit committee financial expert, see Item 6.C of this Annual Report, “*Board Practices—Financial Experts on Audit Committee*,” which is incorporated herein by reference.

### ITEM 16B. CODE OF ETHICS

Effective upon consummation of the Transactions, we adopted a Code of Ethics that applies to all of our employees, officers, and directors. This includes our principal executive officer, principal financial officer, and principal accounting officer or controller, or persons performing similar functions. The full text of our Code of Ethics is posted on our website at [www.nakedbrands.com](http://www.nakedbrands.com). We intend to disclose on our website any future amendments of the Code of Ethics or waivers that exempt any principal executive officer, principal financial officer, principal accounting officer or controller, persons performing similar functions, or our directors from provisions in the Code of Ethics.

### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our audit committee of the board of directors pre-approves all audit, audit-related and non-audit services not prohibited by law to be performed by our independent auditors and associated fees prior to the engagement of the independent auditor with respect to such services.

|  | 12 Months Ended<br>Jan. 31, 2020 | 12 Months Ended<br>Jan. 31, 2019 | 12 Months Ended<br>Jan. 31, 2018 |
|--|----------------------------------|----------------------------------|----------------------------------|
| <b>BDO</b>   |                                  |                                  |                                  |
| Audit Fees   | \$ 403,000                       | \$ -                             | \$ -                             |
| Taxation Fees  | -                                | -                                | -                                |
| Other  | 266,000                          | -                                | -                                |
| <b>Total</b>   | <b>669,000</b>                   | <b>-</b>                         | <b>-</b>                         |
| <b>PriceWaterhouseCoopers Australia</b>                  |                                  |                                  |                                  |
| Audit Fees   | \$ -                             | \$ 477,000                       | \$ 485,000                       |
| Taxation Fees  | -                                | 32,706                           | -                                |
| Other  | 10,000                           | 402,800                          | -                                |
| <b>Total</b>   | <b>10,000</b>                    | <b>912,506</b>                   | <b>485,000</b>                   |
| <b>Network firms of PricewaterhouseCoopers Australia</b> |                                  |                                  |                                  |
| Taxation fees  | -                                | 137,263                          | 27,858                           |
| <b>Total</b>   | <b>-</b>                         | <b>137,263</b>                   | <b>27,858</b>                    |

### ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

See Item 16G of this Annual Report, “*Corporate Governance*,” which is incorporated herein by reference.

### ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.



#### **ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

On October 10, 2019, following the approval of our audit committee, we engaged BDO Audit Pty Ltd as the principal accountant to audit our financial statements and, in connection with the engagement of BDO, PricewaterhouseCoopers resigned as our principal accountant for the year ending January 31, 2020, all as more fully described in our Report of Foreign Private Issuer filed on October 16, 2019, which description is incorporated herein by reference.

#### **ITEM 16G. CORPORATE GOVERNANCE**

The Nasdaq Listing Rules allow foreign private issuers, such as the Company, to follow home country corporate governance practices (in our case Australian) in lieu of the otherwise applicable Nasdaq corporate governance requirements. In order to rely on this exception, we are required to disclose each Nasdaq Listing Rule that we do not follow and describe the home country practice we do follow in lieu thereof. In accordance with this exception, we intend to follow Australian corporate governance practices in lieu of the following Nasdaq corporate governance standards:

- We will follow Australian law and corporate governance practices in lieu of the requirement under the Nasdaq Listing Rules to have a majority of board of directors be comprised of independent directors. Australian law and generally accepted business practices in Australia do not require that a majority of our board of directors be independent and, accordingly, we will claim the exemption for foreign private issuers with respect to the Nasdaq majority of independent directors requirement.
- We will follow Australian law and corporate governance practices in lieu of the requirement under the Nasdaq Listing Rules to have three members of our audit committee. Australian law and generally accepted business practices in Australia do not require that our audit committee have three members and, accordingly, we will claim the exemption for foreign private issuers with respect to the Nasdaq requirement to have three members of such committee.
- We will follow Australian law and corporate governance practices in lieu of the requirement under Nasdaq Listing Rules that a quorum for a meeting of shareholders may not be less than 33 1/3% of the outstanding shares of an issuer's voting ordinary shares. In compliance with Australian law, our constitution provides that a quorum is two or more shareholders present at the meeting of shareholders and entitled to vote on a resolution at the meeting and, accordingly, we will claim the exemption for foreign private issuers with respect to the Nasdaq quorum requirement.
- We will follow Australian law and corporate governance practices in lieu of the requirements under the Nasdaq Listing Rules that issuers obtain shareholder approval prior to the issuance of securities in connection with a change of control, certain acquisitions, private placements of securities, or the establishment or amendment of certain stock option, purchase or other equity compensation plans or arrangements. Applicable Australian law prohibits the acquisition of a relevant interest in voting shares of a public company such as Naked, if, because of that transaction, a person's voting power in the company increases from under 20% to over 20% or increases from a starting point that is above 20% and below 90%. This prohibition is subject to a number of exceptions including where the acquisition is approved by a resolution of shareholders of the company in which the acquisition is made. Due to differences between Australian law and corporate governance practices and the Nasdaq Listing Rules, we will claim the exemption for foreign private issuers with respect to the Nasdaq shareholder approval requirements.

#### **ITEM 16H. MINE SAFETY DISCLOSURE**

Not applicable.

## PART III

### ITEM 17. FINANCIAL STATEMENTS

See Item 18 of this Annual Report, “*Financial Statements.*”

### ITEM 18. FINANCIAL STATEMENTS

Our Audited Annual Consolidated Financial Statements are included at the end of this Annual Report.

### ITEM 19. EXHIBITS

| <b>Exhibit No.</b> | <b>Description</b>   |
|--------------------|--|
| 1.1                | <a href="#"><u>Form of Constitution (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form F-4 (File No. 333-223786) filed by the registrant).</u></a>  |
| 2.1                | <a href="#"><u>Specimen Ordinary Share Certificate (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form F-4 (File No. 333-223786) filed by the registrant).</u></a>   |
| 2.2                | <a href="#"><u>Description of registered securities.</u></a>   |
| 4.1                | <a href="#"><u>Merger Agreement (incorporated by reference to Annex A, A-1, A-2, A-3, A-4 and A-5 of the proxy statement/prospectus included in the Registration Statement on Form F-4 (File No. 333-223786) filed by the registrant).</u></a>   |
| 4.2                | <a href="#"><u>Agreement to Lease, dated September 11, 2018, by and between Airpark Nominees Limited and Bendon Limited.</u></a>   |
| 4.3                | <a href="#"><u>Stock Purchase Agreement dated November 15, 2018, by and among the stockholders of FOH Online Corp., Naked Brand Group Limited, Bendon Limited and FOH Online Corp. (incorporated by reference to Exhibit 2.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on November 21, 2018).</u></a>                  |
| 4.4                | <a href="#"><u>Deed of Amendment and Restatement, dated as of March 12, 2020, by and among Bendon Limited, as borrower, certain affiliates thereof, as guarantors, and Bank of New Zealand, as lender (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on March 12, 2020).</u></a> |
| 4.5.1**            | <a href="#"><u>License Agreement, dated June 18, 2015, by and between ABG-Frederick’s of Hollywood, LLC and FOH Online Corp. (incorporated by reference Exhibit 4.6 to the Annual Report on Form 20-F filed by the registrant on June 14, 2019).</u></a>   |
| 4.5.2**            | <a href="#"><u>Amended and Restated License Agreement, dated as of April 23, 2020, by and between ABG-Frederick’s of Hollywood, LLC and FOH Online Corp. (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on April 30, 2020).</u></a>  |
| 4.6.1              | <a href="#"><u>Convertible Note issued as of October 4, 2019 (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on October 9, 2019).</u></a>  |
| 4.6.2              | <a href="#"><u>Securities Purchase Agreement, dated as of October 4, 2019, by and among Naked Brand Group Limited and Iliad Research and Trading, L.P. (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on October 9, 2019).</u></a>   |

| <b>Exhibit No.</b> | <b>Description</b>  |
|--------------------|---|
| 4.6.3              | <a href="#"><u>Deed of Subordination, dated as of October 4, 2019, by and among Naked Brand Group Limited, Bank of New Zealand and Iliad Research and Trading, L.P. (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on October 9, 2019).</u></a>     |
| 4.7.1              | <a href="#"><u>Convertible Note issued as of November 12, 2019 (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on November 15, 2019).</u></a>   |
| 4.7.2              | <a href="#"><u>Securities Purchase Agreement, dated as of November 12, 2019, by and among Naked Brand Group Limited and Iliad Research and Trading, L.P. (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on November 15, 2019).</u></a>              |
| 4.7.3              | <a href="#"><u>Deed of Subordination, dated as of November 12, 2019, by and among Naked Brand Group Limited, Bank of New Zealand and Iliad Research and Trading, L.P. (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on November 15, 2019).</u></a> |
| 4.8.1              | <a href="#"><u>Convertible Note issued as of December 19, 2019 (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on December 20, 2019).</u></a>   |
| 4.8.2              | <a href="#"><u>Securities Purchase Agreement, dated as of December 19, 2019, by and among Naked Brand Group Limited and St. George Investments LLC (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on December 20, 2019).</u></a>                    |
| 4.8.3              | <a href="#"><u>Deed of Subordination, dated as of December 19, 2019, by and among Naked Brand Group Limited, Bank of New Zealand and St. George Investments LLC (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on December 20, 2019).</u></a>       |
| 4.9.1              | <a href="#"><u>Convertible Note issued as of January 9, 2020 (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on January 10, 2020).</u></a>  |
| 4.9.2              | <a href="#"><u>Securities Purchase Agreement, dated as of January 9, 2020, by and among Naked Brand Group Limited and St. George Investments LLC (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on January 10, 2020).</u></a>                       |
| 4.9.3              | <a href="#"><u>Deed of Subordination, dated as of January 9, 2020, by and among Naked Brand Group Limited, Bank of New Zealand and St. George Investments LLC (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on January 10, 2020).</u></a>          |
| 4.10.1             | <a href="#"><u>Convertible Note issued as of February 11, 2020 (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on February 13, 2020).</u></a>   |
| 4.10.2             | <a href="#"><u>Securities Purchase Agreement, dated as of February 11, 2020, by and among Naked Brand Group Limited and St. George Investments LLC (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on February 13, 2020).</u></a>                    |
| 4.10.3             | <a href="#"><u>Deed of Subordination, dated as of February 11, 2020, by and among Naked Brand Group Limited, Bank of New Zealand and St. George Investments LLC (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on February 13, 2020).</u></a>       |
| 4.11.1             | <a href="#"><u>Convertible Note issued as of April 15, 2020 (incorporated by reference to Exhibit 4.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on April 16, 2020).</u></a>   |
| 4.11.2             | <a href="#"><u>Securities Purchase Agreement, dated as of April 15, 2020, by and among Naked Brand Group Limited and St. George Investments LLC (incorporated by reference to Exhibit 10.1 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on April 16, 2020).</u></a>                          |

| Exhibit No. | Description  |
|-------------|--|
| 4.11.3      | <a href="#">Deed of Subordination, dated as of April 15, 2020, by and among Naked Brand Group Limited, Bank of New Zealand and St. George Investments LLC (incorporated by reference to Exhibit 10.2 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on April 16, 2020).</a> |
| 4.12        | <a href="#">Global Amendment, dated as of April 9, 2020, by and between Iliad Research and Trading, L.P. and Naked Brand Group Limited (incorporated by reference to Exhibit 10.4 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on April 16, 2020).</a>                    |
| 4.13*       | <a href="#">Bendon Group Holdings Limited 2017 Equity Incentive Plan (incorporated by reference to Annex C of the proxy statement/prospectus included in the Registration Statement on Form F-4 (File No. 333-223786) filed by the registrant).</a>  |
| 8.1         | <a href="#">List of subsidiaries.</a>  |
| 11.1        | <a href="#">Code of ethics (incorporated by reference Exhibit 11.1 to the Annual Report on Form 20-F filed by the registrant on June 14, 2019).</a>  |
| 12.1        | <a href="#">Certification of Principal Executive Officer required by Rule 13a-14(a).</a>   |
| 12.2        | <a href="#">Certification of Principal Financial Officer required by Rule 13a-14(a).</a>   |
| 13.1        | <a href="#">Certification required by Section 1350 of Chapter 63 of Title 18 of the United States Code.</a>  |
| 15.1        | <a href="#">Letter from PricewaterhouseCoopers (incorporated by reference to Exhibit 15 to the Report of Foreign Private Issuer on Form 6-K filed by the registrant on October 16, 2019).</a>  |
| 15.2        | <a href="#">Consent of BDO Audit Pty Ltd.</a>  |
| 101.INS     | XBRL Instance Document.  |
| 101.SCH     | XBRL Taxonomy Extension Schema Document.   |
| 101.CAL     | XBRL Taxonomy Extension Calculation Linkbase Document.   |
| 101.DEF     | XBRL Taxonomy Extension Definition Linkbase Document.  |
| 101.LAB     | XBRL Taxonomy Extension Label Linkbase Document.   |
| 101.PRE     | XBRL Taxonomy Extension Presentation Linkbase Document.  |

\* Management compensation contract, plan or arrangement.

\*\* Certain provisions of this exhibit have been omitted, as such provisions (i) are not material and (ii) would likely cause competitive harm to the registrant if publicly disclosed.

## SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on annual report on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

### **Naked Brand Group Limited**

By: /s/ Justin Davis-Rice

Name: Justin Davis-Rice

Title: *Executive Chairman*

By: /s/ Cheryl Durose

Name: Cheryl Durose

Title: *Chief Financial Officer*

Date: May 8, 2020

**Naked Brand Group Limited**  
**Consolidated Financial Statements**  
**(Expressed in New Zealand Dollars)**

**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

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Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

## Report of Independent Registered Public Accounting Firm

Stockholders and Board of Directors  
Naked Brand Group Limited  
Building 7B, Huntley Street  
Alexandria, NSW Australia 2015

### Opinion on the consolidated financial statements

We have audited the accompanying consolidated balance sheets of Naked Brand Group Limited (the 'Company') as of January 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 2020, and the related notes and schedules (collectively referred to as the 'consolidated financial statements').

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended January 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Substantial doubt about the Company's ability to continue as a going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has suffered recurring losses and cash outflows from operations, has a net working capital deficiency, has breached debt covenants and other matters that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ('PCAOB') and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

### BDO Audit Pty Ltd

BDO

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Tim Aman  
Director

We have served as the Company's auditor since 2019.  
Sydney, NSW, Australia  
May 8, 2020

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

|   | Note | For the Year<br>Ended 31<br>January 2020<br>NZ\$000's | For the Year<br>Ended 31<br>January 2019<br>NZ\$000's | For the Year<br>Ended 31<br>January 2018<br>NZ\$000's |
|---|------|---|---|---|
| Revenue   | 5    | 90,065  | 111,920   | 131,388   |
| Cost of goods sold  |      | (56,247)  | (74,480)  | (87,459)  |
| <b>Gross profit</b>   |      | <b>33,818</b>   | <b>37,440</b>   | <b>43,929</b>   |
| Brand management  |      | (35,555)  | (49,256)  | (53,653)  |
| Administrative expenses   |      | (11,837)  | (3,432)   | (4,131)   |
| Corporate expenses  |      | (12,772)  | (14,145)  | (12,851)  |
| Finance expense   | 7    | (5,213)   | (4,041)   | (8,791)   |
| Brand transition, restructure and transaction expenses              |      | (14,593)  | (10,075)  | (3,272)   |
| Impairment expense  | 6    | (8,904)   | (8,173)   | (1,914)   |
| Other foreign currency gains  | 8    | 615   | 1,963   | 757   |
| Interest income   |      | 12  | -   | -   |
| Gain on sale of intangible assets                                   |      | 906   | -   | -   |
| Fair value gain/(loss) on Convertible Notes derivative              |      | -   | (775)   | 2,393   |
| <b>Loss before income tax</b>                                       | 6    | <b>(53,523)</b>                                       | <b>(50,494)</b>                                       | <b>(37,533)</b>                                       |
| Income tax (expense)/benefit  | 10   | (782)   | 1,274   | (60)  |
| <b>Loss for the period</b>  |      | <b>(54,305)</b>                                       | <b>(49,220)</b>                                       | <b>(37,593)</b>                                       |
| <b>Other comprehensive income</b>                                   |      |   |   |   |
| <i>Items that may be reclassified to profit or loss</i>             |      |   |   |   |
| Exchange differences on translation of foreign operations           | 24   | 2,131   | (7)   | 148   |
| <b>Other comprehensive income/(loss) for the period, net of tax</b> |      | <b>2,131</b>  | <b>(7)</b>  | <b>148</b>  |
| <b>Total comprehensive income/(loss) for the period</b>             |      | <b>(52,174)</b>                                       | <b>(49,227)</b>                                       | <b>(37,445)</b>                                       |
| Total comprehensive income/(loss) attributable to:                  |      |   |   |   |
| Owners of Naked Brand Group Limited                                 |      | (52,174)  | (49,227)  | (37,445)  |



**Consolidated Statement of Profit or Loss and Other Comprehensive Income**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

|  | <u>Note</u> | <u>For the Year<br/>Ended 31 January<br/>2020</u> | <u>For the Year<br/>Ended 31 January<br/>2019</u> | <u>For the Year<br/>Ended 31 January<br/>2018</u> |
|--|-------------|---|---|---|
| Loss per share for profit from continuing operations attributable to the ordinary equity holders of the Group: |             |   |   |   |
| Basic loss per share (NZ\$)  | 25          | (34.74)   | (200.77)  | (179.03)  |
| Diluted loss per share (NZ\$)  | 25          | (34.74)   | (200.77)  | (179.03)  |

On 20 December 2019 the company executed a 1-100 reverse share split reducing the number of shares. The reverse split has also been reflected in the calculation of loss per share for the comparative periods. More details are contained in note 25.

*The above consolidated statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

Consolidated Balance Sheet  
As at 31 January 2020 and 31 January 2019

|                                  | Note | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|----------------------------------|------|------------------------------|------------------------------|
| <b>Assets</b>                    |      |                              |                              |
| <b>Current assets</b>            |      |                              |                              |
| Cash and cash equivalents        | 12   | 3,791                        | 1,962                        |
| Trade and other receivables      | 13   | 6,057                        | 9,650                        |
| Inventories                      | 14   | 23,539                       | 21,120                       |
| Current tax receivable           |      | 4                            | 355                          |
| Related party receivables        | 35   | -                            | 282                          |
| Total current assets             |      | <u>33,391</u>                | <u>33,369</u>                |
| <b>Non-current assets</b>        |      |                              |                              |
| Property, plant and equipment    | 15   | 3,037                        | 3,763                        |
| Right-of-use assets              | 16   | 23,809                       | -                            |
| Deferred tax assets              | 29   | -                            | 692                          |
| Intangible assets                | 17   | 28,293                       | 37,864                       |
| Total non-current assets         |      | <u>55,139</u>                | <u>42,319</u>                |
| <b>Total assets</b>              |      | <u>88,530</u>                | <u>75,687</u>                |
| <b>Liabilities</b>               |      |                              |                              |
| <b>Current liabilities</b>       |      |                              |                              |
| Trade and other payables         | 19   | 22,430                       | 35,545                       |
| Lease liabilities                | 22   | 8,112                        | -                            |
| Borrowings                       | 20   | 19,215                       | 20,967                       |
| Derivative financial instruments | 18   | -                            | 1,484                        |
| Current tax liabilities          |      | -                            | 140                          |
| Related party payables           | 35   | -                            | 3,738                        |
| Provisions                       | 21   | 5,844                        | 921                          |
| Total current liabilities        |      | <u>55,601</u>                | <u>62,795</u>                |

Consolidated Balance Sheet  
As at 31 January 2020 and 31 January 2019

|                                      | Note | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--------------------------------------|------|------------------------------|------------------------------|
| <b>Non-current liabilities</b>       |      |                              |                              |
| Lease liabilities                    | 22   | 17,719                       | -                            |
| Borrowings                           | 20   | 19,698                       | -                            |
| Provisions                           | 21   | 1,796                        | 2,372                        |
| <b>Total non-current liabilities</b> |      | <b>39,213</b>                | <b>2,372</b>                 |
| <b>Total liabilities</b>             |      | <b>94,814</b>                | <b>65,167</b>                |
| <b>Net (liabilities)/assets</b>      |      | <b>(6,284)</b>               | <b>10,519</b>                |
| <b>Equity</b>                        |      |                              |                              |
| Share capital                        | 23   | 170,193                      | 134,183                      |
| Other reserves                       | 24   | 118                          | (2,013)                      |
| Accumulated losses                   | 26   | (176,595)                    | (121,651)                    |
| <b>Total Equity</b>                  |      | <b>(6,284)</b>               | <b>10,519</b>                |

*The above consolidated balance sheets should be read in conjunction with the accompanying notes.*

Consolidated Statement of Changes in Equity  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

|   | Ordinary Shares<br>NZ\$000's | Retained<br>Earnings/<br>(Accumulated<br>Losses)<br>NZ\$000's | Foreign<br>Currency<br>Translation<br>Reserve<br>NZ\$000's | Total<br>NZ\$000's |
|---|------------------------------|---|--|--------------------|
| <b>Balance at 1 February 2017</b>                           | 27,948                       | (34,838)  | (2,154)  | (9,044)            |
| Loss for the year   | -                            | (37,593)  | -  | (37,593)           |
| Other comprehensive income for the year                     | -                            | -   | 148  | 148                |
| <b>Transactions with owners in their capacity as owners</b> |                              |   |  |                    |
| Issue of shares   | 22,990                       | -   | -  | 22,990             |
| Convertible notes converted to equity                       | 17,789                       | -   | -  | 17,789             |
| <b>Balance 31 January 2018</b>                              | <u>68,727</u>                | <u>(72,431)</u>   | <u>(2,006)</u>   | <u>(5,710)</u>     |
| <b>Balance at 1 February 2018</b>                           | 68,727                       | (72,431)  | (2,006)  | (5,710)            |
| Loss for the year   | -                            | (49,220)  | -  | (49,220)           |
| Other comprehensive income for the year                     | -                            | -   | (7)  | (7)                |
| <b>Transactions with owners in their capacity as owners</b> |                              |   |  |                    |
| Issuance new shares   | 40,228                       | -   | -  | 40,228             |
| Issuance new shares from business combination Naked         | 14,196                       | -   | -  | 14,196             |
| Issuance new shares for the acquisition of FOH Online Corp  | 6,873                        | -   | -  | 6,873              |
| Convertible notes converted to equity                       | 4,159                        | -   | -  | 4,159              |
| <b>Balance 31 January 2019</b>                              | <u>134,183</u>               | <u>(121,651)</u>  | <u>(2,013)</u>   | <u>10,519</u>      |

Consolidated Statement of Changes in Equity  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

|   | Ordinary Shares<br>NZ\$000's | Retained<br>Earnings/<br>(Accumulated<br>Losses)<br>NZ\$000's | Foreign<br>Currency<br>Translation<br>Reserve<br>NZ\$000's | Total<br>NZ\$000's |
|---|------------------------------|---|--|--------------------|
| <b>Balance at 1 February 2019</b>                           | 134,183                      | (121,651)   | (2,013)  | 10,519             |
| Adoption of IFRS 16 (note 3)                                | -                            | (639)   | -  | (639)              |
| <b>Restated total equity at 1 February 2019</b>             | 134,183                      | (122,290)   | (2,013)  | 9,880              |
| Loss for the year   | -                            | (54,305)  | -  | (54,305)           |
| Other comprehensive income for the year                     | -                            | -   | 2,131  | 2,131              |
| <b>Transactions with owners in their capacity as owners</b> |                              |   |  |                    |
| Issuance new shares for cash                                | 12,586                       | -   | -  | 12,586             |
| Shares issued in lieu of inventory payment                  | 15,525                       | -   | -  | 15,525             |
| Warrants issued   | 374                          | -   | -  | 374                |
| Conversion of debt  | 1,546                        | -   | -  | 1,546              |
| Convertible notes converted to equity                       | 5,979                        | -   | -  | 5,979              |
| <b>Balance 31 January 2020</b>                              | <b>170,193</b>               | <b>(176,595)</b>  | <b>118</b>   | <b>(6,284)</b>     |

