Registered number: 237511

Arcadia Group Limited

Annual report and financial statements
for the year ended 26 August 2017

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Company information

Directors	Paul Budge Gillian Hague Ian Grabiner Christopher Harris Richard Burchill
Company secretary	Michelle Gammon
Registered number	237511
Registered office	Colegrave House 70 Berners Street London England W1T 3NL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL

Arcadia Group Limited

Contents

Strategic report
for the year ended 26 August 2017

Principal activities

The Group's principal activities are the retailing and wholesaling of clothing and clothing accessories in the United Kingdom and internationally through stores and the internet. The Group trades under the brand names Top Shop, Top Man, Dorothy Perkins, Burton, Wallis, Evans, Miss Selfridge, Outfit and Outfit Kids.

The Company's principal activity is that of an investment holding company. The Company also provides administrative and logistical services to its subsidiary undertakings.

Results for the year

Turnover for the year for continuing operations totalled £1,905.4 million (2016: £2,009.8 million) reflecting the ongoing challenging global market conditions for retailers. Group operating profit before goodwill and exceptional costs for continuing operations was £131.0 million (2016: £215.6 million).

The Group incurred exceptional items and remeasurements during the year of £10.5 million (2016: £133.2 million). These primarily relate to fixed asset impairment, revaluation of investment properties and provisions for onerous leases. These exceptional items were principally non-cash in nature; the cash incurred being £10.9 million of the total (2016: £13.2 million). Further details are set out in note 6.

The profit for the financial year after tax was £144.8 million (2016: £90.6 million).

One of the Group's key performance measures is cash generation and earnings before interest, tax, depreciation, amortisation and exceptional items which totalled £192.3 million (2016: £285.8 million).

The Group remains cash generative and at 26 August 2017 held cash at bank and in hand of £232.4 million (2016: £290.9 million). A summary of the Group's operating cash flows is shown below:

	2017 £000	**2017 £000**	2016 £000	2016
Operating profit before goodwill amortisation, losses from associates and joint ventures and exceptional items	**131,011**		215,643	
Goodwill amortisation	**(95)**		(647)	
Losses from associates and joint ventures	**(1,098)**		(2,226)	
Operating profit before exceptional items	**129,818**		212,770	
Depreciation and software amortisation	**62,518**		73,066	
Headline cash generated (EBITDA)		**192,336**		285,836
Pension working capital movement	**(20,580)**		(48,212)	
Other working capital movements	**(66,824)**		(86,189)	
		(87,404)		(134,401)
Cash inflow from operating activities before exceptional items and tax		**104,932**		151,435

Results for the year (continued)

During the year the Group incurred capital expenditure of £124.9 million (2016: £97.8 million) primarily in respect of infrastructure improvements and additions and refurbishments to its store portfolio.

The profit after taxation for the financial year of the Company amounted to £66.2 million (2016: £34.1 million).

At 26 August 2017, the Company had net assets of £3,187.9 million (2016: £3,031.5 million).

No dividends have been paid in the year (2016: £nil).

Business review

The last year has been a year of great uncertainty primarily driven by the UK's vote to leave the European Union. UK customers are less certain about the future due to rising inflation and the falling value of the pound. Consumer preferences have changed with consumers being even more value conscious and many stating they are more likely to spend on experiences rather than buying goods.

Fashion retailing is a diverse and fast changing industry incorporating many complex sales channels. Customers have numerous buying options and as a result have varied shopping habits. This, combined with an increasing number of new entrants especially in the digital sector, has meant that market conditions remain challenging and competitive.

In order to compete in this rapidly-changing environment, the Group has recruited new personnel to some senior management roles and is focused on maintaining its high street store presence whilst also expanding its digital presence and wholesale channels, both of which are key growth areas for the Group.

The Group continues to expand into new territories when suitable opportunities arise.

Our brands and culture

The Group operates 9 brands covering a diverse range of the clothing market. Brief details on each brand are set out below:

Burton – mid-market menswear specialising in formalwear
Dorothy Perkins – mid-market fashion for women
Evans – UK market leader in size 14+ fashionable womenswear
Miss Selfridge – young fashion womenswear
Outfit – out-of-town multi-brand fashion retailer, including the Group's brands and complementary concessions
Outfit Kids – new fashionable childrenswear brand launched 1 September 2017
Top Man – leading fashion menswear
Top Shop – leading fashion womenswear
Wallis – fashionable womenswear retailer

Each brand has its own intrinsic culture but the Group's overall values can be summarised within 5 key areas:

Customer focus
It is critical to the success of the business to ensure our customers are satisfied, so every aspect of their experience – whether online or in any stores worldwide – is important and every effort is made to ensure that customer service is tailored to suit the customers of each individual brand. We would like to thank our customers for their continued loyalty in shopping with our brands across multiple channels.

Commercial flair
Being intuitive and spotting opportunities ahead of the market is essential to sustaining growth. The Group continues to explore exciting new ways to develop the business and actively encourages original ideas and innovation. Our recruitment efforts are directed at introducing new talent with flair and forward thinking into the Group.

Strategic report
for the year ended 26 August 2017

Business review (continued)

Strategic focus
An ability to innovate rapidly is important but it is also key to maintain a longer term view to ensure value can be sustained. The Group looks to the future to spot challenges and opportunities that allow the Group to adapt to the fast-changing global retail environment. The Group continues to expand overseas with additional stores in the USA and Germany, and is continuing with its wholesale expansion with key partners such as Nordstrom and Zalando.

Energy and drive
The Group has high expectations, based upon having confidence in people who are driven by the passion and determination they have for their work. It's the ambition, energy and drive of its employees which helps underpin the success of the Group.

Our people
People are at the heart of all the Group's activities and great effort is made to place employees in the brand that is right for them and their personality. Our people are friendly and sociable but they're also professional, supportive, passionate and knowledgeable.

We would like to thank all of our people for their commitment and energy which has enabled us to deliver a robust performance in challenging times.

The Fashion Retail Academy ('FRA') is a unique, employer-led college with charitable status. It was founded in 2005 via a private-public partnership between Arcadia, Next, Marks and Spencer, Tesco and Experian who funded its start-up, matched by investment from the Government.

FRA offer a wide range of specialist fashion courses for students of all ages. The courses are developed to provide the student with a combination of an in-depth knowledge of fashion retail and hands on practical experience of the work environment.

During the year to 26 August 2017, the Group offered 110 placements (2016: 89) to graduates of the Academy. Placement roles varied from visual merchandising to buying and merchandising which demonstrates the Group's commitment to finding and developing the top fashion talent of the future.

Store portfolio

As at 26 August 2017, the Group traded from 2,805 (2016: 2,766) outlets representing 6.3 million (2016: 6.4 million) square feet of space. During the year the Group closed 234 and opened 273 solus, external business and franchise stores. The Group continues to review its store portfolio to ensure that it best fits with the fast-changing retail industry by closing loss-making stores as leases expire and, where appropriate, investing in improving existing outlets and opening new retail outlets across the world either wholly-owned, external business concessions or through franchise operations. In total £124.9 million (2016: £97.8 million) was invested in capital projects of which £27.1 million (2016: £30.1 million) related to new stores.

Digital

The Group now trades 39 brand specific desktop websites and 28 mobile sites, as well as trading on other retailers' websites where there are synergies. This is a key area of growth for the Group and our objective is to keep abreast of technological developments to ensure these websites allow us to provide the service and inspiration that our customers expect both online and in stores. We continue to grow our social media presence and look to communicate with our customers through whichever channels they choose.

Infrastructure

During the year the Group has invested £49.5 million (2016: £16.1 million) in infrastructure improvements, including development of a new Distribution centre and a hub in Singapore.

Key performance indicators

The board uses a range of KPIs to monitor the Group's performance and progress towards its strategic objectives. The principal KPIs, which are reviewed regularly at both Group and brand level and include best and least performing stores/product lines, margins, mark downs, profitability of different channels, EBITDA, cash flow, returns on capital invested in store openings/refits and like-for-like (LFL) sales.

See page 1 for an assessment of the Group's performance in respect of EBITDA, which is the Group's main KPI.

Principal risks and uncertainties

It is important to the business that it identifies and manages risks. Key business risks are monitored on an ongoing basis by the directors, and strategies are developed as appropriate to mitigate against such risks and minimise their impact. The principal risks and the strategies adopted are set out below:

Financial risk management
The key financial risks to the Group are the availability of cash flows to meet business requirements, commodity price risks, credit risk and fluctuations in interest and foreign exchange rates. The Group operates a centralised Treasury function responsible for managing foreign exchange rate risk. The Group uses currency forward contracts to manage its exposure to foreign currency risk. The Group does not consider there to be a material exposure to changes in interest rates. Interest rate risk is monitored and if the situation changes the Group will take appropriate action.

Liquidity risk is managed by reviewing banking facilities and maintaining appropriate headroom to ensure adequate access to cash, focusing on cash generation within the business and reviewing performance against financial covenants and stress-testing these on a regular basis. The Group has substantial headroom and an ability to raise debt at short notice should the need arise to manage any cash flow risk.

Commodity prices are regularly reviewed and communicated to the sourcing teams, who are advised by a centralised sourcing function over options to minimise cost prices while trading in an ethical and sustainable manner. The cost of raw materials is managed using a diverse profile of suppliers worldwide and the Group places orders for a proportion of its merchandise on appropriate lead times to minimise this risk.

Due to the growth in the Group's wholesale business, it is important to focus on credit risk associated with business to business sales. The Group reviews counter-party risk and sets appropriate credit limits which are reviewed regularly in light of payment history and publicly available financial information. Where appropriate, specific risks are covered with credit insurance and/or bank guarantees.

Economic uncertainty
The Group is aware that its customers continue to face testing times driven by challenging economic conditions. Our offer to our customers is continuously reviewed to ensure that our product mix, pricing and promotional stance are appropriate to market conditions. Costs are reviewed regularly and are subject to robust approval processes.

Changing market dynamics
The current retail environment is very challenging as competitors seek to attract value-conscious customers using a variety of routes to market. Failure to keep pace with the changing retail environment would adversely impact on the Group's profitability. The Group regularly reviews both its own sales channels and those of its competitors. It has a continuing investment programme in its property portfolio, merchandise and logistics systems and digital architecture in order to be able to respond to customers' changing requirements to interact in different ways and improving the customer experience. The ongoing performance and opportunities presented by all sales channels is monitored closely.

