

MWUK Limited

Annual report and financial statements

Registered number 00454264

For the 52 weeks ended 1 February 2014

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Directors and professional advisers

Directors

Mr S Graham
Mr S Inchley
Ms D Wilson
Mr D Edwab
Mr D Ewert

Company Secretary

Mr M Conlon

Registered office

3 Long Acre
Willow Farm Business Park
Castle Donington
Derbyshire
DE74 2UG

Bankers

The Royal Bank of Scotland
1 Exchange Flags
Liverpool
L2 3XN

HSBC Bank PLC
130 New Street
Birmingham
West Midlands
B2 4JU

J.P. Morgan Chase
Chaseside
Bournemouth
BH7 7DA

Registered auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham
UK

Strategic report

Principal Activity

The principal activity of MWUK Limited (the “Company”), is the provision of corporate clothing uniforms and workwear to public and private sector customers in the United Kingdom and Europe.

Trading Review

The review has been undertaken by the Directors in the knowledge that, due to the option taken by the Company under s390 of the Companies Act 2006, the comparative prior period was 53 weeks in length having run from 29 January 2012 to 2 February 2013.

The Directors are pleased to report increases in both sales and operating profit for the period ended 1 February 2014 (FY 2013) as compared to the period ended 2 February 2013 (FY 2012) despite challenging economic circumstances during the period. This was achieved via:

- A 1.1% increase in sales (52 week like for like basis: 3% increase) through maintaining market share in a competitive market which is making a slow but steady recovery. This is in line with the Directors’ expectations.
- A 0.4% increase in gross profit margin, which was negatively impacted in previous years by product cost inflation, achieved through a combination of selective price increases and product sourcing initiatives.
- A £1,049,000 reduction in distribution costs as a benefit of restructuring actions taken in FY 2012 and FY 2013.
- Partly offsetting the above, the Company continued to invest in the development of its systems, people and operations, resulting in a £950,000 increase in administrative expenses.
- Included within the administrative expenses are one off onboarding costs relating to the commencement of an arrangement with Twin Hill, a fellow Men’s Wearhouse subsidiary uniform supplier operating in the US market. By cultivating this relationship, the business expects to leverage its expertise in sourcing and purchasing which in turn will enable Twin Hill to maximise sales growth opportunities in the USA.

The Company enjoyed strong cash generation in the year, primarily through close management of its working capital, and was thus able to make a significant partial redemption of the preference share subscription held by its immediate parent, Ensco 648 Limited. The effect of this redemption will be to reduce ongoing finance cost by over £300,000 per annum from FY 2014 (period to 31 January 2015).

Trading Results

The Company’s revenue and profit from trading operations were as follows:

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Revenue	130,839	129,459
Operating profit	5,578	4,512

Operating profit increased to £5,578,000 (FY 2012: £4,512,000), with the operating margin increasing to 4.3% in FY 2013 from 3.5% in FY 2012.

The increase in operating profit and the further reduction in finance costs resulted in the Company achieving a profit after tax of £3,778,000 (FY 2012: profit after tax £2,745,000).

Strategic report *(continued)*

Key Performance Indicators

The Directors consider the following to be key performance indicators:

- (i) Operating profit: £5,578,000 (FY 2012: £4,512,000)
- (ii) Operating margin: 4.3% (FY 2012: 3.5%)
- (iii) Revenue per head: £210,000 (FY 2012: £215,000)
- (iv) Gross profit margin: 32.8% (FY 2012: 32.4%)
- (v) Gross profit per head: £69,000 (FY 2012: £70,000)
- (vi) Number of items despatched per day: 67,900 (FY 2012: 69,500)

Future Prospects

Although there are some encouraging signs of improvement, the external commercial environment is expected to remain challenging in the year ahead. The Company has good momentum and strength across its brands and is taking the necessary actions and is putting in place processes to both maintain and develop its existing customer base, whilst also seeking growth. With this in mind the Company is continuing to invest heavily in the development of its systems, people and operations as well as the Company's relationship with Twin Hill.

Principal Risks and Uncertainties

The Directors have identified two principal risks to the company which are revenue erosion and USD foreign exchange volatility.

With the Company having a broad based customer portfolio, the Directors are of the opinion that there is not a significant, current, risk for the revenue levels of the business which could arise from the lack of retention of key clients as no single client makes up a significant proportion of the Company's turnover.

The Company purchases the majority of its inventory in USD and, due to the floating nature of the exchange rate, currency movements can impact significantly on the cost base of the operations. In order to mitigate these risks the Company enters into forward exchange hedging contracts within Board approved policy parameters.

Other financial risk management objectives and policies have been included in the Directors' report on page 4.

Ethical Initiatives

MWUK Limited is a member of the Ethical Trading Initiative and aspires to support its suppliers' efforts to embrace and implement the nine point code of practice, designed to create a fair and safe working environment for all employees. MWUK Limited works to ensure that the welfare of workers and labour conditions within its supply chain meet or exceed recognised standards and it constantly strives to improve working conditions and human rights in an environmentally friendly working place.

By order of the Board



Ms D Wilson
Director

8 August 2014

Directors' report

The Directors present their annual report and audited financial statements for the 52 weeks ended 1 February 2014 (FY 2013). The previous financial period comprised of 53 weeks and ended on 2 February 2013 (FY 2012).

The Company has taken advantage of s390 of the Companies Act 2006 to prepare financial statements within 7 days of the Company's financial year end date, being 31 January.

Directors

The Directors of the Company who served throughout the period and to the date of this report were as follows:

Mr S Hughes (resignation effective 31 January 2014)
Mr S Graham
Mr S Inchley
Ms D Wilson
Mr D Edwab
Mr D Ewert

The Directors have not paid an ordinary dividend during the period (FY 2012: £ nil).

Future Developments

Details of future developments can be found in the Strategic report on page 3 and form part of this report by cross reference.

Going concern

The Company is the largest UK provider of clothing for people at work with the number of garments supplied in the period nearly 17 million, with almost 5 million people a day wearing our products. Our industry leading service offering, combined with the strength of our procurement, has led to new business being captured, while retaining our existing major customers. All of which are positive indications of the future of the business.

UK company law requires Directors to consider whether it is appropriate to prepare the financial statements on the basis that the Company is a going concern.