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

|   | Note | For the Year<br>Ended 31 January<br>2020<br>NZ\$000's | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---|------|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |      |   |  |  |
| Receipts from customers   |      | 103,459   | 140,736  | 159,042  |
| Payments to suppliers and employees   |      | (123,510)   | (149,750)  | (163,3044)   |
| Income taxes refund/(paid)  |      | 157   | (420)  | 146  |
| Net cash (outflow) from operating activities  | 36   | <u>(19,894)</u>                                       | <u>(9,434)</u>                                     | <u>(4,116)</u>                                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |      |   |  |  |
| Payment for intangible asset  |      | -   | (151)  | (118)  |
| Payments for property, plant and equipment  |      | (1,294)   | (2,585)  | (2,194)  |
| Proceeds from sale of intellectual property or business combination, net of cash acquired |      | 906   | 870  | -  |
| Net cash (outflow) from investing activities  |      | <u>(388)</u>  | <u>(1,867)</u>                                     | <u>(2,312)</u>                                     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |      |   |  |  |
| Proceeds from issue of shares   |      | 12,586  | 23,248   | 22,721   |
| Proceeds from borrowings – Bank   |      | -   | -  | 463  |
| Proceeds from borrowings - Convertible notes issue  |      | 21,507  | -  | 4,521  |
| Repayment of borrowings – Bank  |      | (2,100)   | (18,489)   | (9,684)  |
| Debt issuance costs   |      | -   | (322)  | (107)  |
| Repayments of lease liabilities   |      | (8,127)   | -  | -  |
| Interest paid on borrowings   |      | (1,768)   | (2,269)  | (3,418)  |
| Net cash inflow from financing activities   |      | <u>22,098</u>   | <u>2,168</u>                                       | <u>14,496</u>                                      |

Consolidated Statement of Cash Flows  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

|   | <u>Note</u> | <b>For the Year<br/>Ended 31 January<br/>2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---|-------------|---|--|--|
| Net increase/(decrease) in cash and cash equivalents held     |             | <b>1,816</b>  | (9,133)  | 8,068  |
| Cash and cash equivalents at beginning of year                |             | <b>1,962</b>  | 10,739   | 2,644  |
| Effects of exchange rate changes on cash and cash equivalents |             | <b>13</b>   | 355  | 27   |
| Cash and cash equivalents at end of the year                  | 12          | <b><u>3,791</u></b>   | <u>1,962</u>                                       | <u>10,739</u>                                      |

*The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.*

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**Description of business**

Naked Brand Group Limited (“the Group”) is a designer, distributor, wholesaler and retailer of women’s and men’s intimates apparel globally. The Group sells its merchandise through retail and outlet stores in New Zealand and Australia, wholesale operations in New Zealand, Australia, the United States and Europe, and through online channels. The Group operates both licenced and owned brands, including the following:

Licenced brands:

Heidi Klum, Fredericks of Hollywood

Owned brands:

Pleasure State, Davenport, Lovable, Bendon, Fayreform, Naked, VaVoom, Evollove, Hickory

The financial report covers Naked Brand Group Limited and its controlled entities (‘the Group’). Naked Brand Group Limited is a for-profit Group, incorporated and domiciled in Australia.

During the year the following significant changes occurred, of which there is further disclosure contained within this report:

- On 28th January 2020, Naked Brand Group Limited agreed to sell all of its rights, title and interest in the trademarks related to the “Naked” and “NKD” brands to Gogogo SRL for a consideration of US \$0.6m (note 17)
- On 31st January 2020, the licence agreement with Heidi Klum was terminated by mutual consent for a fee of US\$3.5m which is to be paid in monthly instalments up to and including 30 December 2020. The exit cost less future economic benefits has been provided for at the year-end (note 21).

The financial report was authorised for issue by the Directors on May 8, 2020.

Comparatives are consistent with prior years, unless otherwise stated.

The amounts in the financial statements have been rounded to the nearest thousand dollars.

**1 Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Naked Brand Group Limited is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Group also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**1 Basis of Preparation**

Naked Brand Group Limited (The Group) acquired all the share capital of Bendon Limited as part of a corporate reorganization on 19 June 2018. Following the reorganization, Naked Brand Group Limited completed a merger with Naked Brand Group Inc. which for accounting purposes was treated as an acquisition such that Naked Brand Group Limited is deemed the accounting acquirer of the Naked Brand Group Inc. The reorganization of the ownership of Bendon Limited results in the financial statements of the consolidated Naked Brand Group Limited being a continuation of the Bendon Limited financial statements. The consolidated financial report of Naked Brand Limited represents a full year of Bendon Limited's financial results plus Naked Brand Group Inc. from the date of acquisition being 19 June 2018 to 31 January 2019. The 31 January 2018 comparative period represents Bendon Limited and its controlled entities only.

**(a) Historical cost convention**

The financial statements are based on historical costs, except for the measurement at fair value of selected financial assets and financial liabilities.

**2 Summary of Significant Accounting Policies**

**(a) Going concern**

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

For the financial year ended 31 January 2020 the Group experienced a loss after income tax from continuing operations of NZ\$54.305 million and operating cash outflows of NZ\$19.894 million. It also is in a net current liability position of NZ\$22.210 million and a net liability position of NZ\$6.284million.

The losses in the year ended 31 January 2020 were impacted by the inventory product mix held which resulted in reduced revenue from wholesale customers along with reduced turnover in both outlet and retail stores in NZ and Australia. The group has been working with its suppliers to pay outstanding creditor positions and focus on returning stock inflow to required levels. In periods when the stock level and product mix held were more appropriate for consumer demand the business realized strong sales results.

During the year the Group maintained its loan facility with BNZ, it did, however, breach its Bank debt loan covenants during the financial year, although the Group was compliant at 31 January 2020. At 31 January 2020 the Group was in the process of extending their facilities. On 12 March 2020, the Group entered into a Deed of Amendment with the Bank of New Zealand to extend its loan facility of NZD\$16,700,000 (31 January 2019: NZD\$20,000,000) until March 2022. The amended agreement stipulates the repayment dates to reduce the facility to March 2022 and compliance with additional covenants.

The business raised NZ\$34.093 million of funds in the form of issued capital and convertible notes during the financial year to assist with the operating cash outflows. In addition, the business used this to repay part of the bank debt from NZ\$20 million to NZ\$17.9 million, reduce balances with overdue trade creditors, rebuild higher margin inventory, fund operating losses and restructure the business. The business also issued share equity to a number of suppliers in order to reduce debt balances.

The funds raised and cash flow generated during the financial year ended 31 January 2020 have not been sufficient to provide the Group with adequate working capital, so subsequent to the end of the financial year management has continued to raise further capital to complete a program that will fund new inventory to restock stores and supply wholesale customers, fund further losses, reduce out of term creditors, open new stores and provide funds to reduce the Bank debt. It is expected the group will need to continue to raise further capital to fund losses through to the start of the year ending 31 January 2022. This capital raising/recapitalisation is continuing at the time of this report with management having set a target to raise a further US\$9.0m between 1 February 2020 and 31 June 2020. At the date of this report management had raised US\$3.75m and is still planning on raising the balance. The Group must complete the fundraising to continue as a going concern.

During the year management engaged in further restructuring of the business's operations including reducing costs across distribution channels, renegotiating supplier contracts, resetting customer supply commitments and updating leadership roles with the final member of the leadership team joining the business in February 2020.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**2 Summary of Significant Accounting Policies**

**(a) Going concern**

Despite the ongoing losses, the Directors are confident that the Group will continue as a going concern. However, while the Directors are confident of continuing as a going concern and meeting the company's debt obligation to its Bank and creditor commitments as they fall due, the going concern is dependent upon the Directors and Group being successful in:

- Raising further capital of at least US\$5.25 million and collecting it before June 2020 this will enable the business to fund its operations and meet its obligations;
- Having sufficient funds from the capital raised to reduce costs, rebuild higher margin inventory, increase revenue across the all channels, increase gross margin percentages and contribution that leads to a reduction in the current cash outflow being incurred each month to reach a cash flow positive position, and to reduce bank debt;
- Generating enough sales and increasing gross margins from trading in line with forecast
- Maintain key personnel
- Continue to receive support from creditors to delay payment of overdue amounts until the Group has adequate cash flow to commence a repayment arrangement or repay the debt in full
- Renegotiating the current repayment dates of the facility to enable the business to maximise cashflow opportunities

Due to the impact of COVID-19 the business has temporarily closed its bricks and mortar stores although it does continue to trade through its two online stores. To mitigate the significant impact on cashflow it is working with suppliers to get support with delayed payments and has reached an agreement with certain key suppliers to push back payments, including royalty payments. In addition, the business is negotiating support from landlords to provide rent abatements through the period of closure and until sales return to required levels. Employees have agreed to work reduced hours and the business has applied for Government wage subsidies from the New Zealand and Australian governments. At the date of this report, the Group had received \$2.0m in subsidies from the New Zealand Government. The business is also in discussion with the bank to defer loan repayments.

The impact of COVID-19 in Asia has delayed stock flow due to temporary factory closures and the business is working with suppliers who are now back operating to prioritise and reschedule orders. Inventory flow has resumed and we are able to fulfil online orders from the New Zealand and US warehouses.

In addition, the business is investigating funding packages that they may be eligible for.

As a result, the viability of the Group is dependent on the above matters. The dependence on these matters raise substantial doubt about its ability to continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report. However, the Directors' believe that the Group will be successful in the above matters and, accordingly, have prepared the report on a going concern basis.

## **2 Summary of Significant Accounting Policies**

### **(b) Basis for consolidation**

#### *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

### **(c) Business combinations**

Business combinations are accounted for by applying the acquisition method which requires an acquiring entity to be identified in all cases. The acquisition date under this method is the date that the acquiring entity obtains control over the acquired entity.

The fair value of identifiable assets and liabilities acquired are recognised in the consolidated financial statements at the acquisition date.

Goodwill or a gain on bargain purchase may arise on the acquisition date, this is calculated by comparing the consideration transferred and the amount of non-controlling interest in the acquiree with the fair value of the net identifiable assets acquired. Where consideration is greater than the net assets acquired, the excess is recorded as goodwill. Where the net assets acquired are greater than the consideration, the measurement basis of the net assets are reassessed before a gain from bargain purchase recognised in profit or loss.

All acquisition-related costs are recognised as expenses in the periods in which the costs are incurred except for costs to issue debt or equity securities.

Any contingent consideration which forms part of the combination is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity then it is not remeasured and the settlement is accounted for within equity. Otherwise subsequent changes in the value of the contingent consideration liability are measured through profit or loss.

### **(d) Income Tax**

The tax expense/(benefit) recognised in the consolidated statements of profit or loss and other comprehensive income comprises of current income tax expense plus deferred tax expense/(benefit).

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**2 Summary of Significant Accounting Policies**

**(d) Income Tax**

Current tax is the amount of income taxes payable/(recoverable) in respect of the taxable profit/(loss) for the period and is measured at the amount expected to be paid to/(recovered from) the taxation authorities, using the tax rates and laws that have been enacted or substantively enacted by each jurisdiction by the end of the reporting period. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred tax is provided on temporary differences which are determined by comparing the carrying amounts of tax bases of assets and liabilities to the carrying amounts in the consolidated financial statements.

Deferred tax is not provided for the following:

- The initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).
- Taxable temporary differences arising on the initial recognition of goodwill.
- Temporary differences related to investment in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by each jurisdiction by the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and losses can be utilised.

Current and deferred tax is recognised as income or an expense and included in profit or loss for the period except where the tax arises from a transaction which is recognised in other comprehensive income or equity, in which case the tax is recognised in other comprehensive income or equity respectively.

In determining the amount of current and deferred income tax, the Group takes into account the impact of uncertain income tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the income tax expense in the period that such a determination is made.

**(e) Revenue and other income**

**Sale of goods**

Sales of goods through retail stores, e-commerce and wholesale channels are recognised when control of the products have been transferred to the customer which is a point in time. For wholesale and e-commerce sales, risks and rewards are transferred when goods are delivered to customers, and therefore reflects an estimate of shipments that have not been received at year end based on shipping terms and historical delivery times. The Group also provides a reserve for projected merchandise returns based on prior experience.

The Group sells gift cards to customers. The Group recognises revenue from gift cards when they are redeemed by the customers. In addition, the Group recognises revenue on all of its unredeemed gift cards when the gift cards have expired.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**2 Summary of Significant Accounting Policies**

**(e) Revenue and other income**

*(i) Sale of goods - wholesale*

The Group sells a range of lingerie products in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. The estimates of discount is based on the trading terms in the contracts, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume payable to customers in relation to sales made until the end of the reporting period. The Group's obligation to provide a refund for faulty products under the standard trading terms is recognised as a provision.

*(ii) Sale of goods - retail/e-commerce*

The group operates a chain of retail stores and e-commerce websites selling lingerie products. Revenue from the sale of goods is recognised when a group entity sells a product to the customer.

Payment of the transaction price is due immediately when the customer purchases the product. It is the group's policy to sell its products to the end customer with a right of return within 30 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in inventory if deemed saleable) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

**Interest revenue**

Interest is recognised using the effective interest method.

**Other income**

Other income is recognised on an accruals basis when the Group is entitled to it.

**(f) Brand management, administrative and corporate expenses**

Corporate expenses includes head office costs such as human resources, finance team and rental costs. Administrative expenses includes depreciation and amortisation, as well as professional accounting fees. Brand management expenses includes other costs incurred in selling products, including advertising, design and retail store occupancy and payroll.

**(g) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

2 Summary of Significant Accounting Policies

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost of inventory is determined using the weighted average costs basis and is net of any rebates and discounts received. Net realisable value represents the estimated selling price for inventories less costs necessary to make the sale. Net realisable value is estimated using the most reliable evidence available at the reporting date and inventory is written down through an obsolescence provision if necessary.

(i) Property, plant and equipment

**Plant and equipment**

Plant and equipment are measured using the cost model.

Under the cost model the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price and other directly attributable costs associated with locating the asset to the installation site, where applicable.

(i) Property, plant and equipment

**Depreciation**

Property, plant and equipment, is depreciated on a straight-line basis over the assets useful life to the Group, commencing when the asset is ready for use.

The estimated useful lives used for each class of depreciable asset are shown below:

| <b>Fixed asset class</b>                      | <b>Useful life</b> |
|---|--------------------|
| Leasehold improvements                        | 1 - 10 years       |
| Plant, furniture, fittings and motor vehicles | 3 - 7 years        |

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in accounting estimate.

(j) Leases

The Group has adopted IFRS 16 from 1 February 2019. The standard replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement Contains a Lease' and for lessees eliminates the classifications of operating leases and finance leases. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depletion, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

2 Summary of Significant Accounting Policies

(j) Leases

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down

(k) Financial instruments

Financial instruments are recognised initially using trade date accounting, i.e. on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

*Financial Assets*

*(i) Classification*

From 1 February 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

2 Summary of Significant Accounting Policies

(k) Financial instruments

The group reclassifies debt investments when and only when its business model for managing those assets changes.

*(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

*(iii) Measurement*

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

*Debt instruments*

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

*Equity instruments*

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.



## **2 Summary of Significant Accounting Policies**

### **(k) Financial instruments**

#### *(iv) Impairment*

From 1 February 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### *(v) Subsequent measurement*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities depending on the purpose for which the liability was acquired. Although the Group uses derivative financial instruments in economic hedges of currency and interest rate risk, it does not hedge account for these transactions.

The Group's financial liabilities include borrowings, trade and other payables (including finance lease liabilities), which are measured at amortised cost using the effective interest rate method.

All of the Group's derivative financial instruments that are not designated as hedging instruments are accounted for at fair value through profit or loss.

### **(l) Impairment of non-financial assets**

At the end of each reporting period the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where an indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

### **(m) Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**2 Summary of Significant Accounting Policies**

**(n) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

**(o) Trade and other payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(p) Intangibles**

**Goodwill**

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- i) the consideration transferred;
- ii) any non-controlling interest; and
- iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired in a business combination.

**Patents and licences**

Separately acquired patents and licences are shown at historical cost. Licences and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Licence fees have an estimated useful life of 5 – 50 years.

**Software**

Software has a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and three years.

**Brands**

Brand assets relate to brands owned by the Group that have arisen on historical acquisitions. These assets were initially measured at fair value.

Brands are considered as to whether they have a finite or indefinite useful life at their acquisition and are amortized if considered to have a finite life. Brands are considered to have indefinite lives in circumstances when there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the entity they are not amortised. Brands with indefinite useful lives have been in existence for many years, are well established and show no signs of deteriorating. These indefinite life brands are assessed for impairment annually or more frequently if impairment indicators are noted.

## 2 Summary of Significant Accounting Policies

### (p) Intangibles

#### Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and indefinite life brands, from the date that they are available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Goodwill and indefinite life brands are not amortised but are tested for impairment annually or more frequently if impairment indicators exist. Goodwill is allocated to the Group's cash generating units or groups of cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity sold.

### (q) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

#### (ii) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

2 Summary of Significant Accounting Policies

(r) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the outflow required to settle the obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the unwinding of the discount is taken to finance costs in the consolidated statements of profit or loss and other comprehensive income.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(i) Lease incentive provision

Lease contributions include payment for improvements initially funded by the landlord. The improvement asset is capitalised and a provision for the amount of landlord contribution is recognised. The provision is released on a monthly basis over the term of the lease of the property.

(ii) Onerous contract provision

The Group provides for future losses on long-term contracts where it is considered probable that the contract costs are likely to exceed revenues in future years. A provision is required for the present value of future losses. Estimating these future losses involves a number of assumptions about the achievement of contract performance targets and the likely levels of future cost escalation over time.

(iii) Make good provision

The Group is required to restore the lease premises of various retail stores to their original condition at the end of the respective lease terms. Provisions for make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. A provision is recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the lease term.

(s) Earnings/(loss) per share

(i) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

2 Summary of Significant Accounting Policies

(s) Earnings/(loss) per share

(ii) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

For periods in which the Group has reported net losses, diluted net loss per share attributable to common shareholders is the same as basic net loss per share attributable to common stockholders, since their impact would be anti-dilutive to the calculation of net loss per share.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(u) Convertible Notes

On issuance of the convertible notes, an assessment is made to determine whether the convertible notes contain an equity instrument or whether the whole instrument should be classified as a financial liability.

When it is determined that the whole instrument is a financial liability and no equity instrument is identified (for example for foreign-currency-denominated convertibles notes), the conversion option is separated from the host debt and classified as a derivative liability. The carrying value of the host contract (a contract denominated in a foreign currency) at initial recognition is determined as the difference between the consideration received and the fair value of the embedded derivative. The host contract is subsequently measured at amortised cost using the effective interest rate method. The embedded derivative is subsequently measured at fair value at the end of each reporting period through the profit and loss. The convertible note and the derivative are presented as a single number on the balance sheet within interest-bearing loans and borrowings.

When it is determined that the instrument contains an equity component based on the terms of the contract, on issuance of the convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**2 Summary of Significant Accounting Policies**

**(v) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**(w) Foreign currency transactions and balances**

Each of the entities within the Group prepare their financial statements based on the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in New Zealand dollars which is the parent entity's functional and presentation currency.

**Transaction and balances**

Foreign currency transactions are recorded at the spot rate on the date of the transaction.

At the end of the reporting period:

- Foreign currency monetary items are translated using the closing foreign currency rate;
- Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction; and
- Non-monetary items that are measured at fair value are translated using the rate at the date when fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition or in prior reporting periods are recognised through profit or loss, except where they relate to an item of other comprehensive income or whether they are deferred in equity as qualifying hedges.

**Group companies**

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at period-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period where the average rate approximates the rate at the date of the transaction; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated balance sheets. These differences are recognised in the consolidated statements of profit or loss and other comprehensive income in the period in which the operation is disposed.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**2 Summary of Significant Accounting Policies**

**(x) Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The executive directors are the chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments.

**3 Changes in accounting policies**

**(a) IFRIC 23 - Uncertainty over Income Tax Treatments**

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- if it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

The Group has adopted IFRIC 23 as at February 1, 2019. The adoption has not resulted in any material impacts to the financial report.

**(b) IFRS 16 - Leases**

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 February 2019, where they are different to those applied in prior periods. As permitted under IFRS 16 paragraph 6, the Company has elected not to recognise leases that are less than 1 year in length or are for a low value asset (<\$5k) on the balance sheet. The Company has applied a single discount rate to the assets with similar characteristics and used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has adopted IFRS 16 from 1 February 2019. The standard replaces IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement Contains a Lease' and for lessees eliminates the classifications of operating leases and finance leases. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depletion, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

**Right-of-use assets**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

3 Changes in accounting policies (continued)

(b) IFRS 16 – Leases (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

**Lease liabilities**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**Impact of the adoption of IFRS 16 on the financial position as at 1 February 2019:**

IFRS 16 was adopted without restating comparative information using the modified retrospective approach. The reclassifications and the adjustments arising from IFRS 16 are therefore not reflected in the restated statement of financial position as at 31 January 2019 but are recognised in the statement of financial position on 1 February 2019.

|                                    | <b>1 February 2019</b> |
|------------------------------------|------------------------|
|                                    | <b>\$'000</b>          |
| Right-of-use assets                | 26,158                 |
| Lease contribution provision       | 1,102                  |
| Lease liabilities                  | (27,899)               |
| Net reduction in retained earnings | 639                    |



**Notes to the Consolidated Financial Statements**  
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**4 Critical Accounting Estimates and Judgments**

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

**Key estimates - inventory**

Each item on inventory is reviewed on an annual basis to determine whether it is being carried at higher than its net realisable value. During the period, management have written down inventory based on best estimate of the net realisable value, although until the time that inventory is sold this is an estimate.

**Key estimates - fair value of financial instruments**

The Group has certain financial assets and liabilities which are measured at fair value. Where fair value has not been able to be determined based on quoted price, a valuation model has been used. The inputs to these models are observable, where possible, however these techniques involve significant estimates and therefore fair value of the instruments could be affected by changes in these assumptions and inputs.

**Key estimates - impairment of brands**

In accordance with IAS 36 Impairment of Assets, the Group is required to estimate the recoverable amount of indefinite-lived brand assets at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by their value in use or fair value less cost to sell.

In calculating the fair value less costs to sell, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in brand revenues
- market royalty rate
- the selection of discount rates to reflect the risks involved, and
- long-term growth rates

Changing the assumptions selected by management, in particular the growth rate, discount rate and market royalty rate assumption used, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the model. Further details are provided in note 17 to the consolidated financial statements.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**4 Critical Accounting Estimates and Judgments**

**Key estimates - impairment of goodwill**

In accordance with IAS 36 Impairment of Assets, the Group is required to estimate the recoverable amount of goodwill at each reporting period.

Impairment testing is an area involving management judgement, requiring assessment as to whether the carrying value of assets can be supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate and using a terminal value to incorporate expectations of growth thereafter.

In calculating the net present value of the future cash flows, certain assumptions are required to be made in respect of highly uncertain matters including management's expectations of:

- growth in EBITDA future cash flows;
- timing and quantum of future capital expenditure;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved.