Key suppliers and supply chain management
The Group relies on its suppliers to deliver goods on time, to the required quality standards and within a robust ethical framework. Meeting such targets is key to delivering the options and quality that customers expect, and hence maintaining and enhancing the reputation of the Group's brands. The Group also analyses its supplier performance in terms of cost, quality and delivery times in order to maintain the efficiency of its supply chain.

Strategic report
for the year ended 26 August 2017

Loss of key personnel
The loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience would disrupt the operation of the business. Competitive incentive arrangements exist, with specific initiatives in place designed to retain key individuals. The Group regularly reviews talent and recruitment opportunities with continuous programmes of development and succession planning.

IT systems and business continuity
The Group's operations rely on the availability and integrity of its IT systems in order to trade efficiently. A failure in these systems could have a significant impact on the Group's operations and its reputation. A number of key controls are in place to maintain the integrity and efficiency of the Group's IT systems, including recovery plans which would be implemented in the event of a major failure. The Group's Business Continuity Plan is tested and reviewed on a regular basis. IT security is continually monitored and updated accordingly to ensure data is protected from corruption, unauthorised use and cyber-attacks.

Fashion Footprint

Fashion Footprint is the Group’s programme to monitor and manage the social and environmental impacts of the business and has been established for over ten years. Fashion Footprint continually reinforces the Group's commitment to sustainability; a commitment that makes just as much sense from a business perspective as it does from an ethical one. In 2017 the Group published its Modern Slavery Act statement, which has become an integral part of its existing Fashion Footprint programme.

The Fashion Footprint vision leads to a mission statement that all employees can support: to produce fashionable products in an ethical way and demonstrate a responsible attitude towards people and the environment.

Pension

During August 2016, and with the agreement of the pension schemes' trustees, the Group made an additional prepayment of £25.6 million in respect of pension contributions for the year ended 26 August 2017. In January 2017, the Group completed its triennial actuarial valuation as at 31 March 2016 with the Group's pension schemes trustees and a new Schedule of Contributions has been agreed at £50.0 million per year (previously £24.3 million) for the next three years, with the intention of removing the deficit over ten years.

This report was approved by the board on 4 December 2017 and signed by its order.

Michelle Gammon
Company secretary
Date: 7 December 2017

Directors' report
for the year ended 26 August 2017

The directors present their report and the audited consolidated financial statements for the year ended 26 August 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Charitable donations

During the year, the Group donated £187,000 (2016: £287,000) directly to various UK charitable organisations.

In addition, all of the Group's brands work closely with a selected charity partner to raise funds through corporate and individual employee initiatives. A number of the brands have created exclusive products, which are sold instore, to generate proceeds for their selected charities.

During the year, the funds raised through the Group's charitable activities was £178,000 (2016: £187,000).

Dividends

The directors do not recommend the payment of a dividend in respect of the financial year (2016: £nil).

Directors

The directors who served during the year and up to the date of approval of the financial statements were:

Paul Budge
Gillian Hague
Ian Grabiner
Christopher Harris
Richard Burchill

Directors' report (continued)
for the year ended 26 August 2017

Future developments

A combination of the Group's portfolio of diverse, market-leading brands including its new childrenswear brand "Outfit Kids", the growth of our wholesale business, digital development and the close control of costs, together with a dedicated and enthusiastic workforce, lead the directors to view the Group's future performance with a degree of confidence despite the uncertain economic conditions. The Group continues with its goal to produce fashionable products in an ethical way. The Fashion Footprint initiative is in its twelfth year and responsible retailing remains a key focus.

Employees and equal opportunities

All staff are informed about matters concerning their interests as employees and the financial position of the Group through a number of communication channels including face-to-face briefings, an intranet site supplemented by e-mail announcements and a staff magazine.

The Board recognises the importance of a highly motivated and well-trained workforce. It encourages employees' involvement in the Group's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in that part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service.

The Group is an equal opportunities employer, recruiting and promoting employees on the basis of their suitability for the job and on no other grounds. Proper consideration is given to employment applications from disabled persons whose aptitude and skills can be utilised within the business and to their training and career progression. Wherever possible, this includes the retraining and retention of staff who become disabled during their employment.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Matters covered in the strategic report

The principal activities, the business review and an indication of the financial risk management objectives and policies of the Group, including the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk are all discussed in the strategic report on pages 1 to 5.

Disclosure of information to auditors

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

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

The Pension Regulator case conclusion

On 2 November 2016 the Regulator issued a Warning Notice to Sir Philip Green, Taveta Investments Limited and Taveta Investments (No. 2) Limited indicating that it intended to apply to use its powers to issue Financial Support Directions and/or Contribution Notices. On 28 February 2017 following payment by Sir Philip Green of a settlement amount for the benefit of the members of the Bhs pension schemes, the Regulator has withdrawn its Warning Notice and has given clearance to the relevant parties in respect of the Bhs pension schemes and the Arcadia group pension schemes. The Group does not anticipate any future financial exposure in relation to the matters cleared by the Regulator.

Independent auditors

The Company has passed an elective resolution to dispense with the annual appointment of auditors. PricewaterhouseCoopers LLP will therefore continue as auditors in accordance with and subject to Section 487 of the Companies Act 2006.

Going concern

The Group and the Company continue to generate sufficient cash through operating activities to meet their working capital requirements. The directors have assessed the current cash position of the Group and the Company, together with the latest forecast cash projections for the next 12 months and have stress-tested these projections against downside scenarios that they consider unlikely.

They have satisfied themselves that the business will have sufficient headroom available under its committed banking facilities even in these downside scenarios.

In addition, they have assessed the Group's forecast performance against its banking covenants, and have satisfied themselves that, both under the existing forecast, and in any realistic downside scenarios, the Group will be operating comfortably within its banking covenants.

The Company has £2,372.6 million of debtors due from parent companies. The directors do not have any current intention to demand repayment of these sums in whole or part within the next 12 months and consider that these debtors are recoverable.

The Group and the Company therefore continue to adopt the going concern basis in preparing the financial statements.

This report was approved by the board on 4 December 2017 and signed by its order.

Michelle Gammon
Company secretary
Date: 7 December 2017

Independent auditors' report to the members of Arcadia Group Limited

Report on the audit of the financial statements

Opinion

In our opinion,Arcadia Group Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 26 August 2017 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 26 August 2017; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Arcadia Group Limited

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 26 August 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the members of Arcadia Group Limited

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 Exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We ~~have no~~ exceptions to report arising from this responsibility.

Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date: 7 December 2017

Consolidated profit and loss account
for the year ended 26 August 2017

	Note	Continuing operations 2017 £000	Exceptional items & remeasure-ments 2017 £000	Total 2017 £000	Continuing operations 2016 £000	Exceptional items & remeasure-ments 2016 £000	Total 2016 £000
Turnover	5	**1,905,447**	**-**	**1,905,447**	2,009,788	-	2,009,788
Cost of sales		**(1,703,098)**	**(46,692)**	**(1,749,790)**	(1,759,415)	(106,732)	(1,866,147)
Gross profit/(loss)		**202,349**	**(46,692)**	**155,657**	250,373	(106,732)	143,641
Distribution costs		**(39,886)**	**-**	**(39,886)**	(35,766)	-	(35,766)
Administrative expenses		**(31,452)**	**(4,154)**	**(35,606)**	(26,342)	(26,441)	(52,783)
Other operating income	7	**-**	**40,334**	**40,334**	27,378	-	27,378
Operating profit/(loss) before goodwill amortisation and losses from associates	8	**131,011**	**(10,512)**	**120,499**	215,643	(133,173)	82,470
Goodwill amortisation		**(95)**	**-**	**(95)**	(647)	-	(647)
Losses from associates		**(1,098)**	**-**	**(1,098)**	(2,226)	-	(2,226)
Operating profit/(loss)		**129,818**	**(10,512)**	**119,306**	212,770	(133,173)	79,597
Net interest receivable and similar income	12	**53,905**	**-**	**53,905**	57,932	-	57,932
Other finance expense	13	**(8,612)**	**-**	**(8,612)**	(6,811)	-	(6,811)
Profit/(loss) on ordinary activities before taxation		**175,111**	**(10,512)**	**164,599**	263,891	(133,173)	130,718
Tax on profit/(loss) on ordinary activities	14	**(26,673)**	**6,841**	**(19,832)**	(50,820)	10,720	(40,100)
Profit/(loss) for the financial year		**148,438**	**(3,671)**	**144,767**	213,071	(122,453)	90,618
Profit for the year attributable to:							
Non-controlling interests				**(5,466)**			18,541
Owners of the parent				**150,233**			72,077
				144,767			90,618

All exceptional items and remeasurements relate to continuing operations and are detailed in note 6.

Consolidated statement of comprehensive income for the year ended 26 August 2017

	2017 £000	2016 £000
Profit for the financial year	**144,767**	90,618
Other comprehensive income/(expense)		
Remeasurements of defined benefit schemes	**115,078**	(278,619)
Movement on deferred tax relating to pension gains	**(23,423)**	46,982
Exchange gain on overseas subsidiaries	**44**	213
Other comprehensive income/(expense) for the year	**91,699**	(231,424)
Total comprehensive income/(expense) for the year	**236,466**	(140,806)
Total comprehensive income/(expense) attributable to:		
Non-controlling interests	**(5,466)**	18,541
Owners of the parent	**241,932**	(159,347)
	236,466	(140,806)

The notes on pages 23 to 64 form part of these financial statements.