The Directors have reviewed the forecasts of the Group, comprising MWUK Holding Company Limited and its subsidiaries. The forecasts along with reasonable downside scenarios have been used to determine whether the committed facilities are sufficient to support the Group's and Company's projected liquidity requirements and whether the forecast earnings are sufficient to meet the liabilities of the Group and Company as they fall due.

As a further consideration of the sustainability of the Company, the Directors have also reviewed how the Company is funded. The Company is unburdened by any external debt and is fully funded and supported by its US global parent.

As a result of these reviews, and having considered a period greater than 12 months from the date of this report, the Directors are of the opinion that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. Therefore, the Company has adopted the going concern basis in preparing the financial statements.

Directors' report (continued)

Financial risk management

Details of the principal financial risk to the Company of USD foreign currency volatility can be found in the Strategic report on page 3 and form part of this report by cross reference.

The Company's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, interest rate risk and foreign currency risk.

The Company obtains its financing through intra Group loan and redeemable preference share arrangements which are at fixed rates of interest. Loans from the parent companies are repayable by the borrower within one year and are classified as current liabilities. The cumulative redeemable preference shares have no fixed repayment date.

Treasury policy is reviewed by the Board and specifies the parameters within which treasury operations must be conducted including the principles governing the management of liquidity, interest and foreign currency risk. As part of its strategy the Company uses derivative financial instruments to manage its foreign currency risk. The Company does not use derivative financial instruments to manage interest rate costs. Derivative financial instruments are not entered into for speculative purposes.

Credit Risk

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual customer is subject to a limit, which is regularly reassessed by the Directors.

Liquidity Risk

The Company obtains funding from its parent company.

Interest Rate Cash Flow Risk

The Company has interest bearing liabilities. Interest bearing liabilities include loans from the parent company at fixed rates of interest and cumulative redeemable preference shares which attracts cumulative dividends.

Foreign Currency Risk

Foreign currency hedges are entered into by management when considered appropriate.

Employment policies

The employment policies of the Company embody the principles of equal opportunity and are tailored to meet the needs of its business and the local area in which it operates. All senior managers undergo diversity training. The involvement of employees in the performance of the business is encouraged and efforts are made to give all employees an understanding of the financial position through periodic briefings.

The Company is committed to providing adequate training for employees at all levels and is constantly reviewing and improving its procedures.

Suitable procedures are in operation to support the Company's policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where members of staff become disabled, every effort is made to ensure they are retrained according to their abilities.

Directors' report (continued)

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety of employees, customers, visitors to Company premises and others affected by the Company's activities. A Health & Safety Committee advises the senior executives on all relevant issues relating to the compliance with health and safety legislation. The Company has clearly defined health and safety policies which follow current best practices and meet or exceed legal requirements.

In particular, these policies clearly define the Company's aspirations for health and safety affairs, including protecting the health and well-being of its employees, and ensuring that the responsibilities of all categories of employees within the Company are made clear to those concerned. Health and safety matters are an agenda item at Board meetings when warranted.

The policy is brought to the attention of all employees and copies of policy documents are available upon request to all interested parties.

A clearly defined system is in place to identify, assess and control any significant risks faced by both employees and others. This is reviewed regularly by the Company's Health & Safety Manager.

The Company has adopted a computer based health and safety management system, which produces a quantified measure of line management control of health and safety. This system provides the basis for setting health and safety targets and driving a process of continuous improvement.

The Company has arrangements in place to consult employees regarding health and safety matters. There are regular meetings of site based committees which comprise employee representatives and health and safety representatives as appropriate.

Directors' indemnities

The group maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors.

Auditor


Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed its willingness to continue in office and will be deemed to be re-appointed under Section 487 of the Companies Act 2006.

By order of the Board



Ms D Wilson
Director

8 August 2014

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

Independent Auditor's Report to the Members of MWUK Limited

We have audited the financial statements of MWUK Limited for the 52 weeks ended 1 February 2014, which comprise the Income Statement, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 February 2014 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union (EU); and
- have been prepared in accordance with the requirements of the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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


Jane Whitlock (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom

8 August 2014

Income statement

For the 52 weeks ended 1 February 2014

		52 weeks ended 1 February 2014 Total £000	53 weeks ended 2 February 2013 Total £000
	Note		
Revenue	2	130,839	129,459
Cost of sales		(87,899)	(87,486)
Gross Profit		42,940	41,973
Other operating expenses			
- Distribution costs		(7,979)	(9,028)
- Administrative expenses		(29,383)	(28,433)
Operating profit	3	5,578	4,512
Finance cost and similar charges	6	(1,237)	(1,491)
Profit before taxation		4,341	3,021
Taxation	7	(563)	(276)
Profit for the period		3,778	2,745

All results are derived from continuing operations.

Statement of comprehensive income

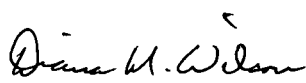
For the 52 weeks ended 1 February 2014

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Profit for the period	3,778	2,745
Total comprehensive income for the period	3,778	2,745

Balance sheet
As at 1 February 2014

	Note	1 February 2014 £000	2 February 2013 £000
Non-current assets			
Investment in subsidiary undertakings	9	23	7,454
Intangible assets	10	32,634	34,922
Property, plant and equipment	11	6,762	7,093
Deferred tax assets	17	164	593
		<hr/> 39,583	<hr/> 50,062
Current assets			
Inventories	12	48,099	48,584
Trade and other receivables	13	27,441	29,921
Current tax receivable		187	30
Derivative assets	22	-	133
Cash and cash equivalents	16	8,880	6,814
		<hr/> 84,607	<hr/> 85,482
Total assets		<hr/> 124,190	<hr/> 135,544
Current liabilities			
Trade payables		(13,216)	(11,884)
Derivative financial liabilities	22	(294)	-
Other payables	14	(12,850)	(20,644)
Borrowings	15	(6,033)	(5,572)
		<hr/> (32,393)	<hr/> (38,100)
Net current assets		<hr/> 52,214	<hr/> 47,382
Total assets less current liabilities		<hr/> 91,797	<hr/> 97,444
Non-current liabilities			
Other payables	14	(200)	(254)
Deferred tax liabilities	17	(289)	(897)
Borrowings	15	(15,256)	(22,941)
		<hr/> (15,745)	<hr/> (24,092)
Total liabilities		<hr/> (48,138)	<hr/> (62,192)
Net assets		<hr/> 76,052	<hr/> 73,352
Equity			
Called-up share capital	19	71,223	71,223
Retained earnings		4,829	2,129
Total equity		<hr/> 76,052	<hr/> 73,352