Changing the assumptions selected by management, in particular the discount rate and growth rate assumptions used in the cash flow projections, could significantly affect the Group's impairment evaluation and hence results.

The Group's review includes the key assumptions related to sensitivity in the cash flow projections. Further details are provided in note 17 to the consolidated financial statements.

**Key judgments - taxes**

*Deferred tax assets*

Determining income tax provisions and the recognition of deferred tax assets including carried forward income tax involves judgment on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of future taxable income being generated against which tax losses will be available for offset based on budgets, current and future expected economic conditions.

**Key judgments – determining the lease term of contracts with renewal options**

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised within the next 12 months. As per the Company policy, the options are not exercised when the lease terms are beyond 12 months as of the assessment date. When the Group has the option to lease the assets for additional terms, it applies judgement in evaluating whether it is reasonably certain to exercise the option to renew, considering all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

5 Revenue and Other Income

Revenue from continuing operations

|                             | <b>For the Year Ended<br/>31 January 2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|-----------------------------|---|--|--|
| Gross revenue               | 93,302  | 120,278  | 145,452  |
| Rebates                     | (3,237)   | (8,358)  | (14,064)   |
|                             | <u>90,065</u>   | <u>111,920</u>                                     | <u>131,388</u>                                     |
| Sale of goods by channel    |   |  |  |
| - Retail                    | 42,576  | 50,443   | 53,150   |
| - Wholesale                 | 15,553  | 29,394   | 45,901   |
| - Online                    | 31,936  | 32,083   | 32,234   |
|                             | <u>90,065</u>   | <u>111,920</u>                                     | <u>131,285</u>                                     |
| Other income                | -   | -  | 103  |
|                             | <u>90,065</u>   | <u>111,920</u>                                     | <u>131,388</u>                                     |
| Sales of goods by geography |   |  |  |
| - New Zealand               | 33,786  | 40,703   | 46,665   |
| - Australia                 | 24,365  | 32,065   | 38,208   |
| - United States             | 30,863  | 34,156   | 32,323   |
| - Europe                    | 1,051   | 4,996  | 14,192   |
|                             | <u>90,065</u>   | <u>111,920</u>                                     | <u>131,388</u>                                     |

*Disaggregation of revenue*

The Group derives its revenue from the transfer of goods at a point in time. The table above provides a breakdown of revenue by major business line. The categories above depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic data. As disclosed in Note 11, the Group has seven operating segments.

Other income relates to non-recurring advisory, management and design services provided to other third-party intimates apparel brand owners.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

6 Loss for the Period

The loss for the period was derived after charging/(crediting):

|   | <b>For the Year Ended<br/>31 January 2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---|---|--|--|
| Staff costs (see note 9)                          | 28,009  | 31,380   | 34,158   |
| Depreciation of property, plant and equipment     | 1,338   | 2,151  | 2,724  |
| Depreciation of right-of-use assets               | 8,676   | -  | -  |
| Amortisation of acquired intangibles              | 589   | 231  | 306  |
| Impairment of tangible assets (see note 15)       | 491   | 281  |  |
| Impairment of intangible assets (see note 17)     | 8,413   | 7,892  | 1,914  |
| Loss on disposal of property, plant and equipment | 322   | 232  | 362  |
| Transaction expenses                              | 9,597   | 9,267  | 3,322  |
| Operating lease rentals                           |   |  |  |
| - land and buildings                              | -   | 9,236  | 10,021   |
| - other   | -   | 524  | 786  |
| Gain on sale of intangible assets                 | (906)   | -  | -  |
| Contract termination                              | 4,696   | -  | -  |
| Auditor's remuneration (note 37)                  | 679   | 1,050  | 513  |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

7 Finance expense

|   | <b>For the Year Ended<br/>31 January 2020<br/>NZ\$000's</b> | <b>For the Year Ended<br/>31<br/>January 2019<br/>NZ\$000's</b> | <b>For the Year Ended<br/>31<br/>January 2018<br/>NZ\$000's</b> |
|---|---|---|---|
| - Interest expense on external borrowings         | 1,608   | 2,338   | 5,431   |
| - Interest expense on convertible loan notes      | 1,425   | -   | -   |
| - Interest expense on leases                      | 1,674   | -   | -   |
| - Interest (income)/expense on shareholder loans* | (165)   | 1,062   | 2,807   |
| - Amortisation of loan set up costs               | 671   | 641   | 553   |
|   | <u>5,213</u>  | <u>4,041</u>  | <u>8,791</u>  |

\* During the year, the shareholder loan payable was derecognised resulting in a reversal of interest expense.

8 Other foreign currency (gains)/losses

|  | <b>For the Year Ended<br/>31 January 2020<br/>NZ\$000's</b> | <b>For the Year Ended<br/>31<br/>January 2019<br/>NZ\$000's</b> | <b>For the Year Ended<br/>31<br/>January 2018<br/>NZ\$000's</b> |
|--|---|---|---|
| - Fair value (gain)/loss on foreign exchange contracts | (729)   | 1,065   | (502)   |
| - Net foreign exchange loss/(gain)                     | 114   | (3,027)   | (255)   |
|  | <u>(615)</u>  | <u>(1,963)</u>  | <u>(757)</u>  |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

9 Staff costs

|                                 | For the Year Ended<br>31 January 2020<br>NZ\$000's | For the Year Ended<br>31<br>January 2019<br>NZ\$000's | For the Year Ended<br>31<br>January 2018<br>NZ\$000's |
|---------------------------------|--|---|---|
| Employee benefits expense:      |  |   |   |
| - Salaries and wages            | 26,920   | 30,872  | 33,613  |
| - Defined contribution expenses | 1,089  | 508   | 545   |
|                                 | <u>28,009</u>                                      | <u>31,380</u>   | <u>34,158</u>   |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

10 Income Tax Expense/(benefit)

(a) The major components of tax expense/(benefit) comprise:

|   | For the Year<br>Ended 31<br>January 2020<br>NZ\$000's | For the Year<br>Ended 31<br>January 2019<br>NZ\$000's | For the Year<br>Ended 31<br>January 2018<br>NZ\$000's |
|---|---|---|---|
| Current tax   |   |   |   |
| Current tax on profits for the period                         | 28  | (667)   | 537   |
| Adjustments for current tax of prior periods                  | 53  | (607)   | (477)   |
| <b>Total current tax expense/(benefit)</b>                    | <b>81</b>   | <b>(1,274)</b>  | <b>60</b>   |
| Deferred tax expense  |   |   |   |
| Decrease in deferred tax assets (note 29)                     | 701   | -   | -   |
| <b>Income tax expense/(benefit) for continuing operations</b> | <b>782</b>  | <b>(1,274)</b>  | <b>60</b>   |

(b) Reconciliation of income tax to accounting profit:

|   |          |          |          |
|---|----------|----------|----------|
| Loss before income tax  | (53,523) | (50,494) | (37,533) |
| Tax at New Zealand tax rate of 28%  | (14,986) | (14,138) | (10,509) |
| Tax effect of:  |          |          |          |
| - permanent differences (including impairment expense)                            | 5,108    | 753      | (105)    |
| - adjustments in respect of current income tax of previous years                  | 32       | (522)    | (449)    |
| - effects of different tax rates of subsidiaries operating in other jurisdictions | (301)    | 493      | (30)     |
| - deferred tax assets relating to the current year not brought to account         | 10,163   | 12,077   | 11,150   |
| - deferred tax assets relating to prior periods no longer recognised (note 29)    | 701      | -        | -        |
| - other   | 65       | 63       | 3        |
| Income tax expense/(benefit)  | 782      | (1,274)  | 60       |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

10 Income Tax Expense/(benefit)

(c) Tax losses not recognised

|   | <b>For the Year Ended<br/>31 January 2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---|---|--|--|
| Unused tax losses for which no deferred tax asset has been recognised | <b>166,882</b>  | 130,587  | 87,455   |
| Potential tax benefit at 28%  | <b>46,727</b>   | 36,564   | 24,487   |

The Group has assessed future forecast profits and concluded that not enough criteria have been satisfied to recognise any deferred tax assets at the period ended 31 January 2020. Unused tax losses do not have an expiry date. During the period, the Group de-recognised all deferred tax assets on timing differences carried forward from prior years, amounting to \$701,000 after accounting for exchange rate differences.

(d) Temporary differences not recognised

|   | <b>For the Year Ended<br/>31 January 2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---|---|--|--|
| Temporary differences for which no deferred tax asset has been recognised | <b>9,825</b>  | 14,504   | 14,661   |
| Potential tax benefit at 28%  | <b>2,751</b>  | 4,061  | 4,105  |



**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**11 Operating Segments**

**Segment information**

**Identification of reportable operating segments**

The consolidated entities' Director examined the group's performance from both sales channel and geographical perspective and identified seven reportable segments being Australia Retail, New Zealand Retail, Australia wholesale, New Zealand wholesale, US Wholesale, EU Wholesale and e-commerce.

*Australia retail*

This segment covers retail and outlet stores located in Australia.

*New Zealand retail*

This segment covers retail and outlet stores located in New Zealand.

*Australia wholesale*

This segment covers the wholesale of intimates apparel to customers based in Australia.

*New Zealand wholesale*

This segment covers the wholesale of intimates apparel to customers based in New Zealand.

*US wholesale*

This segment covers the wholesale of intimates apparel to customers based in the United States of America.

*Europe wholesale*

This segment covers the wholesale of intimates apparel to customers based in Europe.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**11 Operating Segments**

**Identification of reportable operating segments**

*E-commerce*

This segment covers the group's online retail activities. E-commerce revenue for the periods ended 31 January 2020, 31 January 2019 and 31 January 2018 include revenue from a US brand called Fredericks of Hollywood for which Bendon Limited currently has a licence agreement.

These operating segments are based on the internal reports that are reviewed and used by the Chief Executive Officer (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews underlying EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

EBITDA is a financial measure which is not prescribed by IFRS and represents the profit adjusted for specific non-cash and significant items. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

The information reported to the CODM is on a monthly basis.

**Other Costs and Business Activities**

Certain costs are not allocated to our reporting segment results, such as costs associated with the following:

- Corporate overheads, which is responsible for centralized functions such as information technology, facilities, legal, finance, human resources, business development, and procurement. These costs also include compensation costs and other miscellaneous operating expenses not charged to our operating segments, as well as interest and tax income and expense.

These costs are included with in "unallocated" segment in our segment performance.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

11 Operating Segments

Other assets and liabilities

Assets and liabilities are managed on a Group basis, not by segment. CODM does not regularly review any asset or liability information by segment and its preparation is impracticable. Accordingly, we do not report asset and liability information by segment.

(a) Reconciliations

*Reconciliation of segment revenue to consolidated statements of profit or loss and other comprehensive income:*

|                           | <b>For the Year<br/>Ended 31 January<br/>2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---------------------------|---|--|--|
| Total segment revenue     | 104,153   | 136,842  | 156,311  |
| Intersegment eliminations | (14,088)  | (24,922)   | (24,923)   |
| Other revenue             | -   | -  | -  |
| <b>Total revenue</b>      | <b>90,065</b>   | <b>111,920</b>                                     | <b>131,388</b>                                     |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

11 Operating Segments

(a) Reconciliations

*Reconciliation of segment EBITDA to the consolidated statements of profit or loss and other comprehensive income:*

The Board meets on a monthly basis to assess the performance of each segment, net operating profit does not include non-operating revenue and expenses such as dividends, fair value gains and losses.

|                                 | <b>For the Year<br/>Ended 31 January<br/>2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---------------------------------|---|--|--|
| Segment EBITDA                  | (16,167)  | (25,602)   | (24,053)   |
| Any other reconciling items     | (37,356)  | (24,892)   | (13,480)   |
| Income tax (expense)/benefit    | (782)   | 1,274  | (60)   |
| <b>Total net loss after tax</b> | <b>(54,305)</b>   | <b>(49,220)</b>                                    | <b>(37,593)</b>                                    |

Any other reconciling items includes brand transition, finance expenses, impairment expense, depreciation and amortisation, fair value gain/loss on foreign exchange contracts, and unrealised foreign exchange gain/loss that cannot be allocated to segments.

(b) Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers whereas segment assets are based on the location of the assets.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

11 Operating Segments

(b) Geographical information

|               | <b>For the Year<br/>Ended 31 January<br/>2020<br/>NZ\$000's</b> | For the Year Ended<br>31 January 2019<br>NZ\$000's | For the Year Ended<br>31 January 2018<br>NZ\$000's |
|---------------|---|--|--|
| New Zealand   | 33,786  | 40,703   | 46,665   |
| Australia     | 24,365  | 32,065   | 38,208   |
| United States | 30,863  | 34,156   | 32,323   |
| Europe        | 1,051   | 4,996  | 14,192   |
|               | <b>90,065</b>   | <b>111,920</b>                                     | <b>131,388</b>                                     |

The revenues resulting from the Naked business combination in the prior year are included in the United States segment shown above.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

11 Operating Segments

(c) Segment performance

|  | NZ<br>Retail<br>NZ\$000's | AU<br>Retail<br>NZ\$000's | NZ<br>Wholesale<br>NZ\$000's | AU<br>Wholesale<br>NZ\$000's | US<br>Wholesale<br>NZ\$000's | EU<br>Wholesale<br>NZ\$000's | e-<br>commerce<br>NZ\$000's | Unallocated<br>NZ\$000's | Total<br>NZ\$000's |
|--|---------------------------|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|--------------------------|--------------------|
| <b>For the year ended 31 January 2020</b>                |                           |                           |                              |                              |                              |                              |                             |                          |                    |
| Revenue from external customers                          | 28,302                    | 14,274                    | 3,482                        | 7,066                        | 3,955                        | 1,051                        | 31,935                      | -                        | 90,065             |
|  | 28,302                    | 14,274                    | 3,482                        | 7,066                        | 3,955                        | 1,051                        | 31,935                      | -                        | 90,065             |
| Cost of sales  | (12,997)                  | (6,585)                   | (3,455)                      | (4,837)                      | (2,265)                      | (785)                        | (20,916)                    | (4,407)                  | (56,247)           |
| <b>Gross margin</b>                                      | <b>15,305</b>             | <b>7,689</b>              | <b>27</b>                    | <b>2,229</b>                 | <b>1,689</b>                 | <b>266</b>                   | <b>11,020</b>               | <b>(4,407)</b>           | <b>33,818</b>      |
| Other segment expenses*                                  | (10,491)                  | (8,293)                   | (473)                        | (2,149)                      | (523)                        | 33                           | (13,659)                    | -                        | (35,555)           |
| <i>Unallocated expenses</i>                              |                           |                           |                              |                              |                              |                              |                             |                          |                    |
| Administrative expenses                                  | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (1,234)                  | (1,234)            |
| Corporate expenses                                       | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (12,772)                 | (12,772)           |
| Other foreign exchange loss                              | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (424)                    | (424)              |
| <b>EBITDA</b>  | <b>4,814</b>              | <b>(604)</b>              | <b>(446)</b>                 | <b>80</b>                    | <b>1,166</b>                 | <b>299</b>                   | <b>(2,639)</b>              | <b>(18,837)</b>          | <b>(16,167)</b>    |
| Brand transition, restructure and transaction expenses** | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (13,687)                 | (13,687)           |
| Finance expense  | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (5,213)                  | (5,213)            |
| Interest income  | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 12                       | 12                 |
| Impairment expense                                       | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (8,904)                  | (8,904)            |
| Depreciation and amortisation                            | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (10,603)                 | (10,603)           |
| Fair value gain on foreign exchange contracts            | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 729                      | 729                |
| Unrealised foreign exchange gain                         | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 310                      | 310                |
| Fair value gain/(loss) on Convertible Notes derivative   | -                         | -                         | -                            | -                            | -                            | -                            | -                           | -                        | -                  |
| <b>Income/(loss) before income tax expense</b>           | <b>4,814</b>              | <b>(604)</b>              | <b>(446)</b>                 | <b>80</b>                    | <b>1,166</b>                 | <b>299</b>                   | <b>(2,639)</b>              | <b>(56,193)</b>          | <b>(53,523)</b>    |
| Income tax expense                                       | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (782)                    | (782)              |
| <b>Income/(loss) after income tax expense</b>            | <b>4,814</b>              | <b>(604)</b>              | <b>(446)</b>                 | <b>80</b>                    | <b>1,166</b>                 | <b>299</b>                   | <b>(2,639)</b>              | <b>(56,975)</b>          | <b>(54,305)</b>    |

\* Other segment expenses relate to brand management expenses and some corporate expenses.

\*\* Brand transition, restructure and transaction expenses are shown net of proceeds from the sale of Naked brand and trademarks.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

11 Operating Segments

(c) Segment performance

|  | NZ<br>Retail<br>NZ\$000's | AU<br>Retail<br>NZ\$000's | NZ<br>Wholesale<br>NZ\$000's | AU<br>Wholesale<br>NZ\$000's | US<br>Wholesale<br>NZ\$000's | EU<br>Wholesale<br>NZ\$000's | e-<br>commerce<br>NZ\$000's | Unallocated<br>NZ\$000's | Total<br>NZ\$000's |
|--|---------------------------|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|--------------------------|--------------------|
| <b>For the year ended 31 January 2019</b>              |                           |                           |                              |                              |                              |                              |                             |                          |                    |
| Revenue from external customers                        | 31,801                    | 18,547                    | 7,154                        | 11,491                       | 5,798                        | 4,996                        | 32,133                      | -                        | 111,920            |
| Cost of sales  | (15,424)                  | (9,192)                   | (6,372)                      | (8,498)                      | (5,222)                      | (4,490)                      | (21,248)                    | (4,034)                  | (74,480)           |
| <b>Gross margin</b>                                    | <b>16,377</b>             | <b>9,355</b>              | <b>782</b>                   | <b>2,993</b>                 | <b>576</b>                   | <b>506</b>                   | <b>10,885</b>               | <b>(4,034)</b>           | <b>37,440</b>      |
| Other segment expenses*                                | (13,537)                  | (11,003)                  | (912)                        | (4,495)                      | (2,724)                      | (1,536)                      | (11,247)                    | -                        | (45,454)           |
| <i>Unallocated expenses</i>                            |                           |                           |                              |                              |                              |                              |                             |                          |                    |
| Administrative expenses                                | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (1,050)                  | (1,050)            |
| Corporate expenses                                     | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (17,947)                 | (17,947)           |
| Other foreign exchange gain                            | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 1,409                    | 1,409              |
| <b>EBITDA</b>  | <b>2,840</b>              | <b>(1,648)</b>            | <b>(130)</b>                 | <b>(1,502)</b>               | <b>(2,148)</b>               | <b>(1,030)</b>               | <b>(362)</b>                | <b>(21,622)</b>          | <b>(25,602)</b>    |
| Brand transition, restructure and transaction expenses | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (10,075)                 | (10,075)           |
| Finance expense  | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (4,041)                  | (4,041)            |
| Impairment expense                                     | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (8,173)                  | (8,173)            |
| Depreciation and amortisation                          | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (2,382)                  | (2,382)            |
| Fair value loss on foreign exchange contracts          | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (1,704)                  | (1,704)            |
| Unrealised foreign exchange gain                       | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 2,258                    | 2,258              |
| Fair value loss on Convertible Notes derivative        | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (775)                    | (775)              |
| <b>Income/(loss) before income tax expense</b>         | <b>2,840</b>              | <b>(1,648)</b>            | <b>(130)</b>                 | <b>(1,502)</b>               | <b>(2,148)</b>               | <b>(1,030)</b>               | <b>(362)</b>                | <b>(46,514)</b>          | <b>(50,494)</b>    |
| Income tax benefit                                     | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 1,274                    | 1,274              |
| <b>Income/(loss) after income tax expense</b>          | <b>2,840</b>              | <b>(1,648)</b>            | <b>(130)</b>                 | <b>(1,502)</b>               | <b>(2,148)</b>               | <b>(1,030)</b>               | <b>(362)</b>                | <b>(45,240)</b>          | <b>(49,220)</b>    |

\* Other segment expenses relate to brand management expenses and some corporate expenses.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

11 Operating Segments

(c) Segment performance

|  | NZ<br>Retail<br>NZ\$000's | AU<br>Retail<br>NZ\$000's | NZ<br>Wholesale<br>NZ\$000's | AU<br>Wholesale<br>NZ\$000's | US<br>Wholesale<br>NZ\$000's | EU<br>Wholesale<br>NZ\$000's | e-<br>commerce<br>NZ\$000's | Unallocated<br>NZ\$000's | Total<br>NZ\$000's |
|--|---------------------------|---------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|--------------------------|--------------------|
| <b>For the year ended 31 January 2018</b>              |                           |                           |                              |                              |                              |                              |                             |                          |                    |
| Revenue from external customers                        | 34,269                    | 18,236                    | 10,453                       | 15,512                       | 6,390                        | 14,192                       | 32,234                      | -                        | 131,286            |
| Service income   | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 102                      | 102                |
|  | 34,269                    | 18,236                    | 10,453                       | 15,512                       | 6,390                        | 14,192                       | 32,234                      | 102                      | 131,388            |
| Cost of sales  | (16,488)                  | (9,457)                   | (8,213)                      | (12,545)                     | (6,438)                      | (10,221)                     | (20,974)                    | (3,123)                  | (87,459)           |
| <b>Gross margin</b>                                    | <b>17,781</b>             | <b>8,779</b>              | <b>2,240</b>                 | <b>2,967</b>                 | <b>(48)</b>                  | <b>3,971</b>                 | <b>11,260</b>               | <b>(3,021)</b>           | <b>43,929</b>      |
| Other segment expenses*                                | (13,451)                  | (11,329)                  | (1,068)                      | (3,781)                      | (3,301)                      | (2,904)                      | (11,520)                    | -                        | (47,354)           |
| <b>Unallocated expenses</b>                            |                           |                           |                              |                              |                              |                              |                             |                          |                    |
| Administrative expenses                                | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (1,101)                  | (1,101)            |
| Corporate expenses                                     | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (19,150)                 | (19,150)           |
| Other foreign exchange loss                            | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (377)                    | (377)              |
| <b>EBITDA</b>  | <b>4,330</b>              | <b>(2,550)</b>            | <b>1,172</b>                 | <b>(814)</b>                 | <b>(3,349)</b>               | <b>1,067</b>                 | <b>(260)</b>                | <b>(23,649)</b>          | <b>(24,053)</b>    |
| Brand transition, restructure and transaction expenses | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (3,272)                  | (3,272)            |
| Finance expense  | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (8,791)                  | (8,791)            |
| Impairment expense                                     | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (1,914)                  | (1,914)            |
| Depreciation and amortisation expense                  | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (3,030)                  | (3,030)            |
| Fair value loss on foreign exchange contracts          | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (502)                    | (502)              |
| Unrealised foreign exchange gain                       | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 1,636                    | 1,636              |
| Fair value gain on Convertible Note derivative         | -                         | -                         | -                            | -                            | -                            | -                            | -                           | 2,393                    | 2,393              |
| <b>Income/(loss) before income tax expense</b>         | <b>4,330</b>              | <b>(2,550)</b>            | <b>1,172</b>                 | <b>(814)</b>                 | <b>(3,349)</b>               | <b>1,067</b>                 | <b>(260)</b>                | <b>(37,129)</b>          | <b>(37,533)</b>    |
| Income tax expense                                     | -                         | -                         | -                            | -                            | -                            | -                            | -                           | (60)                     | (60)               |
| <b>Income/(loss) after income tax expense</b>          | <b>4,330</b>              | <b>(2,550)</b>            | <b>1,172</b>                 | <b>(814)</b>                 | <b>(3,349)</b>               | <b>1,067</b>                 | <b>(260)</b>                | <b>(37,189)</b>          | <b>(37,593)</b>    |

\* Other segment expenses relate to brand management expenses and some corporate expenses.



Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

12 Cash and Cash Equivalents

|              | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--------------|------------------------------|------------------------------|
| Cash on hand | 44                           | 47                           |
| Cash at bank | 3,747                        | 1,915                        |
|              | <u>3,791</u>                 | <u>1,962</u>                 |

13 Trade and Other Receivables

|  | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--|------------------------------|------------------------------|
| <b>CURRENT</b>                                   |                              |                              |
| Trade receivables                                | 2,358                        | 7,789                        |
| Provision for impairment (a)                     | (22)                         | (609)                        |
|  | <u>2,336</u>                 | <u>7,180</u>                 |
| Prepayments                                      | 2,959                        | 2,280                        |
| Other receivables                                | 762                          | 183                          |
| <b>Total current trade and other receivables</b> | <u>6,057</u>                 | <u>9,650</u>                 |

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

13 Trade and Other Receivables

(a) Impairment of receivables

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 January 2020 is determined as follows, the expected credit losses incorporate forward looking information.

| 31 January 2020            | 0 - 30 days | 31 - 60 days | 60 - 90 days | > 90 days<br>overdue | Total |
|----------------------------|-------------|--------------|--------------|----------------------|-------|
| Expected loss rate (%)     | 0%          | 0%           | 0%           | 100%                 |       |
| Gross carrying amount (\$) | 2,039       | 247          | 50           | 22                   | 2,358 |
| ECL provision              | -           | -            | -            | 22                   | 22    |

Reconciliation of changes in the provision for impairment of receivables is as follows:

|  | For the Year Ended<br>31 January 2020<br>NZ\$000's | For the Year Ended<br>31 January 2019<br>NZ\$000's |
|--|--|--|
| Balance at beginning of the period (calculated in accordance with IAS 139) | (609)  | (326)  |
| <b>Opening impairment allowance calculated under IFRS 9</b>                | <b>(609)</b>                                       | <b>(326)</b>                                       |
| Movement through provision   | (4)  | (1,037)  |
| Unused amounts reversed  | 616  | 772  |
| Foreign exchange movement  | (25)   | (18)   |
| <b>Balance at end of the period</b>  | <b>(22)</b>  | <b>(609)</b>                                       |

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Group has recognised a loss allowance of 100% against identifiable receivables at risk in excess of 90 days because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs first.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

13 Trade and Other Receivables

(b) Aged analysis

The ageing analysis of receivables is as follows:

|                                    | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|------------------------------------|------------------------------|------------------------------|
| 0-30 days                          | 2,039                        | 5,577                        |
| 31-60 days                         | 247                          | 852                          |
| 61-90 days (past due not impaired) | 50                           | 101                          |
| 91+ days (past due not impaired)   | -                            | 3,295                        |
| 91+ days (considered impaired)     | 22                           | (2,036)                      |
|                                    | <u>2,358</u>                 | <u>7,789</u>                 |

14 Inventories

|                          | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--------------------------|------------------------------|------------------------------|
| Finished goods           | 24,035                       | 21,564                       |
| Provision for impairment | (495)                        | (444)                        |
|                          | <u>23,539</u>                | <u>21,120</u>                |

Write downs of inventories to net realisable value during the period were NZ\$51k (2019: NZ\$106k).

Notes to the Consolidated Financial Statements  
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15 Property, plant and equipment

|   | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|---|------------------------------|------------------------------|
| Leasehold Improvements                        |                              |                              |
| At cost                                       | 11,456                       | 12,035                       |
| Accumulated depreciation and impairment       | (9,690)                      | (8,771)                      |
|   | <u>1,766</u>                 | <u>3,264</u>                 |
| Plant, furniture, fittings and motor vehicles |                              |                              |
| At cost                                       | 24,850                       | 25,666                       |
| Accumulated depreciation                      | (23,579)                     | (25,167)                     |
|   | <u>1,271</u>                 | <u>499</u>                   |
| <b>Total property, plant and equipment</b>    | <u><u>3,037</u></u>          | <u><u>3,763</u></u>          |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

## 15 Property, plant and equipment

## (a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period:

|                                       | Leasehold<br>improvements<br>NZ\$000's | Plant, furniture,<br>fittings and motor<br>vehicles<br>NZ\$000's | Total<br>NZ\$000's |
|---------------------------------------|--|--|--------------------|
| <b>Year ended 31 January 2020</b>     |  |  |                    |
| Balance at the beginning of year      | 3,264                                  | 499  | 3,763              |
| Additions                             | 191                                    | 1,103  | 1,294              |
| Disposals                             | (28)                                   | (324)  | (352)              |
| Depreciation expense                  | (461)                                  | (877)  | (1,338)            |
| Reclassification                      | (1,070)                                | 1,120  | 50                 |
| Impairment loss                       | (213)                                  | (278)  | (491)              |
| Adjustment to make good asset         | 14                                     | -  | 14                 |
| Foreign exchange movements            | 69                                     | 28   | 97                 |
| <b>Balance at the end of the year</b> | <b>1,766</b>                           | <b>1,271</b>   | <b>3,037</b>       |
| <b>Year ended 31 January 2019</b>     |  |  |                    |
| Balance at the beginning of year      | 2,728                                  | 2,013  | 4,741              |
| Additions                             | 1,501                                  | 1,084  | 2,585              |
| Disposals                             | (105)                                  | (2,736)  | (2,841)            |
| Depreciation expense                  | (982)                                  | (1,170)  | (2,152)            |
| Impairment loss                       | -                                      | (239)  | (239)              |
| Foreign exchange movements            | 122                                    | 1,547  | 1,669              |
| <b>Balance at the end of the year</b> | <b>3,264</b>                           | <b>499</b>   | <b>3,763</b>       |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

16 Right-of-use assets

The Group leases warehouse, retail and office facilities. The leases typically run for a period of 5 years with an option to renew the lease after that date. Lease payments are renegotiated every resigning period to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-leasing arrangements. The Group also leases information technology and other point of sale equipment.

Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 15).

|                                   | <b>Land &amp;<br/>Buildings</b> | <b>Plant, furniture,<br/>fittings and<br/>motor vehicles</b> | <b>Total</b>      |
|-----------------------------------|---------------------------------|--|-------------------|
|                                   | <b>NZ \$000's</b>               | <b>NZ \$000's</b>  | <b>NZ \$000's</b> |
| Balance as at 1 February          | 25,616                          | 542  | 26,158            |
| Additions to right-of-use-assets  | 6,255                           | 72   | 6,327             |
| Depreciation charge for the year  | (8,479)                         | (197)  | (8,676)           |
| <b>Balance at 31 January 2020</b> | <b>23,392</b>                   | <b>417</b>   | <b>23,809</b>     |

Amounts recognised in profit or loss

|                                       | <b>2020</b>       |
|---------------------------------------|-------------------|
|                                       | <b>NZ \$000's</b> |
| Interest expense on lease liabilities | 1,674             |

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Notes to the Consolidated Financial Statements  
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17 Intangible Assets

|   | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|---|------------------------------|------------------------------|
| Goodwill                                |                              |                              |
| Cost                                    | 6,091                        | 5,607                        |
| Accumulated impairment                  | (6,091)                      | (3,287)                      |
|   | -                            | 2,320                        |
| Patents and licences                    |                              |                              |
| Cost                                    | 25,151                       | 25,993                       |
| Accumulated amortisation and impairment | (3,489)                      | (918)                        |
|   | 21,662                       | 25,075                       |
| Brands                                  |                              |                              |
| Cost                                    | 12,032                       | 14,769                       |
| Accumulated amortisation and impairment | (5,401)                      | (4,563)                      |
|   | 6,631                        | 10,205                       |
| Software                                |                              |                              |
| Cost                                    | 15,548                       | 15,718                       |
| Accumulated amortisation and impairment | (15,548)                     | (15,455)                     |
|   | -                            | 263                          |
| <b>Total Intangible assets</b>          | <b>28,293</b>                | <b>37,864</b>                |

Notes to the Consolidated Financial Statements  
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17 Intangible Assets (continued)

(a) Movements in carrying amounts of intangible assets

|   | Goodwill<br>NZ\$000's | Patents and<br>licences<br>NZ\$000's | Brands<br>NZ\$000's | Software<br>NZ\$000's | Total<br>NZ\$000's |
|---|-----------------------|--------------------------------------|---------------------|-----------------------|--------------------|
| <b>Year ended 31 January 2020</b>       |                       |                                      |                     |                       |                    |
| Balance at the beginning of the year    | 2,320                 | 25,075                               | 10,205              | 263                   | 37,864             |
| Adjustments*                            | -                     | (2,310)                              | -                   | -                     | (2,310)            |
| Amortisation                            | -                     | (589)                                | -                   | -                     | (589)              |
| Impairment (note 6)                     | (2,480)               | (2,037)                              | (3,694)             | (202)                 | (8,413)            |
| Reclassification                        | -                     | -                                    | -                   | (50)                  | (50)               |
| Foreign exchange movements              | 160                   | 1,523                                | 120                 | (11)                  | 1,792              |
| <b>Closing value at 31 January 2020</b> | <b>-</b>              | <b>21,662</b>                        | <b>6,631</b>        | <b>-</b>              | <b>28,293</b>      |

\* During the year, a financial liability relating to a shareholder loan on the balance sheet of Frederick's of Hollywood (FOH) on the acquisition of FOH Online Corp Inc. was derecognised as the stock purchase agreement stipulated the transaction was debt free. This has resulted in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for the accrued and capitalised interest.

|   | Goodwill<br>NZ\$000's | Patents and<br>licences<br>NZ\$000's | Brands<br>NZ\$000's | Software<br>NZ\$000's | Total<br>NZ\$000's |
|---|-----------------------|--------------------------------------|---------------------|-----------------------|--------------------|
| <b>Year ended 31 January 2019</b>       |                       |                                      |                     |                       |                    |
| Balance at the beginning of the year    | -                     | 201                                  | 12,463              | 348                   | 13,012             |
| Additions                               | 5,798                 | 25,076                               | 2,726               | 33                    | 33,633             |
| Amortisation                            | -                     | (202)                                | -                   | (29)                  | (231)              |
| Impairment                              | (3,287)               | -                                    | (4,563)             | (83)                  | (7,933)            |
| Foreign exchange movements              | (192)                 | -                                    | (420)               | (6)                   | (618)              |
| <b>Closing value at 31 January 2019</b> | <b>2,320</b>          | <b>25,075</b>                        | <b>10,205</b>       | <b>-</b>              | <b>37,864</b>      |



Notes to the Consolidated Financial Statements  
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17 Intangible Assets (continued)

(b) Impairment testing for goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units as below:

| Description of the cash-generating unit (CGU) | For the Year Ended | For the Year Ended |
|---|--------------------|--------------------|
|   | 31 January 2020    | 31 January 2019    |
|   | NZ \$000's         | NZ \$000's         |
| United States                                 | 2,480              | 2,320              |
| Impairment of goodwill                        | 2,480              | 2,320              |

Impairment assumptions

Goodwill relates to the acquisition of Naked Inc, a business operating in the United States and was allocated to the Group's operation in United States which is the cash generating unit (CGU) for the purpose of impairment testing. On 30 September 2019 the Group resolved to close its Wholesale operations in the United States which resulted in the carrying value being impaired.

The result of the impairment assessment is that the carrying value of goodwill was fully impaired during the year.

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17 Intangible Assets (continued)

(c) Impairment of patents & licences

Impairment charge relating to patents & licences is a result of the impairment of the Fredericks of Hollywood (FOH) licence which was acquired on 8 December 2018 as part of the Stock Purchase Agreement with the shareholders of FOH Online Corp Inc. The Group also fully impaired the carrying value of patents and licence acquired as part of the Naked merger.

|   | <b>For the Year Ended<br/>31 January 2020<br/>NZ \$000's</b> | For the Year Ended<br>31 January 2019<br>NZ \$000's |
|---|--|---|
| FOH licence                                 | 1,914  | -   |
| Naked patents & licence                     | 123  | -   |
| <b>Impairment of patents &amp; licences</b> | <b>2,037</b>   | <b>-</b>  |

**Impairment assumptions**

Management has determined the recoverable amount of the FOH licence asset by assessing the fair value less cost of disposal (FVLCO) of the underlying assets. The relief from royalty method adopted to complete the valuation determines, in lieu of ownership, the cost that would be required to obtain comparable rights to use the asset via a third-party licence arrangement. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates shown below. These growth rates do not exceed the long-term average growth rates for the industry. The result of the impairment assessment is that the carrying value of the FOH licence exceeded the fair value less costs to sell by an amount of \$2.0m. As such, the FOH licence asset has been partially impaired during the year.

Management's approach and the key assumptions used to determine the FVLCO were as follows: Sales growth: 9.0%

Royalty rate: 5.0%

Cash flow - revenue forecast period: 5 years

Post-tax discount rate (%): 10.5%

Long term sales growth rate (%): 2%

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17 Intangible Assets (continued)

(d) Impairment testing for indefinite-lived brand intangibles

Brand intangible assets represent brands owned by the Group, that arose on historical acquisitions including Pleasure State, Davenport and Lovable.

|   | <b>For the Year Ended<br/>31 January 2020<br/>NZ \$000's</b> | For the Year Ended<br>31 January 2019<br>NZ \$000's |
|---|--|---|
| Pleasure State  | 125  | 2,206   |
| Davenport and Lovable                                   | 1,439  | 1,065   |
| Naked   | 2,130  | 1,292   |
| <b>Impairment of indefinite-lived brand intangibles</b> | <b>3,694</b>   | <b>4,563</b>  |

The brand intangible assets of \$6,631,000 (2019: \$10,205,000) are tested for impairment annually.

**Impairment assumptions**

Management has determined the recoverable amount of the indefinite-lived brand assets by assessing the fair value less cost of disposal (FVL COD) of the underlying assets. The relief from royalty method adopted to complete the valuation determines, in lieu of ownership, the cost that would be required to obtain comparable rights to use the asset via a third-party licence arrangement. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates shown below. These growth rates do not exceed the long-term average growth rates for the industry. The result of the impairment assessment is that the carrying value has exceeded the fair value less costs to sell by \$3.7m. As such, the indefinite-lived brand assets has been partially impaired for the year ended 31 January 2020.

Management's approach and the key assumptions used to determine the FVL COD were as follows:

Sales growth: 5 to 9% (31 January 2019: 2.5%)  
Royalty rate: 5.0% (31 January 2019: 5.0%)  
Cash flow - revenue forecast period: 5 years (31 January 2019: 5 years)  
Post-tax discount rate (%) for US brands: 10.5% (31 January 2019: 10.50%)  
Post-tax discount rate (%) for NZ brands: 11.75% (31 January 2019: 11.75%)  
Long term sales growth rate (%): 2% (31 January 2019: 2%)

**Impact of possible changes in key assumptions**

The directors have made judgements and estimates to assess indefinite-lived assets for impairment. Should these judgements and estimates not occur the resulting carrying amount may decrease.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

17 Intangible Assets (continued)

(d) Impairment testing for indefinite-lived brand intangibles

The sensitivities that have been separately modelled are as follows:

- (a) a 2.1% increase in the post-tax discount rate
- (b) sales growth rate reduced to 0%

The carrying amounts of the indefinite-lived brand intangible assets are sensitive to assumptions used in the impairment test calculations including the post-tax discount rate and sales growth rate. A 2.1% increase in the post-tax discount rate would result in an additional impairment of \$1,047 thousand (31 January 2019: an increase of 2.1% would result an impairment of \$951 thousand) against the carrying amount of the indefinite-lived brand intangibles. A reduction of the sales growth rate to 0% would result in an additional impairment of \$1,749 thousand (31 January 2019: a reduction to 0% would result an impairment of \$1,554 thousand) against the carrying amount of the indefinite-lived brand intangible assets.

(e) Software impairment

During the year management determined the costs relating to a prior year ERP upgrade was greater than the recoverable amount of the software. This has resulted in an impairment charge of \$0.202m.

(f) Sale of intangible asset

On 28<sup>th</sup> January 2020, Naked Brand Group Limited agreed to sell all of its rights, title and interest in the trademarks related to the “Naked” and “NKD” brands to Gogogo SRL for a consideration of US \$0.6m (NZ \$0.906m). At the date of sale, the intangible assets sold had a book value of nil as they had been fully impaired, resulting in a gain on sale of intangible assets of US\$0.6m (NZ \$0.906m) which has been recognised in the profit and loss account.

18 Derivative Financial Instruments

|                            | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|----------------------------|------------------------------|------------------------------|
| Current liabilities        |                              |                              |
| Foreign exchange contracts | -                            | 1,484                        |

In order to mitigate exchange rate movements and to manage the inventory costing process, the Group has previously entered into forward currency contracts to purchase US dollars. As at 31 January 2020, there were no forward exchange contracts in place due to the uncertainty over timing of inventory purchases and related funding constraints.

Notes to the Consolidated Financial Statements  
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19 Trade and Other Payables

|                              | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|------------------------------|------------------------------|------------------------------|
| Current:                     |                              |                              |
| Trade payables               | 10,407                       | 23,580                       |
| Accruals                     | 8,593                        | 10,150                       |
| Employee benefit liabilities | 3,430                        | 1,815                        |
|                              | <u>22,430</u>                | <u>35,545</u>                |

Trade and other payables are unsecured and are normally settled within 30 days however some the trade creditors are out of term as at 31 January 2020. Subsequent to the end of the financial period the Group is actively working to bring all of the creditors in term. The carrying amounts are considered to be a reasonable approximation of fair value.

Notes to the Consolidated Financial Statements  
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20 Borrowings

|  | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--|------------------------------|------------------------------|
| Amounts due in less than one year:           |                              |                              |
| Secured liabilities:                         |                              |                              |
| Bank loans                                   | 17,900                       | 20,000                       |
| Debt issuance costs in relation to bank loan | -                            | (270)                        |
| Other loan                                   | 1,315                        | 1,237                        |
|  | <u>19,215</u>                | <u>20,967</u>                |
| Amounts due after more than one year:        |                              |                              |
| Secured liabilities:                         |                              |                              |
| Convertible loan notes                       | 19,698                       | -                            |
|  | <u>19,698</u>                | <u>-</u>                     |
|  | <u>38,913</u>                | <u>20,967</u>                |

The fair value of borrowings is not considered to be materially different to their carrying amounts.

(a) Assets pledged as collateral:

Borrowings are collateralized by a fixed and floating charge over the assets of the consolidated entity. The lease liabilities are effectively secured as the rights to the leased assets, recognised in the balance sheet, revert to the lessor in the event of default.

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**20 Borrowings (continued)**

**(b) Bank overdrafts, bank loans and bank loan covenants**

During the year the Group maintained its loan facility with the BNZ with interest rate charges ranging between 5.1% and 5.53% and was predominantly on a monthly rolling basis. The original monthly loan covenant compliance measures were replaced by an inventory measure. Inventory ratio was to be on average 1.2 times net bank debt (bank loan less cash at bank). The Group had breached the covenants throughout the year however was compliant in December and January. On 12 March 2020, the Group entered into a Deed of Amendment with the Bank of New Zealand to extend its loan facility of NZD\$16,700,000 (31 January 2019: NZD\$20,000,000) until March 2022. The facility includes bank guarantees totalling NZD\$1,345,000 and has new covenant compliance measures which are:-

1. Actual month and cumulative sales variance to budget to be no greater than 15% adverse to budget
2. Actual month and cumulative gross profit variance to budget to be no greater than 15% adverse to budget
3. Inventory ratio to be a minimum of 1.35 times bank debt (up to but excluding 31 July 2020)
4. Inventory ratio to be a minimum of 1.65 times bank debt (31 July 2020 and thereafter)

**(c) Convertible notes**

Convertible loan notes are initially recognised as a liability as the notes have the characteristics of a liability and are not converted into fixed, rather a variable number of shares. The Note holder can, in writing, cause the borrower to redeem any portion of the Note up to an agreed maximum monthly amount.

During the year, the Group completed 5 separate private placements of secured convertible notes to 2 private investors for a cash consideration of \$21.5m (US\$14.0m) with discounts and fees of \$1.5m (US\$0.95m) with daily compounding interest rates ranging between 10-20%. During the year the, the note holders of 4 notes elected to exchange their warrant in return for a one-time 5% increase on the Note balance on the date of election. Total warrants exchanged for an increase in principal Note balance during the period was \$0.9m (US\$0.6m). In addition to warrant exchanges, the Note holder is also entitled to a one-time 10% increase in Note value if the Group fails to meet its financial obligations contained under the Note agreement. The total increase in principal Note balance relating to financing penalties during the year was \$0.9m (\$0.6m). By the year end, the first convertible note issued in May 2019 \$5.0m (US\$3.3m) had been fully converted to equity while \$0.6m (US\$0.4m) of the note issued in December had been converted. Note other note holders had exercised their conversion rights at balance date. The notes are secured by a second priority security interest over all assets and is subordinated to the Bank of New Zealand bank debt. Subject to adjustment, the Note holders have the right to convert the Note into Naked ordinary shares at an agreed price which ranged between US\$0.05 (pre reverse share split) and US\$4.00 (post reverse share split). 6 months after the purchase price date, the lender has the right to cause the borrower to redeem any portion of the Note up to a monthly maximum amount that was between US\$0.4m and US\$0.6m. As at 31 January 2020 that Group had a principal amount of \$19.1m (US\$12.4m) and accrued interest of \$0.6m (US\$0.4m). The Total owing of \$19.7m (US\$12.8m) is reflected on the balance sheet at the year end and interest has been charged to the Profit and Loss account. When a conversion option is exercised the amount of conversion is taken to share capital, reducing the loan note balance.

**(d) Other loan**

The other loan relates to convertible note that is no longer convertible but remains payable at a future date.

Notes to the Consolidated Financial Statements  
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21 Provisions

|                     | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|---------------------|------------------------------|------------------------------|
| <b>Current:</b>     |                              |                              |
| Lease contributions | -                            | 179                          |
| Other provisions    | 5,205                        | -                            |
| Make good           | 639                          | 742                          |
|                     | <u>5,844</u>                 | <u>921</u>                   |

|                     | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|---------------------|------------------------------|------------------------------|
| <b>Non-current:</b> |                              |                              |
| Lease contributions | -                            | 906                          |
| Make good           | 1,796                        | 1,466                        |
|                     | <u>1,796</u>                 | <u>2,372</u>                 |

|                                    | Lease<br>contributions<br>NZ\$000's | Other<br>provisions<br>NZ\$000's | Make<br>good<br>NZ\$000's | Total<br>NZ\$000's |
|------------------------------------|-------------------------------------|----------------------------------|---------------------------|--------------------|
| Opening balance at 1 February 2019 | 1,085                               | -                                | 2,208                     | 3,293              |
| Impact of IFRS 16*                 | (1,102)                             | -                                | -                         | (1,102)            |
| Additional provisions recognised   | -                                   | 5,205                            | 307                       | 5,512              |
| Amounts used during the period     | -                                   | -                                | (64)                      | (80)               |
| Exchange differences               | 17                                  | -                                | (16)                      | 1                  |
| Balance at 31 January 2020         | <u>-</u>                            | <u>5,205</u>                     | <u>2,435</u>              | <u>7,640</u>       |

\* There is a \$17k foreign exchange difference relating to the impact of IFRS16 that is not reflected in the table in note 3 which does not materially affect the opening adjustment at date of adoption.