Arcadia Group Limited
Registered number: 237511

Consolidated balance sheet
as at 26 August 2017

	Note		2017 £000		Restated 2016 £000
Fixed assets					
Intangible assets	15		**77,836**		68,538
Tangible assets	16		**531,287**		539,010
Investment property	18		**96,330**		41,500
			705,453		649,048
Current assets					
Stocks	19,32	**183,119**		169,894	
Debtors: amounts falling due after more than one year	20	**2,429,365**		2,451,756	
Debtors: amounts falling due within one year	20	**157,937**		123,104	
Cash at bank and in hand	21	**232,406**		290,876	
		3,002,827		3,035,630	
Creditors: amounts falling due within one year	22,32	**(446,071)**		(523,359)	
Net current assets			**2,556,756**		2,512,271
Total assets less current liabilities			**3,262,209**		3,161,319
Creditors: amounts falling due after more than one year	23		**(132,630)**		(140,118)
Other provisions	26		**(79,626)**		(80,898)
Pension liability	28		**(300,009)**		(426,825)
Net assets			**2,749,944**		2,513,478

Arcadia Group Limited
Registered number: 237511

Consolidated balance sheet
as at 26 August 2017

	Note	2017 £000	Restated 2016 £000
Capital and reserves			
Called up share capital	31	**168,163**	168,163
Share premium account		**393,676**	393,676
Capital redemption reserve		**223,431**	223,431
Retained earnings		**1,879,695**	1,637,763
Equity attributable to owners of the parent		**2,664,965**	2,423,033
Non-controlling interests		**84,979**	90,445
Total equity		**2,749,944**	2,513,478

The financial statements on pages 12 to 64 were approved and authorised for issue by the board on 4 December 2017 and were signed on its behalf on 7 December 2017.

Paul Budge
Director

The restatement in 2016 is disclosed in note 32.

The notes on pages 23 to 64 form part of these financial statements.

Arcadia Group Limited
Registered number: 237511

Company balance sheet
as at 26 August 2017

	Note		2017 £000		Restated 2016 £000
Fixed assets					
Intangible assets	15		**22,513**		21,791
Tangible assets	16		**11,790**		15,773
Investments	17		**1,454,050**		1,454,050
			1,488,353		1,491,614
Current assets					
Stocks	19	**290**		244	
Debtors: amounts falling due after more than one year	20	**2,697,592**		2,927,622	
Debtors: amounts falling due within one year	20	**226,791**		53,973	
Cash at bank and in hand	21	**5,109**		-	
		2,929,782		2,981,839	
Creditors: amounts falling due within one year	22	**(915,844)**		(1,003,413)	
Net current assets			**2,013,938**		1,978,426
Total assets less current liabilities			**3,502,291**		3,470,040
Creditors: amounts falling due after more than one year	23		**(13,285)**		(13,275)
Other provisions	26		**(1,433)**		-
Pension liability	28		**(299,662)**		(425,275)
Net assets			**3,187,911**		3,031,490

Arcadia Group Limited
Registered number: 237511

Company balance sheet
as at 26 August 2017

	Note	2017 £000	Restated 2016 £000
Capital and reserves			
Called up share capital	31	**168,163**	168,163
Share premium account		**393,676**	393,676
Capital redemption reserve		**223,431**	223,431
Retained earnings		**2,402,641**	2,246,220
Total equity		**3,187,911**	3,031,490

The financial statements on pages 12 to 64 were approved and authorised for issue by the board on 4 December 2017 and were signed on its behalf on 7 December 2017.

Paul Budge
Director

The Company has taken advantage of the exemption contained within 408 of the Companies Act 2006 not to present its own profit and loss account. The profit of the Company for the financial year was £66,212,000 (2016: £34,137,000).

The restatement in 2016 is disclosed in note 32.

The notes on pages 23 to 64 form part of these financial statements.

Arcadia Group Limited

Consolidated statement of changes in equity
for the year ended 26 August 2017

	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total equity
	£000	£000	£000	£000	£000	£000	£000
At 28 August 2016	168,163	393,676	223,431	1,637,763	2,423,033	90,445	2,513,478
Comprehensive income/(expense) for the year							
Profit for the financial year	-	-	-	150,233	150,233	(5,466)	144,767
Remeasurements of defined benefit schemes	-	-	-	115,078	115,078	-	115,078
Deferred tax movements	-	-	-	(23,423)	(23,423)	-	(23,423)
Exchange gain on overseas subsidiaries	-	-	-	44	44	-	44
Other comprehensive income for the year	-	-	-	91,699	91,699	-	91,699
Total comprehensive income/(expense) for the year	-	-	-	241,932	241,932	(5,466)	236,466
At 26 August 2017	168,163	393,676	223,431	1,879,695	2,664,965	84,979	2,749,944

Consolidated statement of changes in equity (continued)

	Called up share capital	Share premium account	Capital redemption reserve	Restated Retained earnings	Restated Total equity attributable to owners of parent	Non-controlling interests	Restated Total equity
	£000	£000	£000	£000	£000	£000	£000
At 30 August 2015	168,163	393,676	223,431	1,797,110	2,582,380	71,904	2,654,284
Comprehensive income/(expense) for the year							
Profit for the financial year	-	-	-	72,077	72,077	18,541	90,618
Remeasurements of defined benefits schemes	-	-	-	(278,619)	(278,619)	-	(278,619)
Deferred tax movements	-	-	-	46,982	46,982	-	46,982
Exchange gain on overseas subsidiaries	-	-	-	213	213	-	213
Other comprehensive expense for the year	-	-	-	(231,424)	(231,424)	-	(231,424)
Total comprehensive (expense)/income for the year	-	-	-	(159,347)	(159,347)	18,541	(140,806)
At 27 August 2016	168,163	393,676	223,431	1,637,763	2,423,033	90,445	2,513,478

The notes on pages 23 to 64 form part of these financial statements.

The restatement in 2016 is disclosed in note 32.

Company statement of changes in equity
For the year ended 26 August 2017

	Called up share capital	Share premium account	Capital redemption reserve	Restated Retained earnings	Restated Total equity
	£000	£000	£000	£000	£000
At 30 August 2015	168,163	393,676	223,431	2,442,107	3,227,377
Comprehensive income/(expense) for the year					
Profit for the financial year	-	-	-	34,137	34,137
Remeasurements of defined benefit schemes	-	-	-	(277,030)	(277,030)
Deferred tax movements	-	-	-	47,006	47,006
Other comprehensive expense for the year	-	-	-	(230,024)	(230,024)
Total comprehensive expense for the year	-	-	-	(195,887)	(195,887)
At 28 August 2016	168,163	393,676	223,431	2,246,220	3,031,490
Comprehensive income/(expense) for the year					
Profit for the financial year	-	-	-	66,212	66,212
Remeasurements of defined benefit schemes	-	-	-	113,666	113,666
Deferred tax movements	-	-	-	(23,457)	(23,457)
Other comprehensive expense for the year	-	-	-	90,209	90,209
Total comprehensive income for the year	-	-	-	156,421	156,421
At 26 August 2017	168,163	393,676	223,431	2,402,641	3,187,911

The restatement in 2016 is disclosed in note 32.

The notes on pages 23 to 64 form part of these financial statements.

Consolidated statement of cash flows
for the year ended 26 August 2017

	2017 £000	2016 £000
Cash flows from operating activities		
Profit for the financial year	**144,767**	90,618
Tax on profit	**19,832**	40,100
Other finance expenses	**8,612**	6,811
Net interest received	**(53,905)**	(57,932)
Operating profit	**119,306**	79,597
Adjustments for:		
Exceptional costs relating to Bhs	**4,154**	26,441
Amortisation of intangible assets and goodwill	**12,165**	11,421
Depreciation of tangible assets	**50,353**	61,645
Impairment of tangible and intangible assets	**33,190**	80,955
Increase in stocks	**(13,225)**	(8,657)
Increase in debtors	**(29,101)**	(3,654)
Decrease in creditors	**(8,120)**	(35,670)
Difference between pension charge and cash contributions	**(20,580)**	(48,212)
(Profit)/loss on disposal of tangible fixed assets	**(2,876)**	4,569
Revaluation of investment property	**(40,334)**	(17,000)
Net cash generated from operating activities before exceptional items and tax	**104,932**	151,435
Corporation tax paid	**(10,749)**	(29,029)
Exceptional cash flow relating to Bhs	**(10,907)**	(13,163)
Net cash generated from operating activities	**83,276**	109,243
Cash flows from investing activities		
Purchase of intangible assets	**(23,673)**	(29,853)
Purchase of tangible assets	**(101,247)**	(67,932)
Proceeds from disposal of tangible assets	**10,343**	2,622
Interest received	**949**	1,770
Funding provided to fellow subsidiaries	**40,200**	(20,871)
Net cash used in investing activities	**(73,428)**	(114,264)

Consolidated statement of cash flows
for the year ended 26 August 2017

	2017 £000	2016 £000
Cash flows from financing activities		
Interest paid	**(774)**	(1,179)
Net cash used in financing activities	**(774)**	(1,179)
Net increase / (decrease) in cash and cash equivalents	**9,074**	(6,200)
Cash and cash equivalents at beginning of year	**223,029**	229,016
Foreign exchange gains and losses	**44**	213
Cash and cash equivalents at the end of year	**232,147**	223,029
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**232,406**	290,876
Bank overdrafts	**(259)**	(67,847)
	232,147	223,029

The notes on pages 23 to 64 form part of these financial statements.

Notes to the financial statements for the year ended 26 August 2017

1. General information

Arcadia Group Limited ("the Company") and its subsidiaries (together "the Group") operate a number of retailing stores throughout the UK and internationally, selling clothing and clothing accessories. The Group trades under the brand names Top Shop, Top Man, Dorothy Perkins, Burton, Wallis, Evans, Miss Selfridge, Outfit and Outfit Kids.

The Company is a private company limited by shares and is domiciled and incorporated in the United Kingdom. The address of its registered office is Colegrave House, 70 Berners Street, London, W1T 3NL.

2. Statement of compliance

The Group and Company financial statements of Arcadia Group Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

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

3.1 Basis of preparation of financial statements

The financial statements have been prepared for the 52 weeks ended 26 August 2017 (2016: 52 weeks ended 27 August 2016).

These Group and Company financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities and investment properties measured at fair value.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3. Accounting policies (continued)

3.2 Going concern

The directors consider the Company to be a going concern due to the continued profitability of the underlying group.

The Group and the Company continue to generate sufficient cash through operating activities to meet their working capital requirements.

The directors have assessed the current cash position of the Group and the Company, together with the latest forecast cash projections for the next 12 months and have stress-tested these projections against downside scenarios that they consider unlikely. They have satisfied themselves that the business will have sufficient headroom available under its committed banking facilities even in these downside scenarios.

In addition, they have assessed the Group's forecast performance against its banking covenants, and have satisfied themselves that, both under the existing forecast, and in any realistic downside scenarios, the Group will be operating comfortably within its banking covenants.