The financial statements of MWUK Limited, (Company Registration number 00454264), were approved and authorised for issue by the Board of Directors on **8 August** 2014 and signed on its behalf by:


Ms D Wilson
Director

Statement of changes in equity
For the 52 weeks ended 1 February 2014

	Share capital £000	Retained earnings £000	Total equity £000
At 29 January 2012	71,223	(698)	70,525
Total comprehensive income	-	2,745	2,745
Key management long term employee benefit (note 21)	-	82	82
	<hr/>	<hr/>	<hr/>
At 2 February 2013	71,223	2,129	73,352
Total comprehensive income	-	3,778	3,778
Key management long term employee benefit (note 21)	-	(1,078)	(1,078)
	<hr/>	<hr/>	<hr/>
At 1 February 2014	<u>71,223</u>	<u>4,829</u>	<u>76,052</u>

Cash flow statement
For the 52 weeks ended 1 February 2014

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Cash flows from operating activities		
Operating profit	5,578	4,512
Adjustments for:		
Depreciation and amortisation	4,120	4,162
Decrease / (Increase) in inventories	485	(1,255)
Decrease / (Increase) in trade and other receivables	2,417	(2,344)
Increase in trade and other payables	1,239	1,209
Other non-cash movements	(911)	(104)
Cash generated from operations	12,928	6,180
Interest received	52	-
Interest paid	(742)	(189)
Taxation paid	(900)	(409)
Net cash flows generated from operating activities	11,338	5,582
Cash flows from investing activities		
Acquisition of property, plant and equipment	(778)	(1,037)
Acquisition of intangible assets	(723)	(602)
Net cash used in investing activities	(1,501)	(1,639)
Cash flows from financing activities		
Net proceeds from borrowings	-	3,400
Repayment of borrowings	(7,771)	(3,400)
Net cash used in financing activities	(7,771)	-
Net increase in cash and cash equivalents	2,066	3,943
Cash and cash equivalents at beginning of period	6,814	2,871
Cash and cash equivalents at end of period	8,880	6,814

Notes to the financial statements

1 Accounting policies

MWUK Limited (the "Company") is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic report.

Basis of preparation

The principal accounting policies applied in the preparation of this financial report are set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments which are stated at their fair value. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (EU).

As the Company is a subsidiary undertaking of another company which publishes consolidated financial statements, it is exempt from providing a consolidation of this company's financial statements with those of its subsidiary undertakings, as stated in Section 400 of the Companies Act 2006.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company, comprising MWUK Holding Company Limited and its subsidiaries (the "Group"), have adequate resources to continue in operational existence for the foreseeable future. Therefore the Company has adopted the going concern basis in preparing the financial statements. Further detail is contained in the Directors report on page 4.

Adoption of new and revised standards

The Company has adopted IFRS 13 "Fair Value Measurement" in this financial period. This standard sets out the approach to determining fair values in financial statements and provides additional guidance on how to measure fair value but does not change when fair value is permitted or required. In particular, the standard requires the company to take account of its own credit risk in determining the fair value of financial liabilities. The standard is applied prospectively and hence has no impact on amounts previously recognised. In the current period the fair value of derivative financial liabilities was not materially different as a result of the adoption of this standard and is reflected within note 22.

IFRS 12 "Disclosure of Interests in Other Entities" was issued in May 2011 with an effective date of 1 January 2013. The EU has adopted these standards with effect from 1 January 2014 but with early application permitted. The Company has elected not to apply this standard early and will adopt it with effect from 2 February 2014.

IFRS 12 provides disclosure requirements for subsidiaries, associates, joint agreements and structured entities which were previously covered in IAS (International Accounting Standard) 27, IAS 28 and IAS 31. Additional disclosures may be required in the Company financial statements to meet the requirements of the standard.

At the date of approval of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 9 "Financial Instruments" which is likely to affect the measurement and disclosure of financial instruments. This standard has not yet been adopted by the EU.

IFRS 15 "Revenue from Contracts with Customers" is likely to affect the measurement and disclosure of revenue recognition. The EU has adopted this standard from 1 January 2017.

The company is currently in the process of evaluating the impact of the adoption new or revised standards, including IFRS 15, on the consolidated financial statements. The impact of IFRS 15 on the consolidated financial statements is currently being analysed. It is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Investments

Investments in subsidiaries are carried at cost less impairment.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet consist of cash at bank and in hand.

For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts where a right of set-off exists.

Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Foreign currency translation

The financial statements are presented in sterling, which is the Company's functional and presentational currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Intangible assets

Goodwill

For acquisitions since 28 December 2003, goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. For acquisitions prior to this date, goodwill is included at the amount recorded previously under UK Generally Accepted Accounting Practice (UK GAAP). Goodwill on acquisitions of subsidiaries is included in non-current assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Negative goodwill arising on an acquisition is recognised immediately in the Income Statement.

Impairment test for goodwill

Goodwill is allocated to Cash Generating Units (CGU). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections from the business units to which the goodwill relates, based on financial budgets approved by management. Cash flows beyond the budgeted period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the markets in which the CGU operates.

The key assumptions used for value-in-use calculations are as follows:

- Growth rate: 2.5% per annum
- 10.1% discount rate used within the recoverable amount calculation. Discount rate used is pre-tax and reflects the weighted average cost of capital and specific risks for the Company
- There are no material adverse changes in legislation
- The forecast is for 5 years with an adjustment for terminal value

Other Intangible assets

Intangible assets comprise of brands and customer contracts and relationships, recognised at cost or fair value. They have a finite useful life and are carried at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives which is between 5 and 10 years.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Capitalised software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are included on the Balance Sheet within intangible assets. Costs are amortised over their estimated useful lives (4 years).

Costs associated with the general development and maintenance of computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of employees involved in software development and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 10 years).