Notes to the Consolidated Financial Statements  
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21 Provisions (continued)

|                                    | Lease<br>contributions<br>NZ\$000's | Other<br>provisions<br>NZ\$000's | Make good<br>NZ\$000's | Total<br>NZ\$000's |
|------------------------------------|-------------------------------------|----------------------------------|------------------------|--------------------|
| Opening balance at 1 February 2018 | 1,322                               | 264                              | 2,231                  | 3,817              |
| Additional provisions recognised   | 337                                 | -                                | 717                    | 1,054              |
| Unused amounts reversed            | -                                   | -                                | (600)                  | (600)              |
| Unwinding of discounts             | -                                   | -                                | (84)                   | (84)               |
| Amounts used during the period     | (510)                               | (264)                            | -                      | (774)              |
| Exchange differences               | (64)                                | -                                | (56)                   | (120)              |
| <b>Balance at 31 January 2019</b>  | <b>1,085</b>                        | <b>-</b>                         | <b>2,208</b>           | <b>3,293</b>       |

**Other provisions**

On 31 January 2020, the Group entered into an agreement terminating the license agreement with Heidi Klum. The termination agreement provides that we may continue selling existing Heidi Klum branded products, as well as Heidi Klum branded products manufactured on or prior to June 30, 2020 under existing contracts. The right to continue selling such products will continue until six months after the date of the termination agreement in the Northern Hemisphere and until 12 months after the date of the termination agreement in the Southern Hemisphere. A termination fee to Heidi Klum in lieu of further royalties is payable in instalments through to 30 December 2020. At 31 January 2020 the termination costs of the contract are greater than the economic benefit and hence the contract has been identified as onerous. A provision is recognised for an amount the termination costs exceed the economic benefits.

**Make good**

In accordance with certain lease agreements, the Group must refurbish and restore the lease premises to a condition agreed with the landlord at the end of the lease term or as prescribed. The provision has been calculated using a pre-tax discount rate of 2% (2019: 2%), and other market assumptions and re-assessed annually.

During the 2020 financial year an additional \$307,000 (2019: \$717,000) was recognised in relation to new retail leases in New Zealand and Australia.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

22 Lease Liabilities

The Group has adopted IFRS 16 from 1 February 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depletion, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

On transition to IFRS 16 on 1 February 2019, the Group recognised a right-of-use assets of \$26,158,000, a reduction to lease contribution provisions of \$1,102,000 and a lease liability of \$27,899,000 and a reduction to retained earnings of \$639,000. The prior period has not been restated, the adjustment to opening retained earnings of \$639,000 at 1 February 2019 is reflected in the Consolidated Statement of Changes in Equity. When measuring the lease liabilities, the Group discounted these lease payments using its incremental borrowing rate at the date of initial application of IFRS 16. The rate applied was 6.0%.

|  | FY 31 Jan 2020<br>Applying<br>IFRS 16<br>\$'000 | FY 31 Jan 2020<br>Applying<br>IAS 17<br>\$'000 | Movement<br>\$'000 |
|--|---|--|--------------------|
| Consolidated Statement of Profit or Loss (loss before tax) | (53,523)  | (52,974)                                       | 549                |
| Total expense  | 143,588   | 143,039  | 549                |
| Finance expenses   | 5,213   | 3,539  | 1,674              |
| Depreciation   | 10,014  | 1,338  | 8,676              |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

22 Lease Liabilities

|   | FY 31 Jan 2020<br>Applying<br>IFRS 16<br>\$'000 | FY 31 Jan 2020<br>Applying<br>IAS 17<br>\$'000 | Movement<br>\$'000 |
|---|---|--|--------------------|
| <b>Consolidated Statement of Financial Position</b> |   |  |                    |
| Right-of-use assets                                 | 23,809  | -  | 23,809             |
| Lease liabilities, current                          | (8,112)   | -  | (8,112)            |
| Lease liabilities, non-current                      | (17,719)  | -  | (17,719)           |
| Other liabilities                                   | 834   | -  | 834                |
| Accumulated losses*                                 | (1,188)   | -  | (1,188)            |
| <b>Consolidated Statement of Cash Flows</b>         |   |  |                    |
| Cash flows used in operating activities             | (19,894)  | (28,021)                                       | 8,127              |
| Cash flows used in financing activities             | 22,098  | 30,225   | (8,127)            |

\*Includes \$639k opening adjustment loss at the date of adoption.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

22 Lease Liabilities

The following elections for IFRS 16 were taken on transition date:

- the Group did not reassess whether existing contracts are, or contain, a lease and applied IFRS 16 only to existing contracts that were previously identified as lease under IAS 17;
- the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- leases with a remaining term of less than 12 months from the transition date and low value lease are expensed on a straight-line basis to the Consolidated Profit or Loss account.

Undiscounted contractual maturity of lease liabilities

|                             | 31 January 2020<br>NZ\$000's |
|-----------------------------|------------------------------|
| Amounts payable:            |                              |
| Within one year             | 9,409                        |
| 2 to 5 years inclusive      | 19,311                       |
| After 5 years               | 177                          |
|                             | <u>28,897</u>                |
| Less future finance charges | <u>(3,066)</u>               |
| Lease liabilities           | <u>25,831</u>                |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

23 Share Capital

|   | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|---|------------------------------|------------------------------|
| 4,697,204 (2019: 296,409) Ordinary shares | <u>170,193</u>               | <u>134,183</u>               |

(a) Ordinary shares

|  | For the Year<br>Ended<br>31 January 2020<br>NZ\$000's | For the Year<br>Ended<br>31 January 2019<br>NZ\$000's |
|--|---|---|
| At the beginning of the reporting period         | 134,183   | 68,727  |
| Issuance of new shares                           |   |   |
| - Cash collected                                 | 12,586  | 23,248  |
| - Settle shareholder loan                        | -   | 12,242  |
| - Shares issued in lieu of consultancy fee       | -   | 692   |
| - Shares issued in lieu of inventory payment     | 15,525  | 4,047   |
| - Shares issued in lieu of related party loan    | 1,546   | -   |
| Convertible note conversion                      | 5,979   | 4,159   |
| Warrants issued                                  | 374   | -   |
| Business combination with Naked Brand Group Inc. | -   | 14,196  |
| Asset acquisition of FOH Online Inc.             | -   | 6,872   |
| At the end of the reporting period               | <u>170,193</u>  | <u>134,183</u>  |

The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Group. On a show of hands at meetings of the Group, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote.

On 20 December 2019 the company executed a 1-100 reverse share split reducing the number of shares. The reverse split has also been reflected in the prior year number of shares.

The Group does not have authorised capital or par value in respect of its shares.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

23 Share Capital

(b) Capital Management

The key objectives of the Group when managing capital is to safeguard its ability to continue as a going concern and maintain optimal benefits to stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity. The Group defines capital as its equity and net debt.

There has been no change to capital risk management policies during the year.

Management are constantly adjusting the capital structure to take advantage of favourable costs of capital or high return on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements.

The gearing ratio for the years ended 31 January 2020 and 31 January 2019 are as follows:

|                                | Note | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--------------------------------|------|------------------------------|------------------------------|
| Total borrowings               | 20   | 38,913                       | 20,967                       |
| Less Cash and cash equivalents | 12   | (3,791)                      | (1,962)                      |
| Net debt                       |      | 35,122                       | 19,005                       |
| Equity                         |      | (6,284)                      | 10,519                       |
| Total capital                  |      | 28,838                       | 29,524                       |
| Gearing ratio                  |      | 122%                         | 64%                          |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

23 Share Capital

(c) Warrants

The following warrants were outstanding as at 31 January 2020 (31 January 2019: 49,000\*).

| Average Exercise Price (USD)                                      | Issue Date | Expiry Date | No. of warrants |
|---|------------|-------------|-----------------|
|   | Mar-19     | Mar-23      | 14,000          |
|   | Mar-19     | Mar-24      | 3,921           |
| \$0.01 - \$0.50   | Apr-19     | Apr-22      | 500             |
|   | May-19     | May-21      | 10,000          |
|   | Jul-19     | May-25      | 170,100         |
|   | Aug-19     | Feb-25      | 285,714         |
|   | Aug-19     | Aug-24      | 22,857          |
| \$0.50 - \$1.00   | Mar-19     | Mar-21      | 42,280          |
| \$1.50 - \$2.00   | Nov-17     | Nov-21      | 2,000           |
|   | Oct-18     | Oct-21      | 20,000          |
|   | Dec-17     | Dec-20      | 10,660          |
|   | Apr-18     | Apr-20      | 5,140           |
| \$2.01 - \$4.00   | May-18     | Mar-20      | 2,030           |
|   | Jun-18     | Jun-20      | 3,430           |
|   | Jun-18     | Jun-23      | 8,000           |
|   | Mar-19     | Jun-20      | 6,670           |
| \$4.01+   | May-18     | May-21      | 2,820           |
| <b>Total number of outstanding warrants as at 31 January 2020</b> |            |             | <b>610,122</b>  |

\* On 20 December 2019 the company executed a 1-100 reverse share split reducing the number of warrants. The reverse split has also been reflected in the prior year number of warrants outstanding.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

24 Reserves

|   | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|---|------------------------------|------------------------------|
| <b>Foreign currency translation reserve</b> |                              |                              |
| Opening balance                             | (2,013)                      | (2,006)                      |
| Transfers in                                | 2,131                        | (7)                          |
| <b>Balance at the end of the year</b>       | <b>118</b>                   | <b>(2,013)</b>               |

**Foreign currency translation reserve**

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income - foreign currency translation reserve. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.



Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

25 Loss per Share

(a) Basic and diluted loss per share

|  | For the Year<br>Ended<br>31 January 2020<br>NZ\$ | For the Year<br>Ended<br>31 January 2019<br>NZ\$ |
|--|--|--|
| From continuing operations attributable to the ordinary equity holders of the Group                    | (34.74)  | (200.77)   |
| <b>Total basic and diluted loss per share attributable to the ordinary equity holders of the Group</b> | <b>(34.74)</b>                                   | <b>(200.77)</b>                                  |

(b) Reconciliation of loss used in calculating loss per share

|   | For the Year<br>Ended<br>31 January 2020<br>NZ\$000's | For the Year<br>Ended<br>31 January 2019<br>NZ\$000's |
|---|---|---|
| <b>Basic and diluted loss per share</b>   |   |   |
| Loss attributable to the ordinary equity holders of the Group used in calculating basic earnings per share: | (54,305)  | (49,220)  |

(c) Weighted average number of shares used as the denominator

|  | 31 January 2020<br>Number | 31 January 2019<br>Number* |
|--|---------------------------|----------------------------|
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share | 1,563,056                 | 243,790                    |

\* On 20 December 2019 the company executed a 1-100 reverse share split reducing the number of shares. The reverse split has also been reflected in the prior year number of shares.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

25 Loss per Share

(d) Information concerning the classification of securities

Convertible Notes

At 31 January 2020, the Group had 4 convertible notes outstanding with a principal of \$19.1m and accrued interest of \$0.6m. Please refer to note 20(c).

26 Accumulated Losses

|   | Year Ended 31<br>January 2020<br>NZ\$000's | Year Ended 31<br>January 2019<br>NZ\$000's |
|---|--|--|
| Accumulated losses at the beginning of the financial year | (121,651)                                  | (72,431)                                   |
| Impact of IFRS 16   | (639)                                      | -  |
| Loss for the year   | (54,305)                                   | (49,220)                                   |
| <b>Accumulated losses at end of the financial year</b>    | <b>(176,595)</b>                           | <b>(121,651)</b>                           |

27 Other Financial Commitments

(a) Operating leases

|  | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--|------------------------------|------------------------------|
| Minimum lease payments under non-cancellable operating leases: |                              |                              |
| - not later than one year                                      | -                            | 8,533                        |
| - between one year and five years                              | -                            | 18,039                       |
| - later than five years  | -                            | 1,485                        |
|  | -                            | 28,057                       |

IFRS 16 Leases standard came into effect on 1 January 2019. IFRS 16 requires that all leases and the related rights and obligations should be recognised on the lessee's balance sheet, unless the lease is less than one year in length or is for a low-value asset. Leases that do not meet these criteria are expensed on a straight-line basis. See note 3 for more details on IFRS 16 and note 22 for details of undiscounted contractual maturity of lease liabilities.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

27 Other Financial Commitments

(b) Contracted Commitments

|                                   | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|-----------------------------------|------------------------------|------------------------------|
| Licence contract                  |                              |                              |
| - not later than one year         | 5,392                        | 4,286                        |
| - between one year and five years | -                            | 8,696                        |
|                                   | <u>5,392</u>                 | <u>12,982</u>                |

On 31 January 2020 the Group, through mutual consent, terminated the licence agreement with Heidi Klum and Heidi Klum Company LLC of a fee of US\$3.5m as is shown above.

(c) Lessor Commitments

At 31 January 2020, had no outstanding commitments due to the adoption of IFRS 16 "Leases":

|                              | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|------------------------------|------------------------------|------------------------------|
| - no later than 1 year       | -                            | 441                          |
| - between 1 year and 5 years | -                            | 493                          |
| - greater than 5 years       | -                            | -                            |
| Total minimum lease payments | <u>-</u>                     | <u>934</u>                   |

## **28 Financial Risk Management**

The Group is exposed to a variety of financial risks through its use of financial instruments.

The Group's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Group is exposed to are described below:

### **Specific risks**

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

### **Financial instruments used**

The principal categories of financial instruments used by the Group are:

- Trade receivables
- Cash at bank
- Bank overdraft
- Trade and other payables
- Floating rate bank loans
- Forward currency contracts
- Shareholders loan

### **Objectives, policies and processes**

The Board of Directors have overall responsibility for the establishment of the Group's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The day-to-day risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors.

## **28 Financial Risk Management**

### **Objectives, policies and processes**

Mitigation strategies for specific risks faced are described below:

### **Liquidity risk**

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities as and when they fall due.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward. The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the consolidated balance sheets due to the effect of discounting.

Due to the recent developments of COVID-19, the company has been further tasked to preserve cash due to the recent lockdown procedures that have occurred in the company's main markets meaning retail stores are closed and the company is heavily reliant on its e-commerce segment. In addition, the company has applied for government subsidies where appropriate to help alleviate the impact of reduced cash inflow from store closures. At the date of this report, the Group had received \$2.0m in subsidies from the New Zealand Government.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

28 Financial Risk Management

The Group's liabilities have contractual maturities which are summarised below:

|                               | Non-<br>derivatives<br>Borrowings<br>NZ\$000's | Non-<br>derivatives<br>Trade<br>payables<br>NZ\$000's | Non-<br>derivatives<br>Total<br>NZ\$000's | Derivatives<br>Gross<br>future cash<br>settlement<br>on<br>forward<br>currency<br>contracts -<br>inflow<br>NZ\$000's | Derivatives<br>Gross<br>future cash<br>settlement<br>on<br>forward<br>currency<br>contracts -<br>(outflow)<br>NZ\$000's | Derivatives<br>Total<br>NZ\$000's |
|-------------------------------|--|---|---|--|---|-----------------------------------|
| <b>Not later than 1 month</b> |  |   |   |  |   |                                   |
| 31 January 2020               | 2,052  | 10,407  | 12,459                                    | -  | -   | -                                 |
| 31 January 2019               | 1,329  | 23,580  | 24,908                                    | 18,325   | (19,212)  | (887)                             |
| <b>1 to 3 months</b>          |  |   |   |  |   |                                   |
| 31 January 2020               | 18,044   | -   | 18,044                                    | -  | -   | -                                 |
| 31 January 2019               | 184  | -   | 184                                       | 9,610  | (10,061)  | (451)                             |
| <b>3 months to 1 year</b>     |  |   |   |  |   |                                   |
| 31 January 2020               | -  | -   | -   | -  | -   | -                                 |
| 31 January 2019               | 20,184   | -   | 20,184                                    | 4,976  | (5,121)   | (145)                             |
| <b>1 to 5 years</b>           |  |   |   |  |   |                                   |
| 31 January 2020               | 28,764   | -   | 28,764                                    | -  | -   | -                                 |
| 31 January 2019               | -  | -   | -   | -  | -   | -                                 |
| <b>Total</b>                  |  |   |   |  |   |                                   |
| 31 January 2020               | 48,860   | 10,407  | 59,267                                    | -  | -   | -                                 |
| 31 January 2019               | 21,697   | 23,580  | 45,277                                    | 32,912   | (34,395)  | (1,483)                           |

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**28 Financial Risk Management**

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure to wholesale and retail customers, including outstanding receivables and committed transactions.

The Group operates out of 61 stores across Australasia while having offices in New Zealand and the US which all have committed leasing obligations. COVID-19 has caused the Group to negotiate payments terms across its supplier ledger until such time that normal trading resumes.

*Trade receivables and contract assets*

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The utilisation of credit limits by customers is regularly monitored by line management. Customers who subsequently fail to meet their credit terms are required to make purchases on a prepayment basis until creditworthiness can be re-established.

Management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

On a geographical basis, the Group has significant credit risk exposures in New Zealand and Australia, given the substantial operations in those regions.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings if available or historical information about counterparty default rate.

Notes to the Consolidated Financial Statements  
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28 Financial Risk Management

|  | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's | 31 January 2018<br>NZ\$000's |
|--|------------------------------|------------------------------|------------------------------|
| <b>Trade receivables</b>                                     |                              |                              |                              |
| <b>Counterparty without external credit ratings</b>          |                              |                              |                              |
| New customer less than 6 months                              | -                            | 42                           | 12                           |
| Existing customers (more than 6 months with default in past) | 2,358                        | 7,747                        | 9,970                        |
| <b>Total</b>   | <b>2,358</b>                 | <b>7,789</b>                 | <b>9,982</b>                 |
| <b>Cash at bank</b>  |                              |                              |                              |
| <b>Credit ratings</b>  |                              |                              |                              |
| AA-  | 3,747                        | 1,915                        | 10,591                       |
| A+   | -                            | -                            | 94                           |
| <b>Total</b>   | <b>3,747</b>                 | <b>1,915</b>                 | <b>10,685</b>                |

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties.

On a geographical basis, the Group has significant credit risk exposures in New Zealand and Australia, United States and United Kingdom given the substantial operations in those regions.

**Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

A significant amount of inventory is purchased in US dollars with sales primarily being generated in Australian and New Zealand dollars. COVID-19 will put additional uncertainty as exchange rates become more volatile.

*(i) Foreign exchange risk*

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the functional currency of the Group.

Exposures to currency exchange rates arise from the Group's overseas sales and purchases, which are primarily denominated in currencies other than the functional currency, in particular USD.



Notes to the Consolidated Financial Statements  
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28 Financial Risk Management

Foreign currency denominated financial assets and liabilities, translated into New Zealand Dollars at the closing rate, are as follows:

|                           | AUD<br>NZ\$000's | USD<br>NZ\$000's | GBP<br>NZ\$000's | EUR<br>NZ\$000's | HKD<br>NZ\$000's | Total<br>NZ\$000's |
|---------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| <b>31 January 2020</b>    |                  |                  |                  |                  |                  |                    |
| Nominal amounts           |                  |                  |                  |                  |                  |                    |
| Trade receivables         | -                | 19               | 20               | 441              | -                | 480                |
| Trade payables            | 12               | 4,068            | 85               | 1                | 2                | 4,168              |
| Cash and cash equivalents | 1,500            | 747              | 85               | 5                | 4                | 2,341              |
| <b>31 January 2019</b>    |                  |                  |                  |                  |                  |                    |
| Nominal amounts           |                  |                  |                  |                  |                  |                    |
| Trade receivables         | 51               | 42               | -                | 285              | -                | 378                |
| Trade payables            | 1                | 9,035            | 8                | 61               | 7                | 9,112              |
| Cash and cash equivalents | 623              | 149              | 38               | 8                | 11               | 829                |
| <b>31 January 2018</b>    |                  |                  |                  |                  |                  |                    |
| Nominal amounts           |                  |                  |                  |                  |                  |                    |
| Trade receivables         | 328              | 199              | -                | 1,376            | -                | 1,903              |
| Trade payables            | 781              | 11,209           | 74               | 29               | 53               | 12,146             |
| Cash and cash equivalents | 1,660            | 7,190            | 77               | 92               | 165              | 9,184              |

The table on the next page illustrates the sensitivity of the net result for the year and equity in regards to the Group's financial assets and financial liabilities and the US dollar - New Zealand Dollar, Australian Dollar - New Zealand Dollar, GB Pound - New Zealand Dollar, Euro - New Zealand Dollar, and Hong Kong Dollar - New Zealand Dollar exchange rates. There have been no changes in the assumptions calculating this sensitivity from prior years.

It assumes a 10% change of the New Zealand Dollar / Australian Dollar exchange rate for the year ended 31 January 2020 (31 January 2019: 10%, 31 January 2018: 10%). A 10% change is considered for the New Zealand Dollar / US Dollar exchange rate (31 January 2019: 10%, 31 January 2018: 10%). A 10% change is considered for the New Zealand Dollar / GB Pound exchange rate (31 January 2019: 10%, 31 January 2018: 10%). A 10% change is considered for the New Zealand Dollar / Euro exchange rate (31 January 2019: 10%, 31 January 2018: 10%). All of these percentages have been determined based on the average market volatility in exchange rates in the previous 12 months.

The year-end rates are 0.9655 AUD, 0.6491 USD, 0.4954 GBP, 0.5883 EUR and 5.0424 HKD.

The sensitivity analysis is based on the foreign currency financial instruments held at the reporting date.

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28 Financial Risk Management

If the New Zealand Dollar had strengthened and weakened against the Australian Dollar, US Dollar, GB Pound, Euro and HK Dollar by 10% (31 January 2019: 10%, 31 January 2018: 10%) and 10% (31 January 2019: 10%, 31 January 2018: 10%) respectively then this would have had the following impact:

|                                      | NZ\$000's |       |
|--------------------------------------|-----------|-------|
|                                      | +10%      | -10%  |
| <b>USD</b>                           |           |       |
| Net results/Equity (31 January 2020) | (594)     | 594   |
| Net results/Equity (31 January 2019) | (954)     | 954   |
| Net results/Equity (31 January 2018) | (1,509)   | 1,509 |
| <b>AUD</b>                           |           |       |
| Net results/Equity (31 January 2020) | (1)       | 1     |
| Net results/Equity (31 January 2019) | (5)       | 5     |
| Net results/Equity (31 January 2018) | (805)     | 805   |
| <b>GBP</b>                           |           |       |
| Net results/Equity (31 January 2020) | (16)      | 16    |
| Net results/Equity (31 January 2019) | (1)       | 1     |
| Net results/Equity (31 January 2018) | (175)     | 175   |
| <b>EUR</b>                           |           |       |
| Net results/Equity (31 January 2020) | (42)      | 42    |
| Net results/Equity (31 January 2019) | (32)      | 32    |
| Net results/Equity (31 January 2018) | (136)     | 136   |
| <b>HKD</b>                           |           |       |
| Net results/Equity (31 January 2020) | (-)       | -     |
| Net results/Equity (31 January 2019) | (1)       | 1     |
| Net results/Equity (31 January 2018) | (14)      | 14    |

Notes to the Consolidated Financial Statements  
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28 Financial Risk Management

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

*Forward exchange contracts*

The Group has no open forward exchange contracts at the end of the reporting period.