The Company has £2,372.6 million of debtors due from parent companies. The directors do not have any current intention to demand repayment of these sums in whole or part within the next 12 months and consider that these debtors are recoverable.

The Group and the Company therefore continue to adopt the going concern basis in preparing the financial statements.

3.3 Basis of consolidation

The Group financial statements include the financial statements of the Company and all its subsidiaries together with the Group's share of the results of associates made up to 26 August 2017. Each subsidiary has adopted the Group's accounting policies.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where control of a subsidiary is lost, the gain or loss on disposal is recognised in the consolidated profit and loss account.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The Group's interests in associates are determined using the equity accounting method. Where the associate has net liabilities, a provision is recognised when the Group has a legal or constructive obligation.

The financial statements of all subsidiary undertakings or associates are consolidated from the date of their acquisition to the date of their sale using the acquisition method of accounting.

All material intercompany transactions, balances and unrealised profits and losses on transactions between group companies have been eliminated on consolidation.

The Group's share of its joint ventures' results is included in the consolidated profit and loss account. The Group's share of its joint ventures' net assets is included in the consolidated balance sheet using the equity accounting method. Where the joint venture has net liabilities, a provision is recognised when the Group has a legal or constructive obligation.

Non-controlling interests represent the amount of capital and reserves attributable to shares in subsidiary undertakings not held by the Group.

3. Accounting policies (continued)

3.4 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been applied with, including notification of, and no objection to, the use of the exemptions by the Company's shareholders.

The Company has taken advantage of the exemption from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

In addition, the Group has elected not to apply Section 19 'Business combinations and goodwill' to business combinations that were effected before the date of transition to FRS 102.

3. Accounting policies (continued)

3.5 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and value added taxes. An estimate is made for future returns (based on accumulated experience).

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

(i) Sale of goods - retail

The Group operates retail shops for the sales of a range of own-branded products. Retail sales are usually settled by cash, credit or payment card. Revenue is recognised at the point of sale in the store.

Sales are made to customers with a right to return within 28 days, subject to certain conditions regarding the usage.

(ii) Sale of goods - internet-based transactions

The Group sells goods via its websites for delivery to the customer or collection from one of its retail stores. Revenue is recognised when the risks and rewards of the stock is passed to the customer. For deliveries to the customer this is the point of acceptance of the goods by the customer and for collection from store this is at the time of collection. Transactions are settled by online money transfer, credit or payment card.

Sales are made to customers with a right to return within 28 days, subject to certain conditions regarding the usage.

(iii) Income from concession arrangements

The Group operates concession arrangements whereby the Group acts as a selling agent and receives a fixed percentage payment based on the concessionaires' revenue. The revenue is recognised on an accruals basis.

(iv) Income from franchise fees

In certain locations the Group has franchised its brands to third parties. Fees charged for the use of the rights granted by the agreement and related services are recognised as revenue as the rights are used and the services are provided.

(v) Income from wholesale arrangements

The Group fulfils a number of wholesale arrangements. Revenue is recognised when goods are dispatched and the risks and rewards of the stock are passed to the customer.

3.6 Other operating income

Upfront cash contributions towards the Group's store card business are deferred and are released to the profit and loss account over the term of the related contract.

Notes to the financial statements
for the year ended 26 August 2017

3. Accounting policies (continued)

3.7 Exceptional items

The Group classifies certain one-off charges or credits that have a material impact on the Group's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Group.

3.8 Goodwill and business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities, unless the fair value cannot be reliably measured, in which case the value is incorporated in goodwill.

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life (not greater than 20 years). Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account.

3.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of assets to their residual values over their estimated useful lives (ranging from 1 year to 10 years).

Amortisation is charged to administrative expenses in the profit and loss account.

The assets are reviewed for impairment where there are indicators that they may be impaired.

Costs that are associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3. Accounting policies (continued)

3.10 Tangible assets and depreciation

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- depreciated to their estimated residual value over their estimated useful economic life
Long-term leasehold property	- life of lease
Short leasehold property	- life of lease
Fit out	- 15 years
Motor vehicles	- 25% per annum on a reducing balance basis
Retail fixtures and fittings	- 3 to 10 years
Office equipment	- 10 years
Computer equipment	- 2 to 4 years
Land	- land is not depreciated

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

3.11 Impairment of fixed assets

The Group considers that each trading property is a separate cash generating unit ("CGU") and therefore considers every property for an indication of impairment annually. If there is such an indication, the Group calculates each property's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value in use' and 'fair value less costs to sell'. If the recoverable amount is less than the book value, an impairment charge is recognised based on the following methodology:

'Value in use' is calculated by projecting individual store pre-tax cash flows over the remaining useful life of the store, based on forecasting assumptions for the next three years and then applying the Group's long-term growth rate assumption. These cashflows are discounted using a pre-tax discount rate based on the Group's weighted average cost of capital.

'Fair value less costs to sell' is estimated by the directors based on their knowledge of individual stores and the markets they serve and likely demand from other retailers. The directors may also obtain valuations for property prepared by independent valuers and consider these in carrying out their estimate of 'fair value less cost to sell' for the purposes of testing for impairment.

Notes to the financial statements
for the year ended 26 August 2017

3. Accounting policies (continued)

3.12 Pensions

The Group operates a number of defined benefit schemes to provide pension and other benefits expressed in terms of a percentage of pensionable salary. The amounts charged to operating profit, as part of employee costs, are the current service costs. Past service costs are recognised in the profit and loss account in the period in which the existing plan is amended or a new plan is introduced with a retrospective effect. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets and the resulting cost is recognised in the profit and loss account.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the schemes' liabilities. Actuarial valuations are obtained triennially and are updated at each balance sheet date.

The assets of the schemes are held separately from those of the Group in independently administered funds.

The Group also operates a number of defined contribution schemes for eligible staff. For these schemes, the amounts charged to the profit and loss account are the contributions payable during the period.

3.13 Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

3. Accounting policies (continued)

3.14 Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Incentives to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Where the Group has leasehold stores that are loss-making, and projections indicate that their future cash flows will be insufficient to meet the related property costs, provision is made for the expected net cash outflows. These cash flows are discounted using an appropriate rate of return.

Where the Group is committed to disposing of a leasehold property, provision is made for the expected direct costs of disposal, together with any net cash outflows under the lease during the period prior to disposal. The Group also provides for the unavoidable costs of vacant properties and, where properties are sublet, any shortfall between the rents payable to its landlords and those recovered under tenancy agreements. These provisions are discounted where the impact is material and unwind upon the earlier of lease expiry and disposal.

The Group also provides for dilapidations where there is an obligation to repair damages which occur during the life of the lease such as wear and tear. The cost is charged to the profit and loss as the obligation arises.

Rental income is recognised in the profit and loss account on a straight line basis over the term of the lease.

3.15 Stock valuation

Stock is stated at the lower of cost and estimated selling price less costs to sell and represents goods for resale. Cost represents actual purchase price and includes the direct costs of warehousing and transportation to the stores. Provision is made where necessary for obsolete, slow-moving and defective stock.

3.16 Foreign exchange

The Group and Company financial statements are presented in pound sterling and rounded to thousands.

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Profits and losses of overseas branches and subsidiaries which have currencies of operation other than sterling are translated into sterling at the average rates of exchange for the period. Monetary assets and liabilities recorded in foreign currencies are at the rates ruling at the balance sheet date. Exchange differences arising from the re-translation of the opening net assets of overseas subsidiaries are recognised in the statement of comprehensive income. Other exchange differences are dealt with in the profit and loss account.

3.17 Finance costs

Costs associated with the issue of bank and other borrowings are deferred and are charged to the profit and loss account over the term of the respective loan at a constant rate to the loan's carrying value. The carrying value of bank borrowings and subordinated loan notes in the balance sheet are stated net of unamortised issue costs.

3.18 Investments

The Company's fixed asset investments are shown at cost less amounts impaired. Provision is made where, in the opinion of the directors, there has been an impairment in the investments' carrying value.

Notes to the financial statements
for the year ended 26 August 2017

3. Accounting policies (continued)

3.19 Investment properties

Investment properties are carried at fair value determined annually either by the Directors or by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the profit and loss account.

3.20 Provisions for liabilities

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.21 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3. Accounting policies (continued)

3.22 Financial instruments

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price. Such assets are subsequently measured at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the profit and loss account.

(ii) Financial liabilities

Basic financial instruments, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

(iv) Derivative instruments

The Group uses forward currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and is subsequently measured at fair value through the profit and loss account. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contract is calculated by reference to current forward exchange contracts with similar maturity profiles.

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Notes to the financial statements
for the year ended 26 August 2017

4. Critical accounting judgements and estimation uncertainty

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

(i) Impairment of tangible fixed assets

The Group considers whether tangible assets are impaired. Where an indication of impairment is identified, the Group calculates each cash generating unit's ("CGUs") recoverable amount and compares this amount to its book value. This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The directors consider that sufficient cash flow information exists at an individual property level in order to conduct an impairment assessment based on each property as a CGU. See note 6 for details of the current year impairment. See note 6 for details of the current year impairment.

(ii) Impairment of intangible assets and goodwill

The Group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

(iii) Taxes

Determining current tax provisions involves judgements on the tax treatment of certain transactions.

Deferred tax is recognised on tax losses not yet used on timing differences where it is probable that there will be taxable income against which these can be offset. See note 25 for details of deferred tax recognised.

(iv) Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience, current trends and are in line with those of similar pensions schemes. See note 28 for further details of the key pension estimates, sensitivities and judgements.

(v) Provision for onerous leases

Provision is made for future leasing obligations of the Group's loss-making stores. These provisions require management's estimate of the costs that will be incurred based on contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement. See note 6 for details of exceptional onerous lease provision charges in the year.

5. Turnover

An analysis of turnover by geographical destination (to the Group's customers, not necessarily the end consumer) is as follows:

	2017	2016
	£000	£000
UK	**1,662,901**	1,783,152
Europe	**87,504**	75,087
USA	**112,107**	109,468
Rest of the World	**42,935**	42,081
	1,905,447	2,009,788

Substantially, all the turnover above is attributable to the Group's principal activity, that of the retailing of clothing and clothing accessories through stores and the internet.