Amortisation of capitalised software is classified in administrative expenses within the Income Statement.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Sales of goods are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer (which is predominantly on delivery), the amount of revenue can be measured reliably and it is probable that the economic benefits of the transaction will flow to the Company.

Taxation

The Company is considered to be tax domiciled in the United Kingdom for Corporation Tax purposes

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised as equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities and any adjustment to tax payable in respect of previous years. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet date.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Balance Sheet date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer possible that the related tax benefit will be realised.

Employee benefits - Defined contribution pension scheme

The Company operates a defined contribution money purchase scheme on behalf of eligible employees. The Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the financial statements (continued)

1 Accounting policies (*continued*)

Property, plant and equipment

Property, plant and equipment is stated at cost, less depreciation and impairment, which is calculated to write off these assets, by equal annual amounts, over their estimated useful lives. The estimated life of plant and fixtures is two to fifteen years and of vehicles four to five years. Improvements to short leasehold properties are amortised over the shorter of the terms of the leases, and their useful life. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each Balance Sheet date.

Freehold and long leasehold buildings are depreciated over their estimated remaining useful life not exceeding 50 years commencing on 26 December 1999 or, if later, date of purchase. The Company has not adopted a policy of revaluation but the carrying amounts of freehold and long leasehold properties reflect previous valuations. In the event of impairment in property value the deficit below cost is charged to the Income Statement.

The fitting out costs of new freehold or long leasehold industrial buildings are depreciated, in equal annual instalments, over their expected useful lives which range from ten to twenty five years from the date on which the assets are fully commissioned.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

Tangible fixed assets bought through acquisition of other businesses are accounted for as if they had been owned by the Company since new.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within the Income Statement.

Leased assets

Rentals payable in respect of operating leases are charged to the Income Statement on a straight line basis over the lease term.

Where assets are financed by leasing or hire purchase arrangements which give rights approximating to ownership, the assets are treated as if they had been purchased outright and are capitalised at their fair value at the date of inception of the lease. The capital element of outstanding lease or hire purchase commitments is treated as a liability and disclosed as obligations under finance agreements.

Interest is allocated to the profit and loss account over the period of the lease or hire purchase agreement and represents a constant proportion of the outstanding commitment.

Inventories

Inventories of materials, stores and goods for resale are valued at the lower of cost and net realisable value. Cost is stated on a first in, first out basis and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made for obsolete, defective and slow moving stock.

Dividend distribution

Under IAS 10 (Events after the Balance Sheet Date) dividends to holders of equity instruments declared after the Balance Sheet date are not recognised as a liability as at the Balance Sheet date. Dividend distribution to the Company's shareholders is recognised in the financial statements in the period in which the dividends are declared to the Company's shareholders. Interim dividends are recognised when paid.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Finance income and expense

Finance expenses comprise interest payable and the amortisation of the deferred cost of raising finance. Finance income comprises interest receivable on funds invested. Interest income and interest payable is recognised in the Income Statement as it accrues, using the effective interest method.

Classification of financial instruments issued by the Company

Share Capital

Ordinary shares are classified as equity.

Cumulative Redeemable Preference Shares

Cumulative redeemable preference shares are classified as a financial liability as the Company has a contractual right to deliver dividends and the holder does not have any residual interest in the net assets of the Company.

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and Other Receivables

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

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Trade and Other Payables

Trade and other payables are not interest bearing and are stated at their fair value.

Interest Bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Non-recurring items

Items that are material in size and non-operating or non-recurring in nature are presented as non-recurring items in the Income Statement. The Directors are of the opinion that, were any to occur, the separate recording of non-recurring items provides helpful information about the Company's underlying business performance. Events which may give rise to the classification of items as non-recurring include restructuring of businesses and gains or losses on the disposal of properties.

Impairment

The carrying amounts of the Company's assets, other than inventories and deferred tax assets, are reviewed at each Balance Sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated at each Balance Sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of other assets in the unit (group of units) on a pro rata basis. Impairment losses are recognised in the Income Statement.

Notes to the financial statements (continued)

1 Accounting policies (continued)

Impairment (continued)

An impairment loss in respect of goodwill is not reversible. Other impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. In calculating recoverable amounts, receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assumptions of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

- (a) **Estimated impairment of goodwill**
The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.
- (b) **Income taxes**
The Company is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.
- (c) **Useful economic lives of property, plant and equipment**
In relation to the Company's property, plant and equipment (note 11), useful economic lives and residual value of assets have been established using historical experience and an assessment of the nature of the assets involved.
- (d) **Estimated impairment of intangibles**
Impairment tests have been undertaken with respect of intangible assets (note 10) using commercial judgement and a number of assumptions and estimates have been made to support their carrying amounts.
- (e) **Provisions against debtors**
A number of accounting estimates and judgements are incorporated within the impairment provisions for trade receivables (note 13).
- (f) **Provisions against inventories**
A number of accounting estimates and judgements are incorporated within the impairment provisions for inventories (note 12).
- (g) **Impairment of investments**
The carrying amounts of the Company's investments are reviewed for impairment using commercial judgement and a number of assumptions and estimates have been made to support their carrying amounts.

Notes to the financial statements (continued)

1 Accounting policies (continued) Critical accounting estimates and judgements (continued)

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.

2 Segmental analysis

The Company had only one class of business, being the provision of clothing to people at work. Therefore the disclosures for this business segment have already been given in these financial statements. The Company's operations are located in the United Kingdom.

The following table provides an analysis of the Company's revenue by operating segment:

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Sale of goods	125,262	122,706
Rendering of services	5,577	6,753
	<u>130,839</u>	<u>129,459</u>

The following table provides an analysis of the Company's revenue by geographical market, irrespective of the origin of the goods and service:

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
United Kingdom and Ireland	125,429	125,190
Other European	4,396	3,671
Other Worldwide	1,014	598
	<u>130,839</u>	<u>129,459</u>

Notes to the financial statements (continued)

3 Operating profit

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Operating profit is stated after charging / (crediting):		
Depreciation of tangible fixed assets		
- Owned property, plant and equipment	1,109	1,093
Amortisation of intangible assets, excluding capitalised software	2,578	2,550
Amortisation of capitalised software	433	519
Net foreign exchange (gains) / losses	(33)	17
Operating lease payments		
- Land and buildings	1,792	1,608
- Plant and equipment	490	670
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	59	62
Fees payable to the Company's auditor for tax services	30	50
Cost of inventories recognised as an expense	87,755	87,104

In addition to the above £20,000 (FY 2012: £58,906) was payable to Deloitte LLP by The Men's Wearhouse, Inc. for audit related assurance services.