The following table summarises the notional amount of the Group's commitments in relation to forward exchange contracts.

|                                  | Notional Amounts                |                                 |                                 | Average Exchange Rate    |                          |                          |
|----------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|
|                                  | 31 January<br>2020<br>NZ\$000's | 31 January<br>2019<br>NZ\$000's | 31 January<br>2018<br>NZ\$000's | 31 January<br>2020<br>\$ | 31 January<br>2019<br>\$ | 31 January<br>2018<br>\$ |
| Buy USD / sell NZD<br>Settlement |                                 |                                 |                                 |                          |                          |                          |
| Less than 6 months               | -                               | 34,395                          | 48,149                          | -                        | 0.6620                   | 0.7061                   |
| Buy AUD / sell NZD<br>Settlement |                                 |                                 |                                 |                          |                          |                          |
| Less than 6 months               | -                               | -                               | 2,247                           | -                        | -                        | 0.8900                   |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

28 Financial Risk Management

(ii) Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at floating and fixed rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At the reporting date, the Group is exposed to changes in market interest rates through its bank borrowings, which are subject to variable interest rates.

|   | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|---|------------------------------|------------------------------|
| <b>Floating rate instruments</b>        |                              |                              |
| Bank overdrafts                         | -                            | -                            |
| Working capital financing bank facility | -                            | -                            |
| Convertible notes                       | -                            | -                            |
| Borrowings                              | <b>17,900</b>                | <b>20,000</b>                |
|   | <b>17,900</b>                | <b>20,000</b>                |

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1.00%/-1.00% (2019: +1.00%/-1.00%, 2018: +1.00%/-1.00%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions and economist reports.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

|                                      | NZ\$000's          |                     |
|--------------------------------------|--------------------|---------------------|
|                                      | 1.00%<br>NZ\$000's | -1.00%<br>NZ\$000's |
| Net results/Equity (31 January 2020) | 179                | (179)               |
| Net results/Equity (31 January 2019) | 200                | (200)               |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

29 Tax assets and liabilities

|  | Opening Balance<br>NZ\$000's | Charged to<br>Income*<br>NZ\$000's | Charged directly<br>to Equity<br>NZ\$000's | Changes in Tax<br>Rate<br>NZ\$000's | Exchange<br>Differences<br>NZ\$000's | Closing Balance<br>NZ\$000's |
|--|------------------------------|------------------------------------|--|-------------------------------------|--------------------------------------|------------------------------|
| <b>Deferred tax assets/(liabilities)</b> |                              |                                    |  |                                     |                                      |                              |
| Carried forward tax losses               | 1,322                        | (692)                              | -  | -                                   | -                                    | 630                          |
| Intangible assets                        | (630)                        | -                                  | -  | -                                   | -                                    | (630)                        |
| <b>Balance at 31 January 2020</b>        | <b>692</b>                   | <b>(692)</b>                       | -  | -                                   | -                                    | -                            |
| Carried forward tax losses               | 630                          | 692                                | -  | -                                   | -                                    | 1,322                        |
| Intangible assets                        | (630)                        | -                                  | -  | -                                   | -                                    | (630)                        |
| <b>Balance at 31 January 2019</b>        | <b>-</b>                     | <b>692</b>                         | -  | -                                   | -                                    | <b>692</b>                   |

\* There is a foreign currency impact of \$9k which is not reflected in the table above. The total amount charged to the profit and loss account is \$701k (note 10).

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

30 Dividends

No final dividend will be paid in respect of the year ended 31 January 2020 (31 January 2019: nil, 31 January 2018: nil).

Franking account

|  | 31 January 2020<br>NZ\$000's | 31 January 2019<br>NZ\$000's |
|--|------------------------------|------------------------------|
| Australian franking credits available for subsequent financial years at a tax rate of 30%    | 3,995                        | 3,995                        |
| New Zealand imputation credits available for subsequent financial years at a tax rate of 28% | 236                          | 236                          |

The above amounts are based on the dividend franking account at period-end adjusted for:

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the period end;
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables at the end of the period.

31 Key Management Personnel Remuneration

Key management personnel remuneration included within employee expenses for the period is shown below:

|                              | For the Year<br>Ended<br>31 January 2020<br>NZ\$000's | For the Year<br>Ended<br>31 January 2019<br>NZ\$000's | For the Year<br>Ended<br>31 January 2018<br>NZ\$000's |
|------------------------------|---|---|---|
| Short-term employee benefits | 3,182   | 2,056   | 1,743   |
|                              | <u>3,182</u>  | <u>2,056</u>  | <u>1,743</u>  |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

32 Interests in Subsidiaries

Composition of the Group

|                               | Principal place of<br>business / Country of<br>Incorporation | Percentage<br>Owned (%)*<br>31 January<br>2020 | Percentage<br>Owned (%)*<br>31 January<br>2019 | Percentage<br>Owned (%)*<br>31 January<br>2018 |
|-------------------------------|--|--|--|--|
| <b>Subsidiaries:</b>          |  |  |  |  |
| Bendon Retail Limited         | New Zealand  | 100  | 100  | 100  |
| Bendon Holdings Limited       | New Zealand  | 100  | 100  | 100  |
| Bendon Holdings Pty Limited   | Australia  | 100  | 100  | 100  |
| Bendon Pty Limited            | Australia  | 100  | 100  | 100  |
| Bendon Intimates Pty Limited  | Australia  | 100  | 100  | 100  |
| PS Holdings No. 1 Pty Limited | Australia  | 100  | 100  | 100  |
| Pleasure State Pty Limited    | Australia  | 100  | 100  | 100  |
| Pleasure State (HK) Limited   | Hong Kong  | 100  | 100  | 100  |
| Bendon UK Limited             | United Kingdom   | 100  | 100  | 100  |
| Bendon USA Inc                | United States of<br>America                                  | 100  | 100  | 100  |
| Bendon Limited**              | New Zealand  | 100  | 100  | -  |
| Naked Brand Inc.              | United States of<br>America                                  | 100  | 100  | -  |
| FOH Online Corp Inc.          | United States of<br>America                                  | 100  | 100  | -  |

\*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

\*\* Bendon Limited was the parent entity in the period ended 31 January 2018.

### **33 Fair Value Measurement**

The Group measures the following assets and liabilities at fair value on a recurring basis:

- Financial assets - derivative financial instruments
- Financial liabilities - derivative financial instruments

#### **Fair value hierarchy**

IFRS 13 *Fair Value Measurement* requires all assets and liabilities measured at fair value to be assigned to a level in the fair value hierarchy as follows:

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.     |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3 | Unobservable inputs for the asset or liability.  |



Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

33 Fair Value Measurement

The table below shows the assigned level for each asset and liability held at fair value by the Group:

|  | Level 1<br>NZ\$000's | Level 2<br>NZ\$000's | Level 3<br>NZ\$000's | Total<br>NZ\$000's |
|--|----------------------|----------------------|----------------------|--------------------|
| <b>31 January 2020</b>                   |                      |                      |                      |                    |
| <b>Recurring fair value measurements</b> |                      |                      |                      |                    |
| <b>Financial assets</b>                  |                      |                      |                      |                    |
| Foreign exchange contracts               | -                    | -                    | -                    | -                  |
| <b>Financial liabilities</b>             |                      |                      |                      |                    |
| Foreign exchange contracts               | -                    | -                    | -                    | -                  |
| Derivative on Convertible Notes          | -                    | -                    | -                    | -                  |
| <b>31 January 2019</b>                   |                      |                      |                      |                    |
| <b>Recurring fair value measurements</b> |                      |                      |                      |                    |
| <b>Financial assets</b>                  |                      |                      |                      |                    |
| Foreign exchange contracts               | -                    | -                    | -                    | -                  |
| <b>Financial liabilities</b>             |                      |                      |                      |                    |
| Foreign exchange contracts               | -                    | 1,484                | -                    | 1,484              |
| Derivative on Convertible Notes          | -                    | -                    | -                    | -                  |

There were no transfers between levels during the financial periods.

The carrying amount of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature. Bank loans approximate fair value of the carrying amount on the basis of the variable nature of the interest rates associated with the loans.

**Valuation techniques for fair value measurements categorised within level 2**

The fair value of derivative financial instruments is determined using valuation techniques which maximise the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

33 Fair Value Measurement

Valuation techniques for fair value measurements categorised within level 3

The fair value of the derivative on convertible notes has been determined using a Black-Scholes model. Measurement inputs include share price on measurement date, expected term of the instrument, risk free rate, expected volatility and expected dividend rate. The Group used valuations specialists to perform these valuations.

Fair value measurements using significant unobservable movements (level 3)

The following table presents the changes in level 3 instruments for the year ended 31 January 2019.

|                                   | Convertible<br>note liability<br>NZ\$000's |
|-----------------------------------|--|
| Balance at 31 January 2018        | 1,110                                      |
| Conversion                        | (1,110)                                    |
| <b>Balance at 31 January 2019</b> | <b>-</b>                                   |

For the year ended 31 January 2020, there were no derivatives on convertible notes.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

34 Contingencies

Contingent Liabilities

The Group has entered into a number of trade guarantee arrangements in the normal course of business totalling \$0.7m (2019: \$1.2m)

In the prior year, a shareholder lodged a court Action against the Group claiming they did not receive the correct number of shares in the Group on completion of the merger between Naked Inc. and Bendon Limited to form Naked Brand Group Limited in the prior year. The Group has sought to have this claim dismissed by the Court on the basis that the Group had no contract with the shareholder and that the shareholder did not have a possessory right over a certain number of shares in the Group. No provision has been made for this in these financial statements.

On March 24, 2020, Timothy Connell filed a complaint against Naked Brand Group Limited, a subsidiary of ours, and Mr. Davis-Rice, alleging, among other things, that certain shares issued to him in satisfaction of a debt were not registered for resale as promised. Mr. Connell seeks rescission of the transaction. Our management intends to defend the action vigorously. Nothing has been provided as management believe this debt has been settled.

35 Related Parties

(a) Loans (to)/from related parties

|  | Opening<br>balance<br>NZ\$000s | Closing<br>balance<br>NZ\$000s |
|--|--------------------------------|--------------------------------|
| <b>Loans to related parties</b>              |                                |                                |
| Cullen Investments Limited - 31 January 2020 | -                              | -                              |
| Cullen Investments Limited - 31 January 2019 | 11,536                         | -                              |
| Whitespace Atelier Limited - 31 January 2020 | 282                            | -                              |
| Whitespace Atelier Limited - 31 January 2019 | 273                            | 282                            |
| FOH Online Inc. - 31 January 2020            | -                              | -                              |
| FOH Online Inc. - 31 January 2019            | 3,518                          | -                              |
| <b>Loans from related parties</b>            |                                |                                |
| SBL Holdings - 31 January 2020               | (1449)                         | -                              |
| SBL Holdings - 31 January 2019               | -                              | (1,449)                        |
| Naked Inc. - 31 January 2020                 | -                              | -                              |
| Naked Inc. - 31 January 2019                 | (1,369)                        | -                              |
| EJ Watson – 31 January 2020                  | (2,289)                        | -                              |
| EJ Watson – 31 January 2019                  | -                              | (2,289)                        |

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**35 Related Parties**

**(a) Loans (to)/from related parties**

Whitespace Atelier Limited (“Whitespace”) is no longer regarded as a related party. Transactions in the prior year amounted to \$12.7m and at 31 January 2019, the Group had made prepayments totalling \$281,714.

Subsequent to the merger with Naked Brand Group Inc. on 19th June 2018, Naked Brand Group Inc. became part of the Group as at 31 January 2019. The balances between the subsidiaries are eliminated in the Group Balance Sheet.

Subsequent to the acquisition of FOH Online Inc. on 8 December 2018, FOH Online Inc. became part of the Group as at 31 January 2019. The balances between the subsidiaries are eliminated in the Group Balance Sheet.

During the year, a financial liability relating to a shareholder loan created on the acquisition of FOH Online Corp Inc. was derecognised as the current acquisition accounting results in a debt free balance with the shareholder. This adjustment is reflected in the 31 January 2020 accounts in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for the accrued and capitalised interest. This has resulted in a reduction to the carrying value of the acquired intangible asset with a write back to the profit and loss account for accrued and capitalised interest. Further information can be found in note 17.

During the period, the loan payable to SBL Holdings Limited was extinguished through the issuance of shares in the Company.

During the period, The Group received tax services from Rothsay Chartered Accountants, an accountancy firm, in which a director of the company held a senior position. The Group received services to the value of \$32,503.

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

36 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

|  | Year Ended<br>31 January 2020<br>NZ\$000's | Year Ended<br>31 January 2019<br>NZ\$000's | Year Ended<br>31 January 2018<br>NZ\$000's |
|--|--|--|--|
| Loss for the year  | (54,305)                                   | (49,220)                                   | (37,593)                                   |
| Cash flows excluded from profit attributable to operating activities |  |  |  |
| - interest paid on borrowings  | 2,868                                      | 3,400                                      | 8,792                                      |
| - gain on sale of intangible assets                                  | (906)                                      | -  | -  |
| Non-cash flows in profit:  |  |  |  |
| - depreciation and amortisation expense                              | 10,603                                     | 2,382                                      | 3,030                                      |
| - impairment expense   | 8,904                                      | 8,173                                      | 1,914                                      |
| - shares issued in lieu of inventory payment                         | 5,942                                      | -  | -  |
| - warrants issued  | 371  | -  | -  |
| - fair value gain/(loss) on convertible notes derivative             | -  | 775  | (2,393)                                    |
| Changes in assets and liabilities:                                   |  |  |  |
| - (increase)/decrease in trade and other receivables                 | 2,901                                      | 14,267                                     | 14,925                                     |
| - (increase)/decrease in current tax receivables                     | 368  | (355)                                      | 52   |
| - (increase)/decrease in inventories                                 | (1,912)                                    | 13,350                                     | 6,638                                      |
| - (increase)/decrease in deferred tax asset/(liability)              | 711  | (692)                                      | -  |
| - (increase)/decrease in related party receivables                   | 282  | 6,531                                      | (906)                                      |
| - increase/(decrease) in trade and other payables                    | 402  | (5,681)                                    | 6,956                                      |
| - increase/(decrease) in income taxes payable                        | (140)                                      | 226  | 152  |
| - increase/(decrease) in provisions                                  | 5,534                                      | (522)                                      | 39   |
| - increase/(decrease) in foreign currency derivative liability       | (1,484)                                    | (1,712)                                    | (5,104)                                    |
| - net exchange differences   | (33)                                       | (355)                                      | (618)                                      |
| Cashflows from operations  | <u>(19,894)</u>                            | <u>(9,434)</u>                             | <u>(4,116)</u>                             |

Notes to the Consolidated Financial Statements  
For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018

36 Cash Flow Information

(b) Non-cash investing and financing activities

Investing and financing transactions that do not require the use of cash or cash equivalents (i.e. non-cash) are excluded from the statement of cash flows. Such transactions are disclosed below that provides all the relevant information about the non-cash investing and financing activities specific to the Group:

|  | Year Ended 31<br>January 2020<br>NZ\$000's | Year Ended 31<br>January 2019<br>NZ\$000's | Year Ended 31<br>January 2018<br>NZ\$000's |
|--|--|--|--|
| Shares issued in lieu of inventory payment | 15,525                                     | -  | -  |
| Warrants issued                            | 371  | -  | -  |
|  | <u>15,896</u>                              | <u>-</u>                                   | <u>-</u>                                   |

37 Auditor's Remuneration

|  | Year Ended 31<br>January 2020<br>NZ\$000's | Year Ended 31<br>January 2019<br>NZ\$000's | Year Ended 31<br>January 2018<br>NZ\$000's |
|--|--|--|--|
| <b>Pricewaterhouse Coopers Australia</b>                   |  |  |  |
| - Audit fees   | -  | 477  | 485  |
| - Taxation fees  | -  | 33   | -  |
| - Other  | 10   | 403  | -  |
| Total remuneration to Pricewaterhouse Coopers<br>Australia | <u>10</u>                                  | <u>913</u>                                 | <u>485</u>                                 |
| <b>Network firms of Pricewaterhouse Coopers Australia</b>  |  |  |  |
| - Taxation services  | -  | 137  | 28   |
| <b>BDO Audit Pty Ltd Australia</b>                         |  |  |  |
| - Audit fees   | 403  | -  | -  |
| - Other  | 266  | -  | -  |
| Total remuneration to BDO Audit Pty Ltd Australia          | <u>669</u>                                 | <u>-</u>                                   | <u>-</u>                                   |

**Notes to the Consolidated Financial Statements**  
**For the Periods Ended 31 January 2020, 31 January 2019 and 31 January 2018**

**38 Events occurring after the reporting date**

On February 5, 2020, the Company received an instruction to issue 384,221 shares under the Convertible Promissory Note dated December 19, 2019 at a conversion price of US\$0.5856 for a total of US\$225,000.

On 12 February 2020, the Company completed a private placement of a convertible promissory note and a warrant to purchase ordinary shares, for a purchase price of US\$3m, with a principal balance before discount and expenses of US\$3.17m. The holder exercised the right to exchange the warrant for a 5% increase in the balance of the Note, and as result the warrant was cancelled, and the balance of the Note was increased by US\$0.2m. The note accrues daily interest at 20% p.a, and matures on February 11, 2022. The Company has the right to prepay the Note, subject to a 25% premium. The Note is subordinated to the Company's existing senior secured credit facility with the Bank of New Zealand. From August 12, 2020 the holder has the right to convert the outstanding balance of the note into the Company's ordinary shares at a conversion price of US\$4.00 per share.

On 12 March 2020, the Group entered into a Deed of Amendment with the Bank of New Zealand to extend its loan facility of NZD\$16,700,000 (31 January 2019: NZD\$20,000,000) until March 2022. The facility includes guarantees and financial instruments totalling NZD\$1,345,000.

In March 2020, the World Health Organisation declared the outbreak coronavirus ("COVID-19") as a pandemic, which continues to spread throughout New Zealand, Australia and the United States. As a result, we have closed New Zealand retail and outlet locations on 23 March 2020 and Australian retail and outlet locations on 28 March 2020. Online channels continue to operate however we have seen a reduction in consumer spending. The closure of retail and outlet locations and reduction in sales within online channels has resulted in a negative impact to the Group's revenue. Whilst the situation is expected to be temporary, we note it is rapidly developing and not yet practicable to estimate the extend of the impact this may have on the Group. Therefore, while we expect this to negatively impact the business, results of operations, and financial position the Group has, negotiated payment terms with key suppliers, reviewed staffing requirements and applied for government subsidies to help alleviate some of the cash constraints and preserve its cash position and help preserve its financial flexibility. Refer to Note 2 (a) for further details.

On April 15, 2020, Naked Brand Group Limited (the "Company") entered into a Securities Purchase Agreement (the "SPA") for a private placement to St. George Investments LLC (the "Holder") of a Convertible Promissory Note (the "Note") and a Warrant to Purchase Ordinary Shares (the "Warrant"), for a purchase price of \$1.5 with a principal balance before discount and expense of US\$1.6m

Of the total purchase price, the Holder is paying US\$0.75m in cash and is paying the remaining US\$0.75m through the delivery of a promissory note (the "Investor Note"). The funding of the cash portion of the purchase price is expected to occur on or about April 16, 2020. The Investor Note was issued as of April 15, 2020, does not accrue interest, and matures on April 30, 2020. The holder exercised the right to exchange the warrant for a 5% increase in the balance of the Note. The note accrues daily interest at 20% p.a, and matures on April 14, 2022. The Company has the right to prepay the Note, subject to a 25% premium. The Note is subordinated to the Company's existing senior secured credit facility with the Bank of New Zealand. From October 14, 2020 the holder has the right to convert the outstanding balance of the note into the Company's ordinary shares at a conversion price of US\$4.00 per share.

On April 13, 2020, the Company received an instruction to issue 411,929 shares under the Convertible Promissory Note dated October 4, 2019 at a conversion price of US\$0.30345 for a total of US\$125,000.

On April 24, 2020, the Company received an instruction to issue 414,872 shares under the Convertible Promissory Note dated October 4, 2019 at a conversion price of US\$0.31335 for a total of US\$130,000.

On April 28, 2020, the Company received an instruction to issue 415,031 shares under the Convertible Promissory Note dated October 4, 2019 at a conversion price of US\$0.31335 for a total of US\$130,050.

On April 30, 2020, the Company received an instruction to issue 590,394 shares under the Convertible Promissory Note dated October 4, 2019 at a conversion price of US\$0.31335 for a total of US\$185,000.

On April 30, 2020, the Company received US\$0.75m relating to the promissory note, "Investor Note", mentioned above.

On May 5, 2020, the Company received an instruction to issue 255,306 shares under the Convertible Promissory Note dated October 4, 2019 at a conversion price of US\$0.31335 for a total of US\$80,000.

## DESCRIPTION OF ORDINARY SHARES

The following description of the ordinary shares of Naked Brand Group Limited (the “Ordinary Shares”) is only a summary. We encourage you to read our constitution, which is incorporated by reference as an exhibit to our Annual Report on Form 20-F. The “Company,” “we,” “us,” or “our” refer to Naked Brand Group Limited and its consolidated subsidiaries.

### **Overview**

Our corporate affairs are principally governed by our constitution and the Corporations Act. The Ordinary Shares trade on the Capital Market of The Nasdaq Stock Market (“Nasdaq”) under the symbol “NAKD.”

Subject to restrictions on the issue of securities in our constitution, the Corporations Act and any other applicable law, we may at any time issue shares and grant options on any terms, with the rights and restrictions and for the consideration that our board of directors determine. The Ordinary Shares are issued in registered form. The transfer agent and registrar of the Ordinary Shares is Continental Stock Transfer & Trust Company.

The rights and restrictions attaching to the Ordinary Shares are derived through a combination of our Constitution, the common law applicable to Australia, the Corporations Act and other applicable law. A general summary of some of the rights and restrictions attaching to our ordinary shares are summarized below.

### **Constitution**

The summary below relates to our constitution as currently in effect. The summary below is of the key provisions of our constitution and does not purport to be a summary of all of the provisions thereof or of all relevant provisions of Australian law governing the management and regulation of Australian companies.

### **Incorporation**

We were incorporated in Australia on May 11, 2017 under the Corporations Act with company registration number ACN 619 054 938. We are an Australian public limited company.

### **Objects and Purposes**

Our constitution grants us full power and authority to exercise any power, take any action or engage in any conduct which the Corporations Act permits a company limited by shares to exercise, take or engage in.

### **Directors**

There must be a minimum of three directors and a maximum of ten directors unless our shareholders in general meeting resolves otherwise. Where required by the Corporations Act or Stock Market Rules, we must hold an election of directors each year. No director, other than the managing director, may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected. A director appointed to fill a casual vacancy, who is not a managing director, holds office until the conclusion of the next annual general meeting following his or her appointment. If there would otherwise not be a vacancy, and no director is required to retire, then the director who has been longest in office since last being elected must retire. If a number of directors were elected on the same day, the directors to retire are (in default of agreement between them) determined by ballot.

Our constitution provides that no person shall be disqualified from the office of director or prevented by such office from contracting with us, nor shall any such contract or any contract or transaction entered into by or on our behalf in which any director shall be in any way interested be or be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to us for any profit realised by or arising in connection with any such contract or transaction by reason of such director holding office or of the fiduciary relationship thereby established. A director shall be at liberty to vote in respect of any contract or transaction in which he is interested provided that the nature of the interest of any director in any such contract or transaction shall be disclosed by him at or prior to its consideration and any vote thereon. However, a director who has a material personal interest in a matter that is being considered by the directors must not be present at a meeting while the matter is being considered nor vote on the matter, except where permitted by the Corporations Act.

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Each director is entitled to remuneration from our company for his or her services as decided by the directors but the total amount provided to all directors for their services as directors must not exceed in aggregate in any financial year the amount fixed by us in general meeting. The remuneration of an executive director must not include a commission on, or a percentage of, profits or operating revenue. Remuneration may be provided in the manner that the directors decide, including by way of non-cash benefits. There is also provision for directors to be paid extra remuneration (as determined by the directors) if they devote special attention to our business or otherwise perform services which are regarded as being outside of their ordinary duties as directors or, at the request of the directors, engage in any journey on our business. Directors are also entitled to be paid all travelling and other expenses they incur in attending to our affairs, including attending and returning from general meetings or board meetings, or meetings of any committee engaged in our business.

Directors also may exercise all the powers of the company to borrow or raise money, to charge any of the company's property or business or any of its uncalled capital, and to issue debentures or give any security for a debt, liability or obligation of the company or of any other person.