6. Exceptional items and remeasurements

	2017	2016
	£000	£000
Exceptional items		
Provision for onerous leases on loss-making stores	**11,087**	21,774
Costs relating to Bhs	**4,154**	26,441
Impairment of tangible assets	**30,980**	80,955
Impairment of intangible assets	**2,210**	-
Property revaluations	**(40,334)**	-
Remeasurements		
Unrealised loss on derivative contracts	**2,415**	4,003
	10,512	133,173

As in the prior year, the Group has reviewed those leasehold stores currently making a loss to assess whether their future operating cash flows are projected to meet their rental and other property cost obligations. Where appropriate, the projected shortfall between the operating cash flows and the property costs for the period of the lease or, if earlier, to the expected date of disposal, has been provided for. The figure above reflects a decrease in the provision which was recognised against leases in prior years of £4,013,000, offset by an increase in the provision for new loss-making stores of £15,100,000. The resultant provision has been discounted to net present value at a rate of 4%. See note 26.

During the year the Group incurred net exceptional administrative costs - comprising lease guarantee costs and legal and professional fees totalling £4,154,000 (2016: £26,441,000) in relation to the administration of Bhs. The cash outflow associated with these costs was £10,907,000 (2016: £13,163,000).

The Group has recognised an impairment charge of £30,980,000 (2016: £80,955,000) on tangible fixed assets and £2,210,000 (2016: £nil) on intangible fixed assets during the year. The Group considers that each trading property is a separate cash generating unit (CGU) and therefore considers every property for an indication of impairment annually. The Group calculates each property's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value in use' and 'fair value less costs of disposal' and is discounted to net present value at a pre-tax discount rate of 9.4%. If the recoverable amount is less than the book value, an impairment charge is recognised. For further details see note 4(i).

At 26 August 2017, the key assumption to which the 'value-in-use' calculation is most sensitive is the sales growth rate over the forecast period. Specific sensitivity analysis with regard to this assumption shows that a further decrease of 1% would result in an additional impairment charge of approximately £10,499,000.

During the year 279 Tottenham Court Road, London WC1A was reclassified, following a change of use, from a trading store to an investment property. This reclassification triggered the revaluation required under FRS 102 and resulted in an upward revaluation of £40,154,000 being recognised (the remaining balance of £180,000 relates to the revaluation of 30-31 Princes Street, Edinburgh). For further details see note 18.

During the year the Group recognised unrealised losses of £2,415,000 (2016: £4,003,000) due to remeasurement of forward currency contracts.

The exceptional charges relating to onerous leases and tangible and intangible asset impairment are recognised within exceptional costs of sales in the profit and loss account. The tax credit arising on these items is £6,841,000 (2016: £10,720,000).

7. Other operating income

	2017 £000	2016 £000
Other operating income	-	27,378
Exceptional operating income	**40,334**	-

Other operating income includes an upwards revaluation of investment property of £nil (2016: £17,000,000) and income relating to shared service charges levied on Bhs Limited of £nil (2016: £8,591,000). Bhs Limited was a fellow subsidiary undertaking of Taveta Investments Limited up to 11 March 2015. The shared service charges related to costs recharged from Arcadia Group Limited for services such as logistics, finance, IT, HR, tax and treasury. The shared service charge was calculated at actual cost incurred by Arcadia Group Limited with no profit mark up.

The residual income of £nil (2016: £1,787,000) was from the operation of the Group's store cards.

Exceptional operating income comprises upwards revaluation of investment property of £40,334,000 (2016: £nil).

8. Operating profit

The operating profit before exceptional items is stated after charging/(crediting):

	2017 £000	2016 £000
Depreciation of tangible fixed assets	**50,353**	61,645
Impairment of tangible fixed assets	**30,980**	80,955
Impairment of intangible assets	**2,210**	-
Amortisation of software intangible assets	**12,070**	10,774
Amortisation of goodwill	**95**	647
Stock recognised as an expense	**768,440**	813,229
Impairment of stock	**8,566**	7,058
(Profit)/loss on disposal of tangible assets	**(2,876)**	4,569
Property rentals paid	**190,537**	195,379
Property rentals received	**(13,004)**	(10,768)
Losses on derivative financial instruments	**2,415**	4,003
Other operating lease charges	**1,916**	1,942

9. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the Company's auditors for the statutory group audit (including Company of £20,000 (2016: £20,000))	**165**	185
Fees payable to the Company's auditors and in respect of:		
Statutory audit of subsidiaries and associates	**180**	248
Tax compliance and other tax services	**280**	243
Pension advisory services	**320**	215
All other non-audit assurance services not included above	**71**	41

10. Staff costs

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	**353,103**	358,505
Social security costs	**24,109**	23,813
Other pension costs	**5,728**	6,881
	382,940	389,199

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

	2017 No.	2016 No.
Retail	**20,510**	23,128
Head office	**2,914**	2,838
	23,424	25,966

The average number of employees above includes 16,201 (2016: 18,273) part-time employees. The equivalent average number of full-time employees was 11,273 (2016: 12,126).

The Company incurred staff costs of £56,106,000 for the financial year (2016: £59,567,000), disaggregated as follows: wages and salaries of £50,004,000 (2016: £53,258,000), social security costs of £4,745,000 (2016: £4,854,000) and other pension costs of £1,357,000 (2016: £1,455,000).

The average monthly number of employees for the Company, including the directors, during the year was 961 (2016: 999). This includes 117 (2016: 115) part time-employees. The equivalent average numbers of full-time empoyees was 873 (2016: 913).

11. Directors' remuneration

	2017 £000	2016 £000
Directors' emoluments	**3,186**	4,526

During the year retirement benefits were accruing to 4 directors (2016 - 4) in respect of defined benefit contribution pension schemes.

The highest paid director received remuneration of £1,835,000 (2016: £1,626,000).

The key management personnel are considered to be the directors of the Company.

12. Interest receivable and similar income

	2017 £000	2016 £000
Interest receivable from group companies	**50,800**	61,590
Bank deposits	**949**	1,769
	51,749	63,359
Interest payable:		
Bank interest payable	**(642)**	(692)
Other interest payable	**5,168**	(487)
Unwind of discount rate on provisions	**(2,370)**	(4,248)
	2,156	(5,427)
Net interest receivable and similar income	**53,905**	57,932

During the year the Company accrued interest of £50,800,000 (2016: £63,084,000) on loans made available to Taveta Investments Limited and Taveta Investments (No. 2) Limited, the Company's ultimate parent company and immediate parent company respectively. These loans are unsecured and accrue interest at a rate attached to LIBOR.

During the year, unrealised losses of £2,415,000 (2016: £4,003,000) arose on derivative financial instruments and are recognised within operating profit (see note 8).

13. Other finance expense

	2017 £000	2016 £000
Net interest expense on pension scheme liabilities	**8,612**	6,811

14. Tax on profit/(loss) on ordinary activities

	2017	2016
	£000	£000
Current tax		
UK corporation tax charge on profit for the year	**27,375**	25,903
Adjustments in respect of prior years	**(9,578)**	(1,004)
Foreign tax		
Foreign tax on income for the year	**342**	192
	342	192
Total current tax	**18,139**	25,091
Deferred tax		
Origination and reversal of timing differences	**556**	17,686
Adjustments in respect of prior years	**611**	(3,796)
Re-measurement of deferred tax - change in UK tax rates	**526**	1,119
Total deferred tax	**1,693**	15,009
Taxation on profit	**19,832**	40,100

A tax charge of £23,423,000 (2016: credit of £46,982,000) arises in the statement of comprehensive income in respect of deferred tax relating to the Group's pension schemes, of which a charge of £2,268,000 (2016: £8,478,000) is in respect of changing tax rates.

14. Tax on profit/(loss) on ordinary activities (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.6% (2016: 20.0%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	**164,599**	130,718
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.6% (2016: 20.0%)	**32,261**	26,144
Effects of:		
Expenses not deductible for tax purposes	**(3,334)**	17,831
Adjustments in respect of prior years	**(8,967)**	(4,800)
Adjustment in respect of foreign tax rates	**(654)**	(194)
Re-measurement of deferred tax - change in UK tax rates	**526**	1,119
Total tax charge for the year	**19,832**	40,100

Adjustments in respect of prior years for the year ended 26 August 2017 primarily represent the receipt of group relief claims from HMRC.

Factors that may affect future tax charges

The Finance Act 2016 was substantively enacted on 15 September 2016 and reduced the main rate of corporation tax to 18.0% from 1 April 2018 and to 17.0% from 1 April 2020. Closing deferred tax balances have therefore been valued at 17.0% or 18.0% (2016: 18.0% or 19.0%) depending on the date they are expected to fully unwind.

15. Intangible assets

Group

	Software £000	Goodwill £000	Total £000
Cost			
At 28 August 2016 (restated)	126,167	15,607	141,774
Additions	23,673	-	23,673
Disposals	(3,770)	-	(3,770)
At 26 August 2017	146,070	15,607	161,677
Amortisation			
At 28 August 2016 (restated)	59,141	14,095	73,236
Charge for the year	12,070	95	12,165
On disposals	(3,770)	-	(3,770)
Impairment charge	2,210	-	2,210
At 26 August 2017	69,651	14,190	83,841
Net book value			
At 26 August 2017	76,419	1,417	77,836
At 27 August 2016	67,026	1,512	68,538

Software cost and amortisation brought forward at 28 August 2016 have been amended to reflect the removal of £20,918,000 of fully amortised assets no longer in use in the business.

Goodwill is amortised over the period during which the value of the underlying business acquired is expected to exceed the value of the underlying net assets. This period is assessed for each acquisition on its individual merits.

15. Intangible assets (continued)

Company

	Software £000
Cost	
At 28 August 2016 (restated)	70,932
Additions	7,141
Disposals	(2,126)
Intra-group transfers	107
At 26 August 2017	76,054
Amortisation	
At 28 August 2016 (restated)	49,141
Charge for the year	5,490
On disposals	(2,126)
Impairment charge	1,036
At 26 August 2017	53,541
Net book value	
At 26 August 2017	22,513
At 27 August 2016	21,791

Software cost and amortisation brought forward at 28 August 2016 have been amended to reflect the removal of £12,208,000 of fully amortised assets no longer in use in the business.