4 Employee benefit expense

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
<i>Staff costs during the period were as follows:</i>		
Wages and salaries	16,108	15,167
Social security costs	1,546	1,589
Pension costs - defined contribution plans (see note 18)	393	356
Total	18,047	17,112

The average number of persons (full and part time) employed by the Company (including executive directors receiving remuneration) during the period was:

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Distribution	193	155
Administration and selling	429	448
Total	622	603

Notes to the financial statements (continued)

5 Directors' emoluments

The aggregate emoluments of Directors are as follows:

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Wages and salaries (excluding employers' pension contributions but including bonuses earned and benefits in kind)	603	515
Other benefits including pension contributions	23	22
Total	<u>626</u>	<u>537</u>

At 1 February 2014 Nil Directors (2 February 2013: 1) are a member of a defined contribution money purchase scheme.

Remuneration of the highest paid director includes emoluments of £428,000 (FY 2012: £340,000), and company pension contributions of £23,000 (FY 2012: £22,000).

6 Finance costs

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Interest payable on loan from MWUK Holding Company Limited	-	189
Interest receivable on loan to related party company – Ensco 648 Limited	(52)	-
Interest payable on loan from immediate parent company – Ensco 645 Limited	461	434
Interest on redeemable cumulative preference shares classified as financial liabilities	828	868
Net finance costs	<u>1,237</u>	<u>1,491</u>

7 Taxation

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
<i>Current tax expense:</i>		
UK corporation tax charge for the period at 23.2% (FY 2012: 24.3%)	1,170	1,194
Adjustment in relation to previous periods	15	-
Group relief for no consideration	(443)	(715)
Current tax charge for the period	<u>742</u>	<u>479</u>
<i>Deferred tax expense:</i>		
Origination and reversal of temporary differences	(174)	(182)
Adjustment in relation to change in future corporation tax rates	(7)	(28)
Adjustment in relation to previous periods	2	7
Deferred tax credit for the period (note 17)	<u>(179)</u>	<u>(203)</u>
Total charge for taxation included in the income statement	<u>563</u>	<u>276</u>

Notes to the financial statements (continued)

7 Taxation (continued)

Reconciliation of the total tax charge to the profit per the income statement is as follows:

	52 weeks ended 1 February 2014 £000	53 weeks ended 2 February 2013 £000
Profit before taxation per the income statement	4,341	3,021
Profit before taxation multiplied by standard rate of corporation tax in the UK of 23.2% (FY 2012: 24.3%)	1,007	734
<i>Factors affecting charge for the period:</i>		
Tax effect of expenses not deductible for tax purposes	(11)	278
Adjustments to tax in respect of prior periods	17	7
Group relief received for no consideration	(443)	(715)
Adjustment for effect on deferred tax of change in rate of corporation tax	(7)	(28)
Tax charge for the period	563	276

The Finance Act 2013 was substantively enacted on 17 July 2013 and reduced the main rate of corporation tax from 23% to 20% from 1 April 2015. The effect of this change has resulted in a blended rate being observed within the financial year and has been reflected on the closing deferred tax balance shown in note 17.

8 Dividends

The Directors do not propose the payment of any ordinary dividend (FY 2012: nil).

9 Investment in subsidiary undertakings

The Company's principal subsidiaries, all of which were incorporated in the UK with the exception of Alexandra Vetements Professionnel SARL which is incorporated in France and Alexandra Corporate Fashion BV which is incorporated in the Netherlands, with 100% of the share capital owned by the Company are as follows:

	1 February 2014 £000	2 February 2013 £000
Dimensions Holdings Limited (No. 4052473) – Dormant	-	6,857
DCC Corporate Clothing Limited (No. 154611) – Dormant	-	350
S Yaffy Limited (No. SC017794) – Dormant	-	4
Wessex Textiles Limited (No. 312129) – Dormant	-	205
Boyd-Cooper Limited (No. 45731393) – Dormant	-	15
Alexandra Corporate Fashion BV	15	15
Alexandra Vetements Professionnel SARL	8	8
	23	7,454

During the period, an application to strike off (DS01) was made to Companies House in respect of all the above dormant subsidiaries. The final dissolution came into effect on 7 January 2014.

No gain or loss was recorded on this transaction due to the investment value recovered being offset exactly with outstanding intercompany loans payable by the Company to the entities (note 14).

Notes to the financial statements (continued)

10 Intangible assets

	Goodwill £000	Capitalised software £000	Other intangible assets £000	Total £000
<i>Cost:</i>				
At 29 January 2012	29,152	2,250	25,889	57,291
Additions	-	602	-	602
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 February 2013	29,152	2,852	25,889	57,893
Additions	-	723	-	723
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 February 2014	29,152	3,575	25,889	58,616
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Accumulated amortisation:</i>				
At 29 January 2012	-	1,340	18,562	19,902
Charged during the period	-	519	2,550	3,069
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 February 2013	-	1,859	21,112	22,971
Charged during the period	-	433	2,578	3,011
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 February 2014	-	2,292	23,690	25,982
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Carrying amount:</i>				
At 28 January 2012	29,152	910	7,327	37,389
	<hr/>	<hr/>	<hr/>	<hr/>
At 2 February 2013	29,152	993	4,777	34,922
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 February 2014	29,152	1,283	2,199	32,634
	<hr/>	<hr/>	<hr/>	<hr/>

Other intangible assets comprise of brands and customer contracts and relationships, recognised at cost or fair value, and were acquired on business combinations. Fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied based upon the weighted average cost of capital for the Group.

The residual goodwill relates to the assembled and trained workforce.

All of the goodwill and intangible assets relate to one cash generating unit, being MWUK Limited.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of other intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (4 - 20 years).

Amortisation of capitalised software is included within administration expenses in the Income Statement in determining operating profit.