### ***Rights and Obligations of Shareholders***

#### *Dividends*

Ordinary shareholders are entitled to receive such dividends as may be declared by the directors. If the directors determine that a final or interim dividend is payable, it is (subject to the terms of issue on any shares or class of shares) paid on all shares proportionate to the amount for the time being paid on each share. Dividends may be paid by cash, electronic transfer or any other method as the board determines.

The directors have the power to capitalize and distribute the whole or part of the amount from time to time standing to the credit of any reserve account or otherwise available for distribution to shareholders. The capitalization and distribution must be in the same proportions which the shareholders would be entitled to receive if distributed by way of a dividend.

Subject to the Stock Market Rules, the directors may pay a dividend out of any fund or reserve or out of profits derived from any source.

#### *Voting Rights*

Each of our ordinary shareholders is entitled to receive notice of and to be present, to vote and to speak at general meetings. Subject to any rights or restrictions attached to any shares, on a show of hands each ordinary shareholder present has one vote and, on a poll, one vote for each fully paid share held, and for each partly paid share, a fraction of a vote equivalent to the proportion to which the share has been paid up. Voting may be in person or by proxy, attorney or representative.

Two shareholders must be present to constitute a quorum for a general meeting and no business may be transacted at any meeting except the election of a chair and the adjournment of the meeting, unless a quorum is present when the meeting proceeds to business.

#### *Variation of Class Rights*

The Corporations Act provides that if a company has a constitution that sets out the procedure for varying or cancelling rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with the procedure.

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The rights attached to Ordinary Shares may only be varied with the consent in writing of members holding at least three-quarters of the shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class.

### *Preemptive Rights*

Ordinary shareholders do not have preemptive rights.

### *Preference Shares*

We may issue preference shares including preference shares which are, at the option of us or holder, liable to be redeemed or converted to Ordinary Shares. Each preference share confers on the holder the right to: (i) receive a preferential dividend, in priority to the payment of any dividend on the Ordinary Shares, at a rate (which may be fixed or variable) and on the basis (including whether cumulative or not) decided by the directors at the time of issue; (ii) participate with the Ordinary Shares in profits and assets of the Company, including on a winding up, if and to the extent the directors decide at the time of issue; (iii) in a winding up and on redemption, payment in priority to the ordinary shares of: (A) the amount of any dividend accrued but unpaid on the share at the date of winding up or the date of redemption; and (B) any additional amount specified in the terms of issue; (iv) to the extent directors may decide at the time of issue, a bonus issue or capitalisation of profits in favour of holders of those shares only; and (v) vote at any general meeting, but only in certain limited circumstances.

### *General Meetings*

A general meeting of shareholders may be called by a directors' resolution or as otherwise provided in the Corporations Act. The Corporations Act requires the directors to call a general meeting on the request of shareholders with at least 5% of the vote that may be cast at the general meeting. Shareholders with at least 5% of the votes that may be cast at a general meeting may also call, and arrange to hold, a general meeting themselves. In addition, where it is impracticable to call the meeting in any other way, the Court may order a meeting of our members to be called.

The Corporations Act requires at least 21 clear days of notice to be given for a general meeting. Notice of a general meeting must be given to each person who, at the time of giving the notice, is a member, director or auditor of ours, or is entitled to a share because of the death of a shareholder (and who has satisfied the directors of his or her right to be registered as the holder of, or to transfer, the shares).

The notice of meeting must include the date and time of the meeting, the location, an electronic address, planned business for the meeting, information about any proposed special resolutions and information about proxy votes.

### *Changes in Capital*

Australia does not have a limit on the authorized share capital that may be issued and do not recognize the concept of par value under Australian law.

### *Indemnity*

We must indemnify our current and past directors and other executive officers on a full indemnity basis and to the fullest extent permitted by law against all liabilities incurred by the director or officer as a result of their holding office or a related body corporate.

We may also, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each director and officer against any liability incurred by the director or officer as a result of their holding office or a related body corporate.

### *Disposal of assets*

The Corporations Act does not specifically preclude a company from disposing of its assets, or a significant portion of its assets. Subject to any other provision which may apply (such as those provisions relating to related party transactions summarized above), a company may generally deal with its assets as it sees fit without seeking shareholder approval.

### *Rights of non-resident or foreign shareholders*

There are no specific limitations in the Corporations Act which restrict the acquisition, ownership or disposal of shares in an Australian company by non-resident or foreign shareholder. The *Foreign Acquisitions and Takeovers Act 1975* (Cth) regulates investment in Australian companies and may restrict the acquisition, ownership and disposal of our shares by non-resident or foreign shareholders.

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**AGREEMENT TO LEASE**

This form is approved by Auckland District Law Society Inc and the Real Estate Institute of New Zealand Inc

GENERAL address of the premises:  
8 Airpark Drive, Auckland

DATE: 11 September 2018

LANDLORD: Airpark Nominees Limited

TENANT: Bendon Limited

**GUARANTOR:**

THE LANDLORD agrees to grant and the Tenant agrees to take a lease of the premises and the carparks (if any) described in the First Schedule together with the right to use the common areas of the property for the term from the commencement date and at the annual rent (subject to review if applicable) as set out in the First Schedule.

THE LANDLORD AND TENANT agree


- (1) as set out in the First, Second and Third Schedules
- (2) that the Landlord's fixtures, fittings and chattels contained in the premises are those described in the Fourth Schedule.

THE GUARANTOR (and if more than one jointly and severally), in consideration of the Landlord entering into this Agreement at the Guarantor's request, agrees with the Landlord to guarantee to the Landlord the obligations of the Tenant and to sign the lease as a guarantor.

SIGNED by the Landlord:

Director / Trustee / Authorised Signatory / Attorney\*  
Delete the options that do not apply  
If no option is deleted, the signatory is signing in their personal capacity

SIGNED by the Tenant:

x   
Director / Trustee / Authorised Signatory / Attorney\*  
Delete the options that do not apply  
If no option is deleted, the signatory is signing in their personal capacity

SIGNED by the Guarantor:

\_\_\_\_\_  
Director / Trustee / Authorised Signatory / Attorney\*  
Delete the options that do not apply  
If no option is deleted, the signatory is signing in their personal capacity

\*If this agreement is signed under:

- (i) a Power of Attorney – please attach a Certificate of non-revocation (available from ACLS: 4098WFP or REINZ); or
- (ii) an Enduring Power of Attorney – please attach a Certificate of non-revocation and non-suspension of the enduring power of attorney (available from ADLS: 4997WFP or REINZ).

Also insert the following wording for the Attorney's Signature above:

Signed by [full name of the donor] by his or her Attorney [attorney's signature].

**WARNINGS (These warnings do not form part of this contract)**

1. This contract is binding on all parties upon signing. All parties should seek legal advice before signing.
2. Before signing this contract the Tenant should make sure that the status of the property under the Resource Management Act 1991 is satisfactory for the Tenant's intended use of it.
3. The parties should agree upon and record the Landlord's fixtures, fittings and chattels and their condition in the Fourth Schedule.
4. The parties are advised to insert a clause requiring inclusion of a report of the condition of the premises as at the commencement of the lease.

**FIRST SCHEDULE**

- 1. **PREMISES:** 700m2 more or less being part of the office building together with a non-exclusive right to use both the area marked as Courtyard 2 (as shown for identification purposes only on the Premises Plan attached as Appendix 2) and the Amenities, Kitchen and Computer Service Room within the office building at 8 Airpark Drive, Auckland (being part of the land currently comprised in Computer Freehold Register 120946)
- 2. **CAR PARKS:** 40 carparks (in locations as indicated by the Landlord from time to time)
- 3. **TERM:** Six (6) years and five (5) months
- 4. **COMMENCEMENT DATE:** 1 May 2018
- 5. **RIGHTS OF RENEWAL:** N/A
- 6. **RENEWAL DATES:** N/A
- 7. **FINAL EXPIRY DATE:** 30 September 2024

|    |  |              |                     |  |
|----|--|--------------|---------------------|--|
| 8. | <b>ANNUAL RENT:</b><br>(Subject to review if applicable) | Premises     | \$175,000.00        | (the Premises rent is based on the Annual Rent being calculated at \$250/m2 - final Annual Rent plus GST payable subject to final measure of the Premises)<br>plus GST |
|    |  | Car Parks    | \$41,600.00         |  |
|    |  | <b>TOTAL</b> | <b>\$216,600.00</b> |  |
|    |  |              |                     |  |

9. **DEPOSIT:** (advance rent) **\$N/A** plus GST

10. **RENT REVIEW DATES:**  
(Specify review type and insert dates for initial term, renewal dates and renewal terms. Unless dates are specified there will be no reviews. Where there is a conflict in dates, the market rent review date will apply.)

1. **Market rent review dates:** On each anniversary of the Commencement Date the Annual Rent will be subject to a fixed increase of 2.5%

2. **GPI rent review dates:**

11. **DEFAULT INTEREST RATE:** 14 % per annum  
(subclause 5.1 of the Lease)

12. **BUSINESS USE:** Offices  
(subclause 16.1 of the Lease)

13. **LANDLORD'S INSURANCE:**  
(subclause 23.1 of the Lease)  
(Delete or amend extent of cover as appropriate)

(Delete either (a) or (b): if neither option is deleted, then option (a) applies)

(Delete option (i) and complete option (ii) if required. If option (i) is not deleted and option (ii) is completed then option (ii) applies)

- (1) Cover for the building against damage and destruction by fire, flood, explosion, lightning, storm, earthquake, and volcanic activity; on the following basis:
- (a) Full replacement and reinstatement (including loss damage or destruction of windows and other glass).
- OR**
- (b) ~~Indemnity to full insurable value (including loss damage or destruction of windows and other glass):~~
- ~~(2) Cover for the following additional risks:~~
- (a) ~~(i) 12 months~~  
**OR**  
~~(ii) \_\_\_\_\_ months~~  
indemnity in respect of consequential loss of rent and outgoings;
  - (b) ~~Loss damage or destruction of any of the Landlord's fixtures, fittings and chattels;~~
  - (c) ~~Public liability;~~

14. **NO ACCESS PERIOD:**  
(subclause 27.6 of the Lease)

(Delete option (1) and complete option (2) if required. If option (1) is not deleted and option (2) is completed then option (2) applies)

- (1) 9 months
- OR**
- (2) \_\_\_\_\_

15. **PROPORTION OF OUTGOINGS:**  
(subclause 3.1 of the Lease)

A fair proportion  
to be \_\_\_\_\_ % which at commencement date is estimated to be \$ \_\_\_\_\_ plus GST per annum

16. **LIMITED LIABILITY TRUSTEE:**

See clause 17.1 of the further terms

17. **OUTGOINGS:**  
(clause 3 of the Lease)

- (1) Rates or levies payable to any local or territorial authority.
- (2) Charges for water, gas, electricity, telecommunications and other utilities or services, including line charges.
- (3) Rubbish collection and recycling charges.
- (4) New Zealand Fire Service charges and the maintenance charges in respect of all fire detection and fire fighting equipment.
- (5) Any insurance excess (but not exceeding \$2000) in respect of a claim and insurance premiums and related valuation fees.
- (6) Service contract charges for air conditioning, lifts, other building services and security services.
- (7) Cleaning, maintenance and repair charges including charges for repainting, decorative repairs and the maintenance and repair of building services to the extent that such charges do not comprise part of the cost of a service maintenance contract, but excluding charges for structural repairs to the building (minor repairs to the roof of the building shall not be a structural repair), repairs due to defects in design or construction, inherent defects in the building and renewal or replacement of building services.
- (8) The provisioning of toilets and other shared facilities.
- (9) The cost of maintenance of lawns, gardens and planted areas including plant hire and replacement, and the cost of repair of fences.
- (10) Yard and carparking area maintenance and repair charges but excluding charges for repaving or resealing.
- (11) Body Corporate charges for any insurance premiums under any Insurance policy effected by the Body Corporate and related valuation fees and reasonable management administration expenses.
- (12) Management expenses.
- (13) The costs incurred and payable by the Landlord in supplying to the territorial authority a building warrant of fitness and obtaining reports as required by sections 108 and 110 of the Building Act 2004 but excluding the costs of upgrading or other work to make the building comply with the Building Act 2004.

## SECOND SCHEDULE

### DEFINITIONS, NOTICES AND INTERPRETATION

#### 1.1 Definitions

- (1) Unless the context requires a different interpretation, words and phrases not otherwise defined have the same meaning as in section 4 of the Property Law Act 2007 and the Lease.
- (2) "Agreement" means this document including the front page, any further terms and any schedules and attachments.
- (3) "Working day" means any day of the week other than:
  - (a) Saturday, Sunday, Waitangi Day, Good Friday, Easter Monday, Anzac Day, the Sovereign's Birthday, and Labour Day; and
  - (b) a day in the period commencing on the 24th day of December in any year and ending on the 6th day of January in the following year, both days inclusive; and
  - (c) the day observed as the anniversary of any province in which the premises are situated.
- (4) A Working day shall be deemed to commence at 9.00 am and to terminate at 5.00 pm.
- (5) Any act done pursuant to this agreement by a party after 5.00 pm on a Working day, or on a day which is not a Working day, shall be deemed to have been done at 9.00 am on the next succeeding Working day.
- (6) Where two or more acts (including service of notice) done pursuant to this Agreement are deemed to have been done at the same time, they shall take effect in the order in which they would have taken effect but for subclause 1.1(5).

#### 1.2 Notices

All notices must be in writing and must be served by one of the following means:

- (1) In the case of a notice under sections 245 or 246 of the Property Law Act 2007 in the manner prescribed by section 353 of that Act; and
- (2) In all other cases, unless otherwise required by sections 352 to 361 of the Property Law Act 2007:
  - (a) in the manner authorised by sections 354 to 361 of the Property Law Act 2007, or
  - (b) by personal delivery, or by posting by registered or ordinary mail, or by facsimile, or by email.
- (3) In respect of the means of service, a notice is deemed to have been served:
  - (a) In the case of personal delivery, when received by the addressee.
  - (b) In the case of posting by mail, on the second working day following the date of posting to the addressee's last known address in New Zealand.
  - (c) In the case of facsimile transmission, when sent to the addressee's facsimile number.
  - (d) In the case of email, when acknowledged by the addressee orally or by return email or otherwise in writing except that return emails generated automatically shall not constitute an acknowledgement.
- (4) In the case of a notice to be served on the Tenant, if the Landlord is unaware of the Tenant's last known address in New Zealand or the Tenant's facsimile number, any notice placed conspicuously on any part of the premises shall be deemed to have been served on the Tenant on the day on which it is affixed.
- (5) A notice shall be valid if given by any director, general manager, lawyer or other authorised representative of the party giving the notice.
- (6) Where two or more notices are deemed to have been served at the same time, they shall take effect in the order in which they would have been served but for subclause 1.1(5).
- (7) Any period of notice required to be given under this agreement shall be computed by excluding the date of service.

#### 1.3 Interpretation

- (1) Headings are for information only and do not form part of this Agreement.
- (2) The terms, conditions and covenants contained in this Agreement shall not merge insofar as they either have not been fulfilled at the time of the execution of the Lease or are not reflected in the Lease but shall remain in full force and effect.

#### 1.4 If there is more than one Landlord or Tenant, the liability of the Landlords or the Tenants as the case may be is joint and several.

#### 1.5 Where the Tenant executes this Agreement with provision for a nominee or on behalf of a company to be formed, the Tenant shall remain liable for all the obligations on the part of the Tenant hereunder until such time as the Tenant and the Guarantor have signed the Lease.

#### 1.6 This agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Communication of execution of this agreement may be made by each party transmitting by facsimile or email to the other party or their respective agents a counterpart of this agreement executed by the party sending the facsimile or email.

### DEPOSIT

#### 2.1 The Tenant shall pay as a deposit an advance rental payment of the amount specified in the First Schedule. The deposit shall be payable to the Landlord or the Landlord's agent immediately upon execution of this Agreement by all parties and/or at such other time as is specified in this Agreement. The person to whom the deposit is paid shall hold it as a stakeholder until this Agreement is unconditional or is avoided.

#### 2.2 The Landlord shall not be entitled to cancel this Agreement for non-payment of the deposit unless the Landlord has first given to the Tenant three working days' notice in writing of intention to cancel and the Tenant has failed within that time to remedy the default. No notice of cancellation shall be effective if the deposit has been paid before the notice of cancellation is served.

- 2.3 Without prejudice to any of the Landlord's rights or remedies, including any right to claim for additional expenses and damages, if the deposit or any portion thereof is not paid upon the due date for payment the Tenant shall pay to the Landlord interest at the default interest rate on the portion of the deposit so unpaid for the period from the due date for payment until payment. Unless a contrary intention appears on the front page or elsewhere in this agreement the default interest rate is equivalent to the interest rate charged by the Inland Revenue Department on unpaid tax under the Tax Administration Act 1994 during the period for which the default interest is payable, plus 5 per cent per annum.

#### LEASE PAYMENTS

- 3.1 The Tenant shall pay the annual rent by equal monthly payments in advance as from the commencement date specified in the First Schedule.
- 3.2 The Tenant shall pay the Goods and Services Tax payable by the Landlord in respect of the rent and other payments payable by the Tenant pursuant to the Lease.
- 3.3 In addition to the rent the Tenant shall pay the outgoings specified in the First Schedule and where any outgoing is not separately assessed in respect of the premises then the Tenant shall pay such proportion thereof as is specified in the First Schedule or if no proportion is specified then a fair proportion.

#### LEASE

- 4.1 The Tenant shall enter into a formal lease with the Landlord to be prepared by the Landlord's lawyer using the current Auckland District Law Society Inc Deed of Lease form amended in accordance with the provisions of this Agreement ("Lease"). Each party will pay their own costs of the negotiation and preparation of the Lease and any deed recording a rent review or renewal.
- 4.2 Unless otherwise set out in the Third Schedule, it is agreed that the Landlord's fixtures, fittings and chattels contained in the premises as more particularly described in the Fourth Schedule are in a good state of repair.
- 4.3 Notwithstanding that the Lease may not have been executed, the parties shall be bound by the terms, covenants and provisions contained in this Agreement and in the Lease as if the Lease had been duly executed.

#### DISPUTE RESOLUTION

- 5.1 Unless otherwise provided in this Agreement, if a party considers that there is a dispute in respect of any matters arising out of, or in connection with this Agreement, then that party shall immediately give notice to the other party setting out details of the dispute. The parties will endeavour in good faith to resolve the dispute between themselves within five (5) working days of the receipt of the notice, failing which the parties will endeavour in good faith within a further ten (10) working days to appoint a mediator and resolve the dispute, time being of the essence.
- 5.2 Neither party will commence legal proceedings against the other except for injunctive relief before following the procedure set out in subclause 5.1.

#### NO ASSIGNMENT

- 6.1 The Tenant shall not assign or agree to assign this Agreement or the Tenant's interest under this Agreement and the Tenant shall not register any caveat against the land in respect of its interest under this Agreement. The Tenant shall not be entitled to exercise the right of assignment contained in the Lease until such time as the Tenant has signed the Lease.

#### AGENT

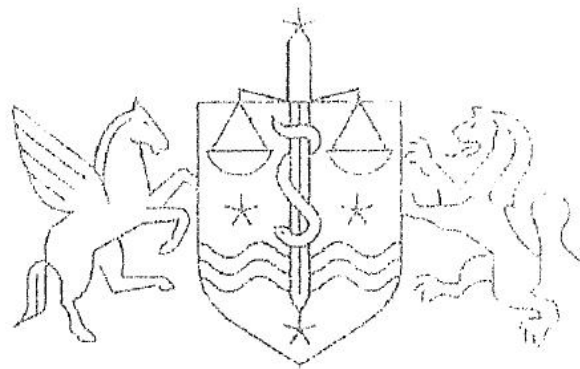
- 7.1 If the name of a licensed real estate agent is recorded on this Agreement it is acknowledged that the lease evidenced by this Agreement has been made through that agent whom the Landlord appoints as the Landlord's agent to effect the Lease. The Landlord shall pay the agent's charges including GST for effecting such Lease.

#### LIMITATION OF LIABILITY

- 8.1 If any person enters into this Agreement as trustee of a trust, then:
- (1) That person warrants that:
    - (a) that person has power to enter into this Agreement under the terms of the trust; and
    - (b) that person has properly signed this Agreement in accordance with the terms of the trust; and
    - (c) that person has the right to be indemnified from the assets of the trust and that right has not been lost or impaired by any action of that person including entry into this Agreement; and
    - (d) all of the persons who are trustees of the trust have approved entry into this Agreement.
  - (2) If that person has no right to or interest in any assets of the trust except in that person's capacity as a trustee of the trust, that person's liability under this Agreement will not be personal and unlimited but will be limited to the actual amount recoverable from the assets of the trust from time to time ("the limited amount"). If the right of that person to be indemnified from the trust assets has been lost or impaired as a result of fraud or gross negligence that person's liability will become personal but limited to the extent of that part of the limited amount which cannot be recovered from any other person.
- 8.2 Notwithstanding subclause 8.1, a party to this Agreement that is named in item 16 of the First Schedule as a limited liability trustee, that person's liability will not be personal and unlimited but limited in accordance with subclause 8.1(2).

**THIRD SCHEDULE**  
**FURTHER TERMS (if any)**

See attached







## Further Terms

### 9 Definitions

#### 9.1 In this Agreement unless the context indicates otherwise:

*Building* means the Landlord's building in which the office premises to be leased pursuant to this Agreement is contained;

*Effective Date* means 1 May 2018;

*Existing Lease* means the Deed of Lease dated 6 November 2007 (as varied pursuant to a Deed of Variation of Lease dated 5 March 2009) made between Bendon Properties Limited as landlord and the Tenant as tenant (which is to be further varied pursuant to the Other Agreement);

*Existing Premises* means the office building and warehouse building currently leased pursuant to the Existing Lease;

*Lease* means the Deed of Lease to be entered into by the parties pursuant to this Agreement;

*Property* means the Landlord's property at 8 Airpark Drive, Auckland currently comprised in Computer Freehold Register 120946;

*Subdivision* has the meaning given to it in clause 10.1 of this Agreement;

*Warehouse Agreement* means the Agreement to Partially Surrender and Vary Lease between the parties in respect of the Existing Lease.

### 10 Subdivision

#### 10.1 The Tenant acknowledges that the Landlord intends to subdivide the Property to create a separate computer freehold register for the office building (being 2,705.40m<sup>2</sup> marked as "Prop Lot 2" more or less as shown on the Premises Plan attached as Appendix 1) and a separate computer freehold register for the warehouse building (being 9,162.40m<sup>2</sup> more or less as shown marked as "Prop Lot 1" on the plan attached as Appendix 1) (*Subdivision*). To complete the Subdivision the Landlord may:

- (a) Enter the Existing Premises to complete any physical works required by any relevant authority as a condition of the Subdivision consent; and
  - (b) Register any interests on the computer freehold register for the Property that are required by any relevant authority or deemed necessary by the Landlord (in its sole and absolute discretion).
  - (c) The Tenant will not be entitled to object to the Landlord's application to obtain the Subdivision consent.
-



- (d) Notwithstanding clause 33.1 of the Existing Lease, the Tenant warrants it will not make any claim on the Landlord for breach of the covenant for quiet enjoyment or otherwise, insofar as any disturbance caused to the Tenant is a result of any works undertaken by the Landlord to complete the Subdivision.
- (e) The Tenant will not be entitled to object to the registration of any interests on the computer freehold register for the Property.

## **11 Landlord's Conditions**

### **11.1 Landlord's Board Approval**

This agreement is conditional on the Landlord's board of directors approving the Landlord's entry into this agreement and notifying the Tenant in writing of such approval or otherwise before 5pm on the date which is 25 working days after the date of this agreement. The board's decision will bind the Tenant, and the Tenant will not be entitled to require the Landlord to give reasons for the board's decision.