16. Tangible assets

Group

	Land and buildings £000	Fit out, fixtures and equipment £000	Total £000
Cost or valuation			
At 28 August 2016 (restated)	659,062	399,180	1,058,242
Additions	64,368	31,201	95,569
Reclassified to investment property	(23,484)	-	(23,484)
Disposals	(39,940)	(17,138)	(57,078)
Transfers between classes	3,400	(3,400)	-
At 26 August 2017	663,406	409,843	1,073,249
Depreciation			
At 28 August 2016 (restated)	239,349	279,883	519,232
Charge for the year	16,261	34,092	50,353
Disposals	(32,885)	(16,730)	(49,615)
Reclassified to investment property	(8,988)	-	(8,988)
Impairment charge	21,536	9,444	30,980
At 26 August 2017	235,273	306,689	541,962
Net book value			
At 26 August 2017	428,133	103,154	531,287
At 27 August 2016	419,713	119,297	539,010

The Group has performed a review of fully depreciated assets and has made an adjustment to tangible assets cost and accumulated depreciation for assets no longer in use. During this review a misclassification between cost and depreciation was noted in the brought forward allocation between asset classes and this has also been adjusted. The combined impact of these adjustments is an increase to both cost and depreciation brought forward of £6,832,000, with no impact on the net book value of tangible assets.

16. Tangible assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2017 £000	2016 £000
Freehold	**104,285**	102,694
Long leasehold	**194,939**	186,340
Short leasehold	**128,909**	130,679
	428,133	419,713

Company

	Land and buildings £000	Fit out, fixtures and equipment £000	Total £000
Cost or valuation			
At 28 August 2016 (restated)	**2,916**	**37,553**	**40,469**
Additions	**319**	**1,094**	**1,413**
Transfers intra group	**(31)**	**(2,111)**	**(2,142)**
Disposals	**-**	**(56)**	**(56)**
At 26 August 2017	**3,204**	**36,480**	**39,684**
Depreciation			
At 28 August 2016 (restated)	**211**	**24,485**	**24,696**
Charge for the year	**3**	**2,261**	**2,264**
Disposals	**-**	**(12)**	**(12)**
Impairment charge	**946**	**-**	**946**
At 26 August 2017	**1,160**	**26,734**	**27,894**
Net book value			
At 26 August 2017	**2,044**	**9,746**	**11,790**
At 27 August 2016	2,705	13,068	15,773

16. Tangible assets (continued)

The Group has performed a review of fully depreciated assets and has made an adjustment to tangible assets cost and accumulated depreciation for assets no longer in use. During this review a misclassification between cost and depreciation was noted in the brought forward allocation between asset classes and this has also been adjusted. The combined impact of these adjustments is an increase to both cost and depreciation brought forward of £24,653,000 with no impact on the net book value of tangible assets.

The net book value of land and buildings may be further analysed as follows:

	26 August 2017 £000	2016 £000
Long leasehold	**1,770**	2,542
Short leasehold	**274**	163
	2,044	2,705

The Group and Company have no assets held under finance leases or hire purchase contracts (2016: £nil).

17. Investments

Company

	Shares in subsidiary undertakings £000
Cost or valuation	
At 28 August 2016 and at 26 August 2017	**1,746,791**
Impairment	
At 28 August 2016 and at 26 August 2017	**292,741**
Net book value	
At 28 August 2016 and at 26 August 2017	**1,454,050**

The directors believe that the carrying value of the investments is supported by the realisable value of their net assets.

For a full list of the Company's related undertakings see note 35.

18. Investment property

Group

	Long leasehold £000
Valuation	
At 28 August 2016	**41,500**
Surplus on revaluation	**40,334**
Transfers from tangible assets	**14,496**
At 26 August 2017	**96,330**

The Group's investment properties are: 7-15 Gresse Street & 12-13 Rathbone Place, London W1T 1QL, 279 Tottenham Court Road, London WC1A 1HL and 30/31 Princes Street, Edinburgh EH2 2BY.

279 Tottenham Court Road and 30/31 Princes Street were valued by C B Richard Ellis Limited, Chartered Surveyors, as at 30 June 2017. 7-15 Gresse Street was valued by C B Richard Ellis Limited, Chartered Surveyors, as at 26 August 2017. All valuations were made on an open market value for existing use basis.

The 2017 valuations were made by the directors, on an open market value for existing use basis.

The Company has no investment properties (2016: none).

19. Stocks

	Group 2017 £000	Restated Group 2016 £000	**Company 2017 £000**	Company 2016 £000
Goods for resale	**183,119**	169,894	**290**	244

Group stocks are stated after provision for impairment of £7,453,000 (2016: £9,300,000).

The restatement is disclosed in note 32.

20. Debtors

	Group 2017 £000	Restated Group 2016 £000	Company 2017 £000	Restated Company 2016 £000
Amounts falling due after more than one year				
Vendor loan note	**-**	-	**325,000**	475,000
Amounts owed by group undertakings	**2,372,592**	2,370,442	**2,372,592**	2,370,442
Deferred tax asset	**56,773**	80,205	**-**	81,071
Derivative financial assets	**-**	1,109	**-**	1,109
	2,429,365	2,451,756	**2,697,592**	2,927,622

	Group 2017 £000	Restated Group 2016 £000	Company 2017 £000	Restated Company 2016 £000
Amounts falling due within one year				
Trade debtors	**75,162**	59,574	**2,147**	1,406
Vendor loan note	**-**	-	**150,000**	25,000
Other debtors	**17,266**	9,387	**2,975**	10,783
Tax recoverable	**6,305**	34	**3,453**	2,681
Deferred tax asset	**4,485**	6,169	**55,444**	4,561
Derivative financial assets	**6,765**	5,821	**6,765**	5,821
Prepayments and accrued income	**47,954**	42,119	**6,007**	3,721
	157,937	123,104	**226,791**	53,973

Trade debtors are stated after provisions for impairment of £5,440,000 (2016: £2,200,000).

The amounts owed by group undertakings are unsecured and have no fixed repayment terms. Interest was charged at a rate of 2.14% (2016: 2.65%).

The restatement is disclosed in note 32.

Vendor loan note
Prior to the sale of a 25% equity interest in Top Shop/Top Man (Holdings) Limited to Leonard Green & Partners, the Company entered into a loan agreement with Top Shop/Top Man Limited to the value of £600 million. A capital repayment of £150 million is due within one year and interest is payable annually at a rate of 5%.

21. Cash and cash equivalents

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Cash at bank and in hand	**232,406**	290,876	**5,109**	-
Less: bank overdrafts	**(259)**	(67,847)	**(223)**	(69,885)
	232,147	223,029	**4,886**	(69,885)

22. Creditors: amounts falling due within one year

	Group 2017 £000	Restated Group 2016 £000	Company 2017 £000	Restated Company 2016 £000
Bank overdrafts	**259**	67,847	**223**	69,885
Bank loans	**1,700**	1,700	**-**	-
Trade creditors	**232,654**	214,227	**25,824**	22,769
Amounts owed to group undertakings	**-**	-	**828,387**	835,601
Other taxation and social security	**21,058**	23,248	**5,217**	1,856
Other creditors	**53,930**	74,883	**35,126**	24,651
Derivative financial liabilities	**9,180**	5,736	**-**	5,736
Accruals and deferred income	**127,290**	135,718	**21,067**	42,915
	446,071	523,359	**915,844**	1,003,413

Amounts owed to group companies are unsecured, interest free and repayable on demand.

The restatement is disclosed in note 32.

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

	Group 2017 £000	Group 2016 £000	Company 2017 £000	Company 2016 £000
Other creditors	**13,283**	11,412	**13,283**	11,411
Derivative financial liabilities	**-**	1,860	**-**	1,860
Accruals and deferred income	**119,347**	126,846	**2**	4
	132,630	140,118	**13,285**	13,275

24. Financial instruments

	Group 26 August 2017 £000	Group 27 August 2016 £000	**Company 26 August 2017 £000**	Company 27 August 2016 £000
Financial assets				
Financial assets measured at fair value through profit and loss	**6,765**	6,930	**6,765**	6,930
Financial assets that are debt instruments measured at amortised cost	**2,464,985**	2,439,333	**2,852,654**	2,886,761
	2,471,750	2,446,263	**2,859,419**	2,893,691
Financial liabilities				
Financial liabilities measured at amortised cost	**(9,180)**	(7,596)	**(9,180)**	(7,596)
Financial liabilities measured at fair value through profit and loss	**(548,463)**	(632,634)	**(923,913)**	(1,007,237)
	(557,643)	(640,230)	**(933,093)**	(1,014,833)

The Group and Company enter into forward currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 26 August 2017, the outstanding contracts all mature within 12 months (2016: 16 months) from the year end. At 26 August 2017, the Group and Company was committed to sell €65,000,000 and buy $200,000,000 (2016: committed to sell €26,200,000, buy $155,000,000 and sell $155,000,000).

Financial assets and liabilities measured at fair value through profit and loss comprise derivative financial instruments that are initially measured at fair value on the date on which the contract is entered into and are subsequently measured at fair value through the profit and loss account. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contract is calculated by reference to current forward exchange contracts with similar maturity profiles. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR.

25. Deferred taxation

Group

	2017 £000
At 28 August 2016	86,374
Charged to the profit and loss account	(1,693)
Charged to other comprehensive income	(23,423)
At 26 August 2017	61,258

Company

	2017 £000
At 28 August 2016	85,632
Charged to the profit and loss account	(6,731)
Charged to other comprehensive income	(23,457)
At 26 August 2017	55,444

The deferred tax asset is made up as follows:

	Group 26 August 2017 £000	Company 26 August 2017 £000
Capital allowances	12,610	1,733
Post-employment benefits	50,726	50,943
Other timing differences	(2,078)	2,768
	61,258	55,444

The net deferred tax asset expected to reverse within one year is £4,485,000. This primarily relates to the reversal of timing differences on post-employment benefits and capital allowances.

Notes to the financial statements
for the year ended 26 August 2017

26. Other provisions

Group

	Onerous leases £000	Joint ventures and associates £000	Property provisions £000	Total £000
At 28 August 2016	**59,842**	**3,784**	**17,272**	**80,898**
Charged to the profit and loss account	**11,087**	**1,098**	**5,520**	**17,705**
Discount unwind	**2,370**	**-**	**-**	**2,370**
Utilised in year	**(17,375)**	**-**	**(3,972)**	**(21,347)**
At 26 August 2017	**55,924**	**4,882**	**18,820**	**79,626**

Onerous leases

The onerous lease provision relating to loss-making stores is discounted at a rate of return of 4% (2016: 4%). A decrease in the discount rate of 1% would result in an increase in the provision of approximately £3,672,000 (2016: £3,500,000). Provision has been made for the remaining period of the leases, which on average is 6.3 years (2016: 5.0 years).