Notes to the financial statements (continued)

11 Property, plant and equipment

	Short leasehold £000	Plant and equipment £000	Total £000
<i>Cost or valuation:</i>			
At 29 January 2012	3,850	5,697	9,547
Additions	363	674	1,037
	<hr/>	<hr/>	<hr/>
At 2 February 2013	4,213	6,371	10,584
Additions	327	451	778
	<hr/>	<hr/>	<hr/>
At 1 February 2014	4,540	6,822	11,362
	<hr/>	<hr/>	<hr/>
<i>Accumulated depreciation and impairment:</i>			
At 29 January 2012	678	1,720	2,398
Charged during the period	425	668	1,093
	<hr/>	<hr/>	<hr/>
At 2 February 2013	1,103	2,388	3,491
Charged during the period	353	756	1,109
	<hr/>	<hr/>	<hr/>
At 1 February 2014	1,456	3,144	4,600
	<hr/>	<hr/>	<hr/>
<i>Net book value:</i>			
At 28 January 2012	3,172	3,977	7,149
	<hr/>	<hr/>	<hr/>
At 2 February 2013	3,110	3,983	7,093
	<hr/>	<hr/>	<hr/>
At 1 February 2014	3,084	3,678	6,762
	<hr/>	<hr/>	<hr/>

12 Inventories

	1 February 2014 £000	2 February 2013 £000
Goods for resale	35,608	39,832
Work in progress	3,100	1,186
Raw materials and stores	9,391	7,566
	<hr/>	<hr/>
	48,099	48,584
	<hr/>	<hr/>

Inventories are presented in the Balance Sheet net of provision for impairment of obsolete and slow moving items. Impairment is estimated by the Company's management based upon prior experience and their assessment of the current and future economic environment. Any write down of inventories is included in cost of sales.

During the period £195,000 (FY 2012: £120,000) was recognised as an impairment expense in the Income Statement.

Notes to the financial statements (continued)

13 Trade and other receivables

	1 February 2014 £000	2 February 2013 £000
<i>Amounts falling due within one year:</i>		
Amount receivable for the sale of goods	26,070	28,467
Less: Provision for impairment	(499)	(469)
Net amount receivable for the sale of goods	25,571	27,998
Prepayments	913	904
Amounts owed by subsidiary undertakings	935	1,019
Amounts owed by fellow subsidiaries	22	-
	<u>27,441</u>	<u>29,921</u>

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Balance Sheet date if the effect is material. The directors consider that the carrying amount of trade and other receivables approximate their fair value.

Credit Risk

Credit risk is the financial loss arising from the possibility that the counter-party to a financial instrument may be unable or unwilling to meet their contractual obligations causing a financial loss to the Company. The key risk to the Company is on trade receivables when customers do not meet their obligations. Management has a credit policy in place and exposure to risk is monitored on an ongoing basis.

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the Balance Sheet date was the total financial assets shown above.

The ageing of trade receivables at the Balance Sheet date was:

	1 February 2014 £000	2 February 2013 £000
<i>Trade receivables:</i>		
- Not past due	19,219	26,503
- 3 months past due	6,057	1,107
- 6 months past due	794	857
- Provision	(499)	(469)
	<u>25,571</u>	<u>27,998</u>

The movement in the allowance for impairment in respect of trade receivables during the period was as follows:

	1 February 2014 £000	2 February 2013 £000
Balance at beginning of the period	(469)	(330)
Increase during the period	(103)	(249)
Utilised during the period	73	110
Balance at end of the period	<u>(499)</u>	<u>(469)</u>

Provisions for impairment of receivables are estimated by Company management based on prior experience and their assessment of the current economic environment. When the Company is satisfied that no recovery of the amount owing is possible the accounts are considered irrecoverable and are written off against the receivable directly and recognised in the Income Statement when the receivable is considered to be uncollectable. Trade receivables which are less than 3 months past due are not considered impaired.

Notes to the financial statements (continued)

13 Trade and other receivables (continued)

The Directors consider the credit quality of the assets neither past due or impaired to be good as the Company has long standing relationships with the customers in the main, who are mainly large, well established organisations.

During the period, the Company recognised a bad debt provision expense of £103,000 (FY 2012: £249,000). Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated. Due to this, management believe that there is no further credit risk provision required in excess of the normal provision for doubtful receivables.

14 Other payables

	1 February 2014 £000	2 February 2013 £000
<i>Amounts falling due within one year:</i>		
Other taxation and social security	2,549	4,126
Other creditors and accruals	9,484	8,177
Amounts owed to dormant subsidiary undertakings	-	7,431
Amounts owed to fellow subsidiaries	-	45
Amounts owed to MWUK Holding Company Limited, the parent company	9	9
Amounts owed to The Men's Wearhouse, Inc., its ultimate parent	808	856
	<u>12,850</u>	<u>20,644</u>
	1 February 2014 £000	2 February 2013 £000
<i>Amounts falling after one year:</i>		
Accruals	200	254
	<u></u>	<u></u>

During the period, an application to strike off (DS01) was made to Companies House in respect of the above mentioned dormant subsidiaries. The final dissolution came into effect on 7 January 2014.

The total carrying amount of financial liabilities, comprising of trade payables and other creditors and accruals, is £22,700,000 (2 February 2013: £20,061,000). The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the Balance Sheet date if the effect is material.

The Directors consider that the carrying value of these financial liabilities approximates to their fair value.

Trade creditors and accruals principally comprise of amounts outstanding for trade purposes and ongoing costs. The average credit period taken for trade purchases is 41 days (FY 2012: 40 days). Trade payables are not interest bearing and are generally settled within terms. Accruals are non-interest bearing.

Notes to the financial statements (continued)

15 Interest bearing loans and borrowings

	1 February 2014 £000	2 February 2013 £000
<i>Current interest bearing loans and borrowings represent:</i>		
Amounts owed to immediate parent company – Ensco 645 Limited	6,033	5,572
Cumulative preference shares – principal amount – Ensco 648 Limited	13,865	21,636
Interest payable on the cumulative preference shares – Ensco 648 Limited	1,391	1,305
	<hr/>	<hr/>
Total current interest bearing loans and borrowings	21,289	28,513
	<hr/>	<hr/>
Amount due for settlement within one year	6,033	5,572
	<hr/>	<hr/>
Amount due for settlement after one year	15,256	22,941
	<hr/>	<hr/>

The amounts owed to Ensco 645 Limited, the immediate parent company, bear interest at 8% per annum. The loan was due for repayment on 24 January 2014, and has been extended to 20 January 2015.