### **11.2 Investor Approval**

This agreement is conditional on the investors in the Airpark Nominees Joint Venture Scheme approving the Landlord's entry into this agreement and the Landlord notifying the Tenant in writing of such approval or otherwise before 5pm on the date which is 25 working days after the date of this agreement. The investors' decision will bind the Tenant, and the Tenant will not be entitled to require the Landlord to give reasons for the investors' decision.

### **11.3 Benefit of Landlord's Conditions**

The parties acknowledge that the conditions in clauses 11.1 and 11.2 of this agreement are inserted for the sole benefit of the Landlord and may at any time prior to this agreement being avoided, be waived by the Landlord giving written notice of waiver to the Tenant. The satisfaction of the conditions in clauses 11.1 and 11.2 will be at the sole and absolute discretion of the Landlord and the Landlord will not be obliged to provide any reason to the Tenant for the non-satisfaction of any of the conditions.

## **12 Tenant's Conditions**

### **12.1 Tenant's Board Approval**

This agreement is conditional on the Tenant's board of directors approving the Tenant's entry into this agreement and notifying the Landlord in writing of such approval or otherwise before 5pm on the date which is 5 working days after the date of satisfaction of the conditions in clauses 11.1 and 11.2. The board's decision will bind the Landlord, and the Landlord will not be entitled to require the Tenant to give reasons for the board's decision.

### **12.2 Benefit of Tenant's Conditions**

The parties acknowledge that the condition in clause 12.1 of this agreement is inserted for the sole benefit of the Tenant and may at any time prior to this agreement being avoided, be waived by the Tenant giving written notice of waiver to the Landlord. The satisfaction of the condition in clause 12.1 will be at the sole and





absolute discretion of the Tenant and the Tenant will not be obliged to provide any reason to the Landlord for the non-satisfaction of any of the conditions.

### **13 Conditions not satisfied**

- 13.1 The parties agree that this Agreement is inter-dependent with the Warehouse Agreement and that should either agreement be terminated as a result of non-satisfaction of any of the conditions in the respective agreements, then the other agreement will also be automatically terminated without the need for any notice to be served by either party.
- 13.2 If any of the conditions in clauses 11.1, 11.2 or 12.1 above are not satisfied or waived by their due date then this Agreement will be voidable at the option of either party (by giving notice in writing to the other party).
- 13.3 In the event this Agreement is terminated as a result of non-satisfaction of any of the conditions in clauses 11.1, 11.2 or 12.1 then the Existing Lease will remain on foot until its expiry or earlier termination.

### **14 Make Good**

- 14.1 The Tenant shall not be required to remove and/or reinstate any of the Tenant's fixtures and fittings at the end or earlier termination of the Lease provided that the Tenant shall comply with its obligations under clause 8.1(a) of the Lease.
- 14.2 For the avoidance of doubt, the waiver given by the Landlord pursuant to clause 14.1 of this Agreement will not apply where the Tenant has failed to comply with the repair and maintenance obligations under clause 8.1(a) of the Lease.

### **15 Landlord's right to terminate**

- 15.1 The Landlord may, at any time during the term of the Lease, terminate the Lease by giving the Tenant not less than six months' written notice. Termination of the Lease in accordance with this clause will be without prejudice to any antecedent liability on either party.

### **16 Relocation of the Tenant**

- 16.1 If at any time during the Term of the Lease, the Landlord requires, in its sole and absolute discretion, to relocate the Tenant to a different location within the Building (*New Premises*), then the Landlord will serve written notice of such requirement on the Tenant (such written notice to be served not less than six months' prior to the intended relocation of the Tenant).
  - 16.2 In the event of the Landlord serving notice on the Tenant in accordance with clause 16.1, the Lease will be surrendered and a new lease of the New Premises entered into, such new lease to be prepared by the Landlord's solicitors on identical terms (as far as reasonably practicable) to the terms of the Lease (*Replacement Lease*). Subject to clauses 16.5 and 16.6, the parties agree that the New Premises will be of
-



a similar size to the premises, include the same number of carparks and will not be materially smaller than the area leased pursuant to the Lease.

- 16.3 If the Tenant is required to enter into a Replacement Lease the Landlord will at its sole cost;
- (a) Construct the shell of an office similar to the current premises within the New Premises, such office to be constructed to a standard and using materials that are of a value and quality as near as reasonably practicable to those used in the Tenant's existing premises; and
  - (b) Provide an open plan fitout within the New Premises which is reasonably suitable for the Permitted Use. The parties will negotiate in good faith as to the exact specifications of the open plan fitout to be provided by the Landlord during the six month notice period referred to in clause 16.1.
- 16.4 It will be a condition of commencement under the Replacement Lease that the New Premises has been constructed in accordance with clause 16.3 and to a standard reasonably able to be used by the Tenant for the Permitted Use and either a Certificate of Public Use for the New Premises or any required Code Compliance Certificates for the building works have issued.
- 16.5 If following the relocation the New Premises is not located immediately adjacent to the area marked as Courtyard 2 on the Premises Plan then the Tenant will no longer be entitled to use Courtyard 2. In such a case the Replacement Lease will be drafted to exclude the Tenant's non-exclusive right to use Courtyard 2 and no compensation for the loss of the use of this area will be payable to the Tenant.
- 16.6 The Landlord agrees that following any relocation pursuant to this clause 16, the Tenant will either:
- (a) Continue to have non-exclusive access to the shared facilities currently used by the Tenant, being the Amenities, Kitchen and Computer Service Room (*Shared Facilities*) within the office building marked as "Prop Lot 2" on the plan attached as Appendix 2; or
  - (b) In the event that the Landlord decides it is not practical (in its sole and absolute discretion) for the Tenant to continue to have access to the Shared Facilities following any relocation, the Landlord agrees to construct replacement facilities within the New Premises for exclusive use by the Tenant. Any such replacement facilities will be constructed to a standard and using materials that are of a value and quality as near as reasonably practicable to those used in the Shared Facilities. It will be a condition of commencement under the Replacement Lease that either a Certificate of Public Use or any required Code Compliance Certificate for any building works in respect of the replacement facilities have issued.
-



**17 Signage**

- 17.1 For the avoidance of doubt, the Tenant will not be permitted to display signage on the existing signage hoarding as shown generally marked as "Existing Hoarding" on the Premises Plan attached as Appendix 2.

**18 Limitation of Liability**

- 18.1 The parties acknowledge that Airpark Nominees Limited is entering into this deed in its capacity as the custodian of Airpark Nominees Joint Venture (Scheme) and not in its personal capacity and accordingly the parties agree, notwithstanding any other provision of this deed, that the liability of Airpark Nominees Limited and Covenant Trustee Services Limited (as the supervisor of the Scheme) will not be personally liable under this deed and that any liability will be limited to any assets of the Scheme from time to time held in its or their hands (as the case may be) that are available at law to meet that liability.

**19 Position pending the agreement becoming unconditional**

- 19.1 Notwithstanding the provisions of this Agreement, the Tenant will continue to pay the full amount of the annual rent and operating expenses under the Existing Lease. The Annual Rental payable pursuant to the Lease will only apply in the event this agreement becomes unconditional.
- 19.2 If this Agreement becomes unconditional then upon completion of the Deed pursuant to clause 20 of this Agreement, the Landlord will reimburse the Tenant the difference in the annual rent and operating expenses paid by the Tenant pursuant to the Existing Lease and the Annual Rent and operating expenses payable pursuant to this Agreement (for the period from the Effective Date to the date this Agreement becomes unconditional).

**20 Rental Security:**

- 20.1 On the date this Agreement becomes unconditional (and as an essential term of completion of the leasing arrangements recorded in this Agreement) the Tenant shall pay to the Landlord's solicitor a sum equal to \$71,465.26 including GST to be held in accordance with the terms of the stakeholder deed attached as Schedule 3.

**21 Deed of Lease**

- 21.1 Subject to this Agreement becoming unconditional, the parties agree to enter into a Deed of Lease (*Deed*) (to be prepared by the Landlord's solicitor using the current version of the ADLS Deed of Lease) to record the terms of this Agreement, including:
- (a) The First Schedule of this Agreement;
  - (b) Clauses 14, 15, 16, 17 and 18 of these Further Terms.
-



21.2 From the Effective Date until the Tenant has signed and delivered the Deed to the Landlord the Tenant will be bound by the terms and conditions contained in the Deed as if the Tenant had already signed the Deed.

22 **Costs**

Each party will pay its own costs of and incidental to the preparation and completion of this Agreement, and any other related disbursements.

23 **Electronic Delivery Allowed**

Without limiting any other mode of delivery, the parties agree to allow delivery of this deed by transmission, in electronic form by any means of electronic communication (including facsimile or email of a scanned copy) of an original of this deed executed by a party, to the other party or its solicitors.





**EXECUTED AND DELIVERED AS A DEED**

Executed by Airpark Nominees Limited as  
custodian of Airpark Nominees Joint  
Venture by its directors / in the presence of:

[Signature]  
Witness signature  
Louise Cornell  
Print Name  
Solicitor  
Occupation  
Auckland  
Address

[Signature]  
Director/authorised signatory  
BEN HARDING  
Print Name

[Signature]  
Director/authorised signatory  
JOEL LINDSEY  
Print Name

Executed by Bendon Limited as Lessee by its  
directors / in the presence of:

[Signature]  
Witness signature  
JORDAN MCCORMACK  
Print Name  
OFFICE MANAGER  
Occupation  
Building 7C, 2 Hunter St  
Address  
Alexandria NSW 2015

[Signature]  
Director/authorised signatory  
JUSTIN DAVIS-RICE  
Print Name

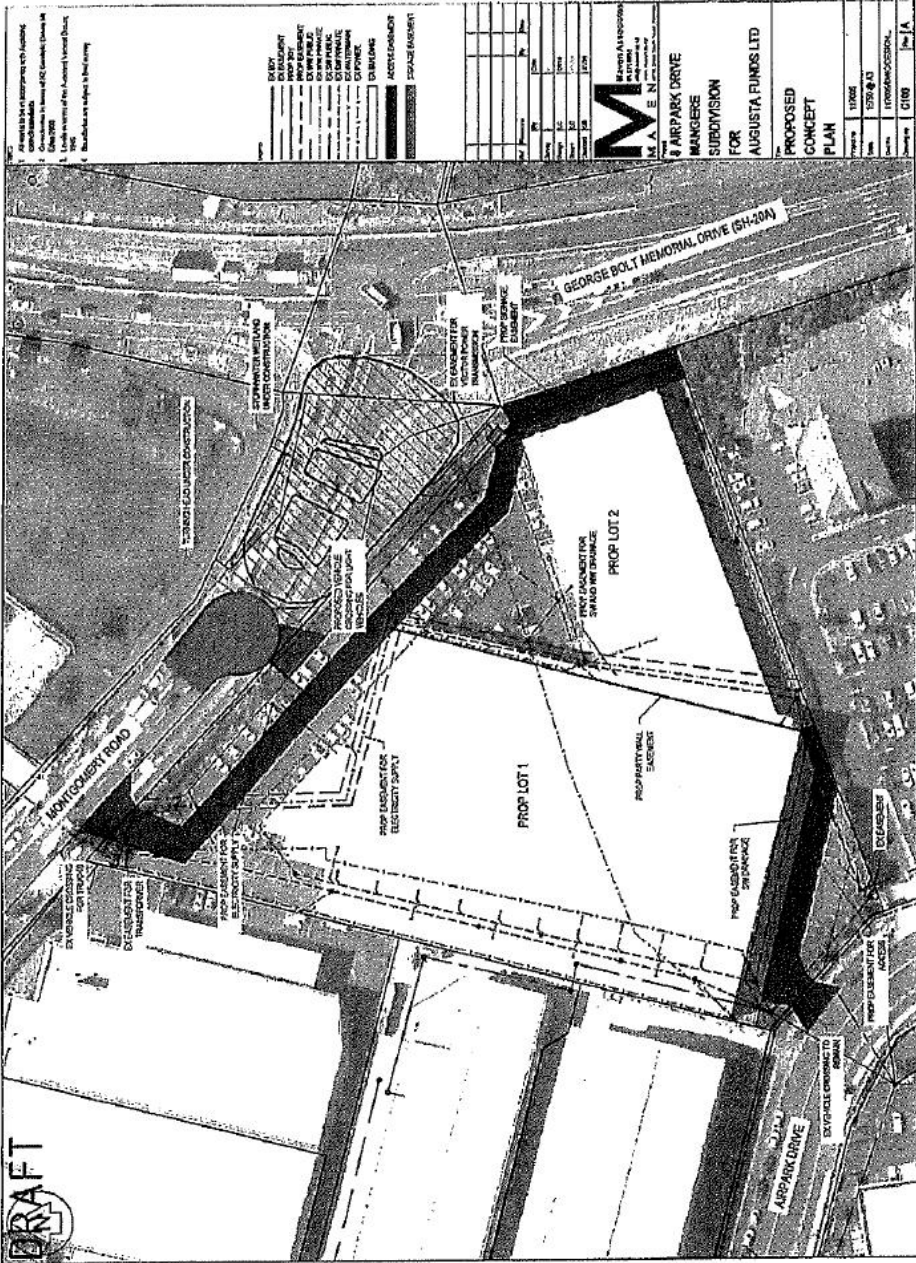
\_\_\_\_\_  
Director/authorised signatory  
\_\_\_\_\_  
Print Name



**APPENDIX 1**  
**SUBDIVISION PLAN**







All work to be in accordance with applicable  
 codes and standards.  
 2. The work shall be in accordance with the  
 City of Augusta.  
 3. The work shall be in accordance with the  
 State of Georgia.  
 4. The work shall be in accordance with the  
 Federal Government.

| NO. | DESCRIPTION                         | DATE       |
|-----|-------------------------------------|------------|
| 1   | PREPARED FOR THE CLIENT             | 10/15/2024 |
| 2   | REVISIONS                           |            |
| 3   | APPROVED FOR THE CLIENT             | 10/15/2024 |
| 4   | APPROVED FOR THE CITY               |            |
| 5   | APPROVED FOR THE STATE              |            |
| 6   | APPROVED FOR THE FEDERAL GOVERNMENT |            |

**M** M.A.E.N. ENGINEERS  
 1000 W. BROADWAY  
 AUGUSTA, GA 30602  
 (706) 733-1111  
 www.m.a.e.n.com

**AIRPARK DRIVE  
 SUBDIVISION  
 FOR  
 AUGUSTA FUNDS LTD**

**PROPOSED  
 CONCEPT  
 PLAN**

DATE: 10/15/24  
 DRAWN BY: JLD  
 CHECKED BY: JLD  
 SCALE: AS SHOWN







# Stakeholder Deed - Lease Security Deposit

Chapman Tripp (Stakeholder)

Airpark Nominees Limited (Lessor)

Bendon Limited (Lessee)

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## STAKEHOLDER DEED - LEASE SECURITY DEPOSIT

### PARTIES

**Chapman Tripp** (*Stakeholder*)

**Airpark Nominees Limited** (*Lessor*)

**Bendon Limited** (*Lessee*)

### BACKGROUND

- A By a deed of lease dated 6 November 2007 (as varied pursuant to a Deed of Variation of Lease dated 5 March 2009) made between Bendon Properties Limited as landlord and Bendon Limited as tenant, the Lessor leases the premises to the Lessee (*Lease*).
- B By an agreement to partially surrender and variation of lease dated on or about the date of this deed (*Agreement*) the parties agreed to partially surrender the premises leased pursuant to the Lease and to vary the terms of the Lease.
- C The Lessee has paid a deposit in the sum of \$71,465.26 including GST to the Stakeholder in accordance with clause 19.1 of the Agreement (*Security Deposit*).
- D The Lessor and Lessee and the Stakeholder have agreed to record the terms of the Security Deposit in this deed.

**BY THIS DEED** the parties agree as follows:

#### 1 DEFINITIONS

##### 1.1 Defined terms

Unless expressly stated to the contrary any defined term in this deed shall have the same meaning as is given to such term under the Lease.

#### 1 SECURITY DEPOSIT

##### Security Deposit

1.1 The parties acknowledge that the Lessee has paid the Security Deposit to the Stakeholder in accordance with clause 19.1 of the Agreement.

1.2 In accordance with clause 19.1 of the Agreement, the Lessor and Lessee agree that the Security Deposit shall be dealt with in accordance with the terms of this deed.

##### Instruction to Stakeholder

1.3 In executing this deed, the Lessee instructs the Stakeholder to hold and disburse the Security Deposit in strict accordance with the terms of this deed. The Lessee acknowledges that such instruction is irrevocable while this deed remains in force.

##### Security Account

1.4 The Stakeholder shall hold the Security Deposit including any further amounts paid to the Stakeholder pursuant to the Lease (as varied by the Agreement) and all interest earned thereon (less withholding tax and any other properly deductible,



payable or paid tax or levy and less any fees deducted by any bank) in an interest bearing trust account with a registered New Zealand bank in the name of the Stakeholder (*Security Account*).

**Stakeholder to pay**

- 1.5 The Lessor shall be entitled, without prior notice to the Lessee, to a payment out of the Security Account in an amount equal to any loss or damage sustained by the Lessor as a result of a default by the Lessee under the Lease (as varied by the Agreement). The Lessor and Lessee hereby irrevocably instruct the Stakeholder to pay to the Lessor from the Security Account such sums as may be claimed by the Lessor without the need for the Stakeholder to make any further enquiries and notwithstanding that the Lessee disputes the Lessor's right to make a claim or the claimed amount. The Lessor shall notify the Lessee following any such payment.

**Release upon expiry**

- 1.6 The Stakeholder shall, within 20 Working Days of receipt of written notice from the Lessee of expiry of the Lease (as varied by the Agreement), pay to the Lessee the funds in the Security Account, less any amounts which the Lessor is entitled to have paid to it pursuant to clause 1.5 of this deed.

**Transfer upon sale**

- 1.7 In the event that the Lessor transfers its interest in the premises to another person (*Purchaser*) the Stakeholder shall within 20 Working Days of receipt of written notice of the sale transfer the Security Deposit in the Security Account (less any amount which the Lessor is then entitled to have paid to it pursuant to clause 1.5 of this deed) to the Purchaser's solicitor. The Lessor will notify the Lessee of the transfer as soon as possible and upon the transfer of the Security Deposit will have no further liability in respect of the Security Deposit.

**No Amendment to Undertaking**

- 1.8 Any alterations to the Lease, or any extensions of time, or any other forbearance by the Lessor or the Lessee will not affect the Stakeholder's obligations under this deed.

**Deductions**

- 1.9 The Lessor and Lessee irrevocably authorise the Stakeholder to deduct and pay from the Security Account any withholding or other taxes, bank charges and reasonable administration fees in respect of the Security Account (*Deductions*).

**Interest**

- 1.10 Net interest (less any Deductions) earned on the Security Deposit will form part of the Security Deposit and will be paid out and/or released in accordance with the terms of this deed.

**Limitation of Stakeholder's Liability**

- 1.11 The Stakeholder's liability under this deed will be limited to the amount of the Security Deposit.
- 1.12 The Stakeholder will not be liable to any party by reason of any delay in investing the Security Deposit or any part of it or any failure on the part of the bank, or any Deductions paid to the bank for handling the Security Deposit.

**No other variation**

- 1.13 Except as varied by this deed, the Lease shall remain in full force and effect.



**Limitation of Liability**

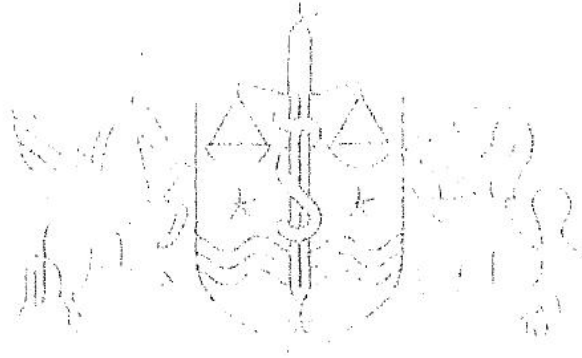
- 1.14 The parties acknowledge that Airpark Nominees Limited is entering into this deed in its capacity as the custodian of Airpark Nominees Joint Venture (Scheme) and not in its personal capacity and accordingly the parties agree, notwithstanding any other provision of this deed, that Airpark Nominees Limited and Covenant Trustee Services Limited (as the supervisor of the Scheme) will not be personally liable under this deed and that any liability will be limited to any assets of the Scheme from time to time held in its or their hands (as the case may be) that are available at law to meet that liability.

**2 GOVERNING LAW**

- 2.1 This deed shall be governed by and construed in accordance with New Zealand laws.



**FOURTH SCHEDULE**  
**LANDLORD'S FIXTURES, FITTINGS AND CHATTELS (if any)**  
(Subclause 4.2)



DATED \_\_\_\_\_

**BETWEEN**

Landlord \_\_\_\_\_

Ph \_\_\_\_\_

Fax \_\_\_\_\_

Email \_\_\_\_\_

**AND**

Tenant \_\_\_\_\_

Ph \_\_\_\_\_

Fax \_\_\_\_\_

Email \_\_\_\_\_

**AGREEMENT TO LEASE**

© This form is copyright to  
Auckland District Law Society Inc

General address of the premises:  
\_\_\_\_\_

Landlord's lawyer (indicate individual acting)  
\_\_\_\_\_

Tenant's lawyer (indicate individual acting)  
\_\_\_\_\_

Deposit paid for \_\_\_\_\_

Amount: \$ \_\_\_\_\_

Date paid \_\_\_\_\_

LEASE NEGOTIATED BY:

Licensed Real Estate Agent

Office \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Manager \_\_\_\_\_

Salesperson \_\_\_\_\_

## SUBSIDIARIES OF REGISTRANT

| <b>NAME</b>      | <b>PERCENTAGE OWNERSHIP (%)</b> | <b>STATE OF ORGANIZATION</b> |
|------------------|---------------------------------|------------------------------|
| Bendon Limited   | 100                             | New Zealand                  |
| FOH Online Corp. | 100                             | Delaware                     |

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## CERTIFICATIONS

I, Justin Davis-Rice, certify that:

1. I have reviewed this Annual Report on Form 20-F of Naked Brand Group Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: May 8, 2020

By: /s/ Justin Davis-Rice

Justin Davis-Rice  
Executive Chairman  
(Principal Executive Officer)

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## CERTIFICATIONS

I, Cheryl Durose, certify that:

1. I have reviewed this Annual Report on Form 20-F of Naked Brand Group Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
- (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Dated: May 8, 2020

By: /s/ Cheryl Durose

Cheryl Durose

Chief Financial Officer

(Principal Accounting Officer and Principal Financial Officer)

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**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Naked Brand Group Limited (the "Company") on Form 20-F for the year ended January 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: May 8, 2020

By: /s/ Justin Davis-Rice

Justin Davis-Rice  
Executive Chairman

By: /s/ Cheryl Durose

Cheryl Durose  
Chief Financial Officer

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Tel: +61 2 9251 4100  
Fax: +61 2 9240 9821  
www.bdo.com.au

Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Naked Brand Group Limited

We hereby consent to the incorporation by reference in the Registration Statement on Form F-3 (No. 333-226192; No. 333-230757; No. 333-232229 and No. 333-235801) of Naked Brand Group Limited of our report dated May 8, 2020, relating to the consolidated financial statements, which appear in this Form 20-F. Our report contains an explanatory paragraph regarding Naked Brand Group Limited's ability to continue as a going concern.

**BDO Audit Pty Ltd**

*BDO*

---

Tim Aman  
Director

Sydney, Australia  
May 8, 2020

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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