The exceptional charge of £11,087,000 reflects a decrease in the provision on properties for which a provision was recognised in prior years of £4,013,000, offset by an increase in the provisions for new loss-making stores of £15,100,000.

Property provisions

The Group provides for the unavoidable costs of vacant properties and, where properties are sublet, any shortfall between the rents payable to its landlords and those recovered under tenancy agreements.

The Group also provides for dilapidations where there is an obligation to repair damages which occur during the life of the lease such as wear and tear. The cost is charged to the profit and loss account as the obligation arises.

Joint ventures and associates

The Group owns 50% of the issued ordinary share capital of Muse Retail Limited ('Muse'), a joint venture of the Group. Muse is engaged in the retailing of fashion accessories and operates in the United Kingdom. As Muse has net liabilities at 26 August 2017 the Group has provided for its share of the deficiency.

The Group owns 37.5% of the issued ordinary share capital of Parkwood Topshop Athletic Limited ('Parkwood'), an associate of the Group. Parkwood is engaged in the retailing of athletic wear. As Parkwood has net liabilities at 26 August 2017 the Group has provided for its share of the deficiency.

26. Other provisions (continued)

Company

	Property provisions £000	Total £000
Charged to the profit and loss account	**1,433**	**1,433**
At 26 August 2017	**1,433**	**1,433**

Property provisions

The Company provides for the unavoidable costs of vacant properties and, where properties are sublet, any shortfall between the rents payable to its landlords and those recovered under tenancy agreements.

The Company also provides for dilapidations where there is an obligation to repair damages which occur during the life of the lease such as wear and tear. The cost is charged to the profit and loss account as the obligation arises.

27. Capital commitments

At 26 August 2017 the Group and Company had capital commitments as follows:

	Group 2017 £000	Group 2016 £000	**Company 2017 £000**	Company 2016 £000
Contracted for but not provided in these financial statements	**36,738**	64,787	**13,140**	31,495

28. Pension commitments

The Group operates four funded defined benefit schemes, for the benefit of eligible current and former employees. All of these schemes provide retirement benefits based on members' final salary and are closed to new entrants and future accruals. Their assets are held in separate trustee administered funds.

Two of the schemes provide benefits for different categories of United Kingdom employees, the Arcadia Group Pension Scheme ('AGPS') and the Arcadia Group Senior Executives Pension Scheme ('AGSEPS'). Hereafter, these schemes are referred to as the 'the UK schemes'. Arcadia Group Limited is the sponsoring employer of the UK schemes and therefore recognised the entire net defined benefit cost in its financial statements.

The third scheme caters specifically for employees based in Ireland. Hereafter, the UK schemes and the Ireland scheme together are referred to as 'the schemes'.

The final scheme has been closed for a number of years and now only provides benefits for deferred and pensioner members.

All above employees, and those qualifying employees who weren't previously eligible for membership of the above schemes, are able to join the defined contribution scheme.

The Group also operates a hybrid pension scheme, which has both a defined benefit and a defined contribution section, for the benefit of the former employees of Matte plc. There are no active members of the defined benefit section of this scheme and the liability in this regard is not material for the purposes of disclosure under FRS 102.

During August 2016, and with the agreement of the pension schemes' trustees, the Group made an additional prepayment of £25,600,000 in respect of pension contributions for the year ending 26 August 2017. In January 2017, the Group completed its triennial actuarial valuation as at 31 March 2016 with the Group's pension schemes trustees and a new Schedule of Contributions has been agreed at £50,000,000 per year (previously £24,300,000) for the next three years.

Reconciliation of present value of the schemes' liabilities is set out below:

	2017	2016
	£000	£000
Opening present value	**1,274,776**	947,116
Pension administration costs	**1,723**	953
Interest cost	**25,519**	35,472
Actuarial (gains)/losses	**(47,549)**	330,479
Net benefits paid out	**(49,821)**	(39,889)
Foreign exchange movements	**456**	645
At the end of the year	**1,205,104**	1,274,776

28. Pension commitments (continued)

A reconciliation of the fair value of the schemes' assets is set out below:

	2017 £000	2016 £000
Opening fair value	**847,951**	757,510
Return on plan assets (excluding interest income)	**67,529**	51,860
Employer contributions	**22,312**	49,421
Administrative expenses paid out	**(9)**	(14)
Net benefits paid out	**(49,821)**	(39,889)
Foreign exchange movements	**226**	402
Interest income	**16,907**	28,661
At the end of the year	**905,095**	847,951

Composition of plan assets:

	2017 £000	2016 £000
Equities	**2,378**	1,949
Bonds	**861,240**	882,411
Hedge funds	**896**	975
Property	**246**	303
Cash	**88,802**	67,157
Other	**(48,467)**	(104,844)
Total plan assets	**905,095**	847,951

Other plan assets include interest rate swaps which are used to generate a return from the gilt swap spread. The value of these derivatives varies with the market conditions through changes in government bond and swap yields.

28. Pension commitments (continued)

	2017 £000	2016 £000
Fair value of plan assets	**905,095**	847,951
Present value of plan liabilities	**(1,205,104)**	(1,274,776)
Net pension scheme liability	**(300,009)**	(426,825)

The amounts recognised in the consolidated profit and loss account are as follows:

	2017 £000	2016 £000
Pension administration costs	**(1,723)**	(953)
The other finance expense is analysed below:		
Net interest on net defined benefit liability	**8,612**	6,811
Net expense	**8,612**	6,811

The pension administration costs are included within administrative expenses.

The return on plan assets was:

	2017 £000	2016 £000
Interest income	**16,907**	28,661
Actuarial gains	**67,529**	51,860
Total return on plan assets	**84,436**	80,521

28. Pension commitments (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2017	2016
	%	%
Discount rate	**2.5**	2.1
RPI inflation	**3.4**	2.9
CPI inflation	**2.4**	1.9
Mortality assumptions		
- for a male aged 65 now	**86.7**	86.8
- at 65 for a male aged 45 now	**88.1**	88.5
- for a female aged 65 now	**90.4**	89.1
- at 65 for a female aged 45 now	**91.9**	91.0

Sensitivities

The schemes' liabilities at 26 August 2017 are subject to sensitivity in the assumptions as follows:

- A 0.5% increase in corporate bond yields would result in a decrease in liabilities of £120 million;
- A 0.5% decrease in corporate bond yields would result in an increase in liabilities of £140 million;
- A 0.5% increase in inflation would result in an increase in liabilities of £105 million; and
- A 0.5% decrease in inflation would result in a decrease in liabilities of £100 million.

Sensitivities are calculated in isolation and a combination of sensitivities would not necessarily result in the sum of the liabilities movements stated above.

Amounts for the current and previous four years are as follows:

	2017	2016	2015	2014	2013
	£000	£000	£000	£000	£000
Fair value of the schemes' assets	**905,095**	847,951	757,510	1,339,943	1,237,213
Present value of the schemes' liabilities	**(1,205,104)**	(1,274,776)	(947,116)	(1,603,468)	(1,529,642)
	(300,009)	**(426,825)**	**(189,606)**	**(263,525)**	**(292,429)**

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28. Pension commitments (continued)

Defined contribution schemes

Employer contributions to the Group's defined contribution scheme were £5,325,000 (2016: £5,868,000).

The pension cost under the defined contribution section of the Matte plc pension scheme, referred to earlier, was £nil (2016: £nil). The Group also operates a personal pension plan for the benefit of Matte plc's former employees, to which it contributed £42,000 (2016: £46,000) during the year.

Total pension charge

The Group's net pension charge for its defined benefit scheme, including other finance costs, for the year ended 26 August 2017 was £10,344,000 (2016: £7,778,000).

Company

A reconciliation of the present value of the UK schemes' liabilities is set out below:

	2017	2016
	£000	£000
Opening present value	**1,262,963**	938,482
Pension administration costs	**1,702**	941
Interest cost	**25,330**	35,196
Actuarial (gains)/losses	**(45,744)**	328,018
Net benefits paid out	**(49,796)**	(39,674)
Closing present value	**1,194,455**	1,262,963

A reconciliation of the fair value of the UK schemes' assets is set out below:

	2017	2016
	£000	£000
Opening fair value	**837,688**	749,152
Return on plan assets (excluding interest income)	**67,922**	50,459
Employer contributions	**22,254**	49,368
Net benefits paid out	**(49,796)**	(38,674)
Interest income	**16,725**	28,383
Closing fair value	**894,793**	838,688

28. Pension commitments (continued)

Composition of plan assets:

	2017 £000	2016 £000
Bonds	**860,345**	881,593
Property	**30**	144
Cash	**88,800**	67,143
Other	**(54,382)**	(111,192)
Total plan assets	**894,793**	837,688

	2017 £000	2016 £000
Fair value of plan assets	**894,793**	837,688
Present value of plan liabilities	**(1,194,455)**	(1,262,963)
Net pension scheme liability	**(299,662)**	(425,275)

The amounts recognised in the profit and loss account are as follows:

	2017 £000	2016 £000
Pension administration costs	**(1,702)**	941

The pension administration costs are included within administration expenses.

Net interest on net defined benefit liability of £8,605,000 (2016: £6,813,000) is included within other finance expense.

The return on the plan assets was:

	2017 £000	2016 £000
Interest income	**16,725**	28,383
Actuarial gains	**67,922**	50,459
Total return on plan assets	**84,647**	78,842

29. Operating lease commitments

At 26 August 2017 the Group and Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £000	Group 2016 £000	**Company 2017 £000**	Company 2016 £000
Land and buildings				
Within 1 year	**183,107**	188,418	**1,881**	2,263
Between 2 and 5 years	**441,747**	464,620	**3,046**	4,218
After more than 5 years	**664,809**	767,900	**3,823**	5,844
Total	**1,289,663**	1,420,938	**8,750**	12,325

30. Contingent liabilities

The Company has given a guarantee in respect of the borrowings of its immediate parent company, Taveta Investments (No. 2) Limited, which amounted to £385,300,000 (2016: £369,000,000). The guarantee is secured by a charge on the Company's freehold property.