Redeemable cumulative preference shares of £21,636,409 were issued on 1 August 2011 to Ensco 648 Limited, a parent company. The preference shares are cumulative redeemable preference shares of £1 each with an entitlement to receive a cumulative dividend of 4% per annum payable on redemption. They have no right to vote or participate in distribution. They have no fixed repayment date.

On 18 December 2013 MWUK Limited made a partial redemption of the preference shares which consisted of the redeeming of 7,771,145 shares at par. Included as part of the redemption transaction was an additional remittance to Ensco 648 Limited of a portion of the accrued dividend in the amount of £741,772.

These cumulative redeemable preference shares are classified as a financial liability as the Company has a contractual right to deliver dividends and the holder does not have any residual interest in the net assets of the Company. The balance includes accrued interest of £1,391,000 at 1 February 2014 (2 February 2013: £1,305,000).

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the Balance Sheet date.

The Directors consider that the fair value of the Company's borrowings approximates to the same as their carrying values.

16 Cash and cash equivalents

	1 February 2014 £000	2 February 2013 £000
Cash and cash equivalents	8,880	6,814
	<hr/>	<hr/>

Cash and cash equivalents comprise cash held by the Company. The fair value of cash and cash equivalents is estimated as its carrying amount as the cash is repayable on demand.

Notes to the financial statements (continued)

17 Deferred taxation

Deferred tax is calculated in full on temporary differences under the Balance Sheet liability method using a tax rate of 21.6% (2 February 2013: 23%) being the substantively enacted rate at the Balance Sheet date.

	Deferred tax assets		Deferred tax liabilities	
	1 February 2014 £000	2 February 2013 £000	1 February 2014 £000	2 February 2013 £000
<i>Recognised deferred tax balances in respect of:</i>				
Accelerated capital allowances	27	19	-	-
Separately identifiable intangible assets	-	-	(289)	(897)
Trading loss carry forward	56	483	-	-
Other	81	91	-	-
	<u>164</u>	<u>593</u>	<u>(289)</u>	<u>(897)</u>

	Deferred taxes		Deferred taxes	
	1 February 2014 £000 Current	1 February 2013 £000 Non current	2 February 2013 £000 Current	2 February 2013 £000 Non current
<i>Recognised deferred tax balances in respect of:</i>				
Accelerated capital allowances	-	27	-	19
Separately identifiable intangible assets	-	(289)	-	(897)
Trading loss carry forward	56	-	483	-
Other	81	-	91	-
	<u>137</u>	<u>(262)</u>	<u>574</u>	<u>(878)</u>

The following provides a reconciliation of the movement in each of the major deferred tax assets and liabilities:

	Accelerated capital allowances £000	Intangible assets £000	Tax loss carry forward £000	Other £000	Total £000
At 2 February 2013	19	(897)	483	91	(304)
Credit to income	8	608	(427)	(10)	179
	<u>27</u>	<u>(289)</u>	<u>56</u>	<u>81</u>	<u>(125)</u>
At 1 February 2014					

The Company has recognised deferred tax assets of £164,000 (2 February 2013: £593,000) as the Directors believe it is probable that future taxable profits will be available against which the assets can be utilised as they reverse over the coming years.

Notes to the financial statements (continued)

18 Retirement benefits

Defined contribution scheme

The Company operates a defined contribution money purchase scheme on behalf of eligible employees of the Company. The cost to the Company of contributions to this scheme during the period was £393,000 (FY 2012: £356,000).

	1 February 2014 £000	2 February 2013 £000
<i>Amounts outstanding at period end:</i>		
Defined contribution pension scheme	68	47

19 Called-up share capital

	1 February 2014 £000	2 February 2013 £000
<i>Issued and fully paid:</i>		
71,222,081 Ordinary shares of £1 each	71,222	71,222
1,000 A Ordinary shares of £1 each	1	1
	71,223	71,223

The Company has authorised, issued and fully paid 13,865,264 redeemable cumulative preference shares of £1 each classified as liabilities (note 15). They have no right to vote or participate in distribution.

20 Financial commitments

Revenue expenditure

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Property		Plant and machinery	
Expiry Date:	1 February 2014 £000	2 February 2013 £000	1 February 2014 £000	2 February 2013 £000
- within one year	1,617	1,792	610	501
- between two and five years	6,363	7,063	1,020	562
- in five years or more	8,438	9,719	-	-
	16,418	18,574	1,630	1,063

Notes to the financial statements (continued)

21 Related party transactions

	1 February 2014 £000	2 February 2013 £000
Owed by the Company to MWUK Holding Company Limited, the parent company	9	9
Owed by the Company to Ensco 645 Limited, its immediate parent company	6,033	5,572
Owed by the Company to Ensco 648 Limited, a parent company	15,256	22,941
Owed by the Company to dormant subsidiary undertakings	-	7,431
Owed by the Company to fellow subsidiaries	-	45
Owed by the Company to The Men's Wearhouse, Inc., its ultimate parent	808	856
Owed to the Company by fellow subsidiaries	22	-
Owed to the Company by its subsidiary undertakings	935	1,019

At the period end, the Company owed £9,000 (2 February 2013: £9,000) to MWUK Holding Company Limited, a parent company, which is due within one year and does not bear interest.

At period end, the Company owed £6,033,000 (2 February 2013: £5,572,000) to Ensco 645 Limited, its immediate parent company. The loan amounts owed to its immediate parent company are due within one year and bear interest at 8.00% per annum. The loan was due for repayment on 22 January 2014 and has been extended for another year to 20 January 2015. During the year, interest of £461,000 (FY 2012: £434,000) was charged on this loan to the Company by Ensco 645 Limited, this amount is included in the balance outstanding at period end.