The Company has given guarantees in respect of property leases held by other group companies, which at 27 August 2017 amounted to £16,128,000 (2016: £20,269,000).

31. Called up share capital

	2017 £000	2016 £000
Shares classified as equity		
Group and Company		
Allotted and fully paid		
210,204,000 (2016: 210,204,000) ordinary shares of shares of £0.80 each	**168,163**	168,163

32. Prior year adjustment

During the year the Group reviewed its accounting policy in relation to recognition of foreign stock in transit and has restated the consolidated balance sheet as at 27 August 2016.

The effect of the restatement has been to increase stock by £26,903,000 and to increase trade creditors by the same amount.

The Group also reviewed its accounting policy in relation to the classification of amounts due from group undertakings. As a result, amounts due from group undertakings of £2,370,442,000 have been reclassified from investments to debtors falling due after more than one year in the consolidated financial statements. Amounts due from group undertakings of £2,601,416,000 have been reclassified from investments to intercompany in the Company financial statements, which has the effect of increasing debtors falling due after more than one year by £2,370,442,000 and decreasing creditors falling due after more than one year by £230,974,000.

In addition, the Company financial statements have been restated to correct an error in respect of internal rent recharges identified during the year. This has resulted in a decrease of £32,403,000 in reserves as at 30 August 2015 and an increase in amounts owed to group undertakings by the same amount.

33. Related party transactions

During 2009 the Group acquired Bhs Group Limited, the consideration for which was satisfied by the issue of subordinated loan notes to companies ultimately controlled by Lady Cristina Green and her immediate family. During the current year, the Group redeemed £20,000,000 (2016: £20,000,000) of these loan notes and paid the loan note holders accrued interest of £5,000,000 (2016: £6,622,000). At the year end, the total amount outstanding on the loan notes, including accrued interest, was £64,990,000 (2016: £86,612,000).

Muse Retail Limited ('Muse') is a joint venture between Arcadia Group Limited and DCK Concessions Limited. At the year end Muse owed the Group £1,547,000 (2016: £1,547,000), which has been fully provided against.

Parkwood Topshop Athletic Limited ('Parkwood') is an associate investment held by Top Shop/Top Man Limited ('TSTM') and Parkwood Athletic LLC to develop a brand for athletic wear. During the year, TSTM provided funding of £7,662,000 (2016: £5,129,000) to Parkwood. At the year end Parkwood owed the Group £13,772,000 (2016: £6,110,000).

A subsidiary of the Company is a member of Fashion Retail Academy ('FRA'), a private training provider delivering a range of higher and further education courses with an emphasis on retailing. FRA is a company limited by guarantee. During the year, the Group invoiced FRA £2,356,000 (2016: £1,475,000), mainly in respect of property and marketing expenditure, and made a donation to FRA of £1,980,000 (2016: £1,997,000). The Group also provided FRA with other services on a gratis basis. At the year end FRA owed the Group £61,000 (2016: £166,000).

On 10 March 2017, a wholly-owned subsidiary of the Company entered into a redevelopment agreement with Thackeray Estates Group Limited ('Thackeray') in the ordinary course of business. Thackeray is a company controlled by a close family member of the Group's principal shareholder who is also a director of the Company. Thackeray has been appointed by the subsidiary company to manage a property redevelopment project. During the year fees amounting to £871,000 were paid to Thackeray. There were no balances outstanding at the year end.

On 10 November 2017, a wholly-owned subsidiary of the Group exchanged contracts with Fame Capital Limited to sell a long leasehold property and a freehold property in exchange for consideration of £2,950,000 and £570,000 respectively. The ultimate controlling party of Fame Capital Limited is also a director of Thackeray. The contracts were entered into on an arm's length basis on the advice of a third party valuer and following a period of external marketing.

At the year end, a wholly-owned subsidiary of the Company, Wilton Equity Limited ("Wilton"), owed an amount of £1,000,000 (2016: £1,000,000) to a company controlled in common with this company. The balance relates to financing supplied to Wilton in prior years.

34. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Taveta Investments (No. 2) Limited, a company incorporated in England. The Company's ultimate parent company is Taveta Investments Limited, a company incorporated in England. The largest and smallest group to consolidate these financial statements is Taveta Investments Limited ("Taveta"). Taveta consolidated financial statements can be obtained by writing to the secretary at Colegrave House, 70 Berners Street, London, W1T 3NL.

The Company's ultimate controlling party is Lady Cristina Green.

35. Related undertakings

With the exception of Gresse Street Limited (53%), Muse Retail Limited (50%), Parkwood Topshop Athletic Limited (37.5%) and the Top Shop/Top Man (Holdings) Limited group (denoted *) (75%), the Group owns the whole of the issued share capital of the group undertakings listed below.

The registered office for companies registered in Ireland is: 2 Grand Canal Square, Dublin 2, Ireland.

The registered office for AG Insurance Company Limited is: 4th Floor, The Albany, South Esplanade, St Peter Port, Guernsey GY1 4NF.

The registered office for GE Investors (No. 2) Limited is: Ogier House, The Esplanade, St Helier, JE4 9WG, Jersey.

The registered office for Top Shop/Top Man (Netherlands) B.V. is: 48/52 Kalverstraat, 1012PE, Amsterdam, The Netherlands.

The registered office for Arcadia Group (Hong Kong) Limited is: Room 3508, 35/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong.

The registered office for Wilton Equity Limtied is: PO Box 3175, Road Town, Tortola, British Virgin Islands.

The registered office for all other companies is: Colegrave House, 70 Berners Street, London W1T 3NL, United Kingdom.

Name	Country of registration	Principal activity
Arcadia Group Limited	England	Holding company
Arcadia Group Brands Limited *	England	Holding company
Arcadia Group Design & Development Limited	England	Store design and fit-out
Arcadia Group Fashion Holdings Limited	England	Holding company
Arcadia Group Holdings Limited	England	Non-trading
Arcadia Group (Hong Kong) Limited	Hong Kong	Fashion procurement
Arcadia Group Pension Trust Limited	England	Corporate trustee
Arcadia Group Retail Limited	England	Dormant
Arcadia Group (USA) Limited *	England	Fashion retailing
Arcadia Retail Group Limited	England	Dormant
Arcadia Stancepower Holdings Limited	England	Holding company
Arcadia (401k) Trustee Limited	England	Dormant
AG Clothing Limited	England	Brand management
AG Clothing (Holdings) Limited	England	Holding company
AG Fashion Limited	England	Dormant
AG Insurance Company Limited	Guernsey	Captive insurer
AG Retail Holdings (Ireland) Limited	Ireland	Holding company
AG Senior Executives Pension Trustee Limited	England	Corporate trustee
Arcadia Group Multiples (Ireland) Limited	Ireland	Fashion retailing
BE Leasing Limited	England	Dormant

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35. Related undertakings (continued)

Name	Country of registration	Principal activity
Boothouse Limited	England	Dormant
Burton/Dorothy Perkins Properties Limited	England	Property investment
Burton Property Trust Limited	England	Dormant
Burton Retail Limited	England	Fashion retailing
Burton Trading Limited	England	Fashion retailing
Caraway Group Limited	England	Dormant
Castle Trustee Limited	England	Corporate trustee
Collier Finance Limited	England	Non-trading
Dorothy Perkins Limited	England	Property investment
Dorothy Perkins Retail Limited	England	Fashion retailing
Dorothy Perkins Trading Limited	England	Fashion retailing
Evans Limited	England	Fashion retailing
Evans Retail Limited	England	Fashion retailing
Evans Retail Properties Limited	England	Property investment
GE Investors Jersey (No. 2) Limited *	Jersey	Dormant
Gresse Street Limited	England	Property investment
Hudson Accounting (No 1) Limited	England	Dormant
Hudson Accounting (No 2) Limited	England	Dormant
Matte Card Services Limited	England	Dormant
Miss Selfridge Retail Limited	England	Fashion retailing
Miss Selfridge Retail (Ireland) Limited	Ireland	Fashion retailing
Miss Selfridge Properties Limited	England	Property investment
Montague Burton Employees Savings Trustee Limited	England	Dormant
Montague Burton Properties Limited	England	Dormant
Montague Burton Property Investments Limited	England	Dormant
Muse Retail Limited	England	Fashion retailing
Outfit Retail Limited	England	Fashion retailing
Outfit Retail Properties Limited	England	Property investment
Parkwood Topshop Athletic Limited	England	Fashion retailing
Redcastle Limited	England	Property investment
Redcastle (214 Oxford Street) Limited	England	Property investment
Redcastle Finance Limited	England	Holding company
Redcastle (Holdings) Limited	England	Holding company
Redcastle Investments Limited	England	Dormant
Redcastle Properties Limited	England	Dormant
Redcastle Property Mortgage Limited	England	Property investment
Redcastle (Freeholds) Limited	England	Property investment
Redcastle (Leaseholds) Limited	England	Property investment
Redcastle (TS/TM) Limited	England	Property investment
Richards Investment Limited	England	Holding company
Stancepower	England	Dormant

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35. Related undertakings (continued)

Name	Country of registration	Principal activity
SVML Limited	England	Dormant
Tammy (Girlswear) Limited	England	Dormant
Top Shop/Top Man Limited *	England	Fashion retailing
Top Shop/Top Man (Australia) Limited *	England	Fashion retailing
Top Shop/Top Man (Germany) Limited*	England	Dormant
Top Shop/Top Man (Holdings) Limited *	England	Holding company
Top Shop/Top Man (Ireland) Limited *	Ireland	Fashion retailing
Top Shop/Top Man Properties Limited *	England	Property investment
Top Shop/Top Man (Trinity) Limited*	England	Property investment
Top Shop/Top Man (Wholesale) Limited *	England	Fashion retailing
Top Shop/Top Man (Netherlands) B.V. *	Netherlands	Property holding
Wallis (London) Limited	England	Dormant
Wallis Retail Limited	England	Fashion retailing
Wallis Retail (Ireland) Limited	Ireland	Fashion retailing
Wallis Retail Properties Limited	England	Property investment
Wilton Equity Limited	British Virgin Islands	Property investment
Zoom.co.uk Limited	England	E-commerce