At period end, the Company owed £15,256,000 (2 February 2013: £22,941,000) to Ensco 648 Limited, a parent company. The amounts owed to its parent company relates to the issue of the cumulative preference shares and the interest due on that issue and are classified as due after one year. Interest will be charged at 4% per annum. There is no fixed date for repayment. During the period, interest of £828,000 (FY 2012: £869,000) was incurred on this share issue.

At period end, the Company owed £nil (2 February 2013: £7,431,000) to various subsidiary undertakings, which have no fixed repayment date and do not bear interest.

At period end all of the dormant subsidiaries had been dissolved with the final dissolution coming into effect on 7 January 2014

At period end, the Company owed £808,000 (2 February 2013: £856,000) to The Men's Wearhouse, Inc., its ultimate parent, which is due within one year and does not bear interest.

At period end, £22,000 was owed to the Company by fellow subsidiaries (2 February 2013: owed £45,000), which is due within one year and does not bear interest.

At period end, £935,000 (2 February 2013: £1,019,000) was owed to the Company by its subsidiary undertakings which is due within one year and does not bear interest.

Transactions between the Company and these subsidiaries are as follows:

	1 February 2014 £000	2 February 2013 £000
Sale of goods	1,435	1,834
Services Provided	468	385
Management fee earned	99	-

Notes to the financial statements (continued)

21 Related party transactions (continued)

A Director had an equity holding (in the form of 60,000 B Ordinary Shares of £0.01 each) in MWUK Holding Company Limited (the UK parent company) and was entitled to sell these shares at an agreed date in the future for a contingent amount. This equity holding has been foregone as part of an exit settlement agreement and therefore no further liability is to be borne by the Company for this incentive. The fair value of the incentive at 1 February 2014 was £nil (2 February 2013: £1,078,000). A credit against profits of £1,078,000 (2 February 2013: a charge of £82,000) was made in the period as previously accrued charges were fully released in relation to this incentive.

22 Derivative financial instruments

Details of the Company's policies in relation to derivatives and financial instruments are given in the Accounting Policies in note 1.

	1 February 2014 £000	2 February 2013 £000
Fair value (loss) / gain on foreign exchange forwards	(294)	133

The Company uses derivative financial instruments, mainly US dollar foreign exchange contracts to manage the foreign currency risk arising from the Company's overseas purchases. All gains/losses relating to the fair value changes on these contracts are recognised in the Income Statement.

At the period end date, the total notional amount of outstanding forward exchange contracts that the Company had committed is as follows:

	1 February 2014 £000	2 February 2013 £000
Forward foreign exchange contracts – all denominated in US dollars	17,497	14,023

The fair value of derivative financial instruments is determined by their market value at the reporting date.

23 Financial instruments – Risk management

The principal financial risks to which the Company is exposed are those of foreign currency, interest rate, liquidity and credit. Each of these are managed in accordance with Board approved policies, details of which are contained in the Director's report on pages 4 to 6.

The Company's principal financial instruments other than derivatives comprise of cash, intra group borrowings and cumulative redeemable preference shares. The main purpose of these financial instruments is to finance the Company's operations. In addition the Company has other financial assets and liabilities such as trade receivables and trade payables arising directly from its operations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows to ensure that cash balances are available for operating activities and that appropriate funding is in place to meet short term borrowing requirements. Details of the Company's interest bearing loans and borrowings are given in note 15 and note 21.

Notes to the financial statements (continued)

23 Financial instruments – Risk management (continued)

Liquidity Risk (continued)

The table below shows the maturity analysis of the undiscounted contractual cash flows including interest of the Company's financial liabilities

	Less than 1 year £000	1-2 years £000	Total £000
<i>At 1 February 2014</i>			
Trade and other payables	22,700	-	22,700
Loan from immediate parent company – Ensco 645 Limited	6,033	-	6,033
Cumulative redeemable preference shares	-	15,256	15,256
	<hr/> 28,733	<hr/> 15,256	<hr/> 43,989
Derivatives: gross settled			
Cash inflows	17,191	-	17,191
Cash outflows	(17,497)	-	(17,497)
	<hr/> 28,427	<hr/> 15,256	<hr/> 43,683
Total Cash flows	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>At 2 February 2013</i>			
Trade and other payables	20,061	-	20,061
Loan from immediate parent company – Ensco 645 Limited	5,572	-	5,572
Cumulative redeemable preference shares	-	22,941	22,941
	<hr/> 25,633	<hr/> 22,941	<hr/> 48,574
Derivatives: gross settled			
Cash inflows	14,292	-	14,292
Cash outflows	(14,023)	-	(14,023)
	<hr/> 25,902	<hr/> 22,941	<hr/> 48,843
Total Cash flows	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Company activity expose it primarily to the financial risk of changes in foreign currency exchange rates and thus has entered into financial instruments namely forward foreign currency contracts to hedge the exchange rate risk on the purchase of inventory in US dollars.

Credit Risk

Credit risk relates to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The key risk to the Company is on trade receivables when customers do not meet their obligations. All customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an on-going basis and provision is made for estimated irrecoverable amounts.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics as no counterparty exceeded 10% of the total debtor balance at the Balance Sheet date. The Company defines counterparties as having similar characteristics if they are related entities.

Details of the Company's outstanding receivable balances are detailed in note 13.

The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating authorities.

Notes to the financial statements (continued)

23 Financial instruments – Risk management (continued)

Foreign Currency Risk

The Company undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts. The Company's principal foreign currency exposures are to the US Dollars and Euros.

The Company's exposure to foreign currency risk is as follows, based on the carrying amount for monetary financial instruments:

	1 February 2014				2 February 2013			
	Sterling £000	Euro £000	US Dollar £000	Total £000	Sterling £000	Euro £000	US Dollar £000	Total £000
Cash and cash equivalents	8,903	870	(893)	8,880	6,553	919	(658)	6,814
Trade and other receivables	24,729	1,799	-	26,528	27,949	1,068	-	29,017
Loans and borrowings	(6,033)	-	-	(6,033)	(5,572)	-	-	(5,572)
Trade and other payables	(25,592)	(47)	(427)	(26,066)	(31,963)	26	(591)	(32,528)
	<u>2,007</u>	<u>2,622</u>	<u>(1,320)</u>	<u>3,309</u>	<u>(3,033)</u>	<u>2,013</u>	<u>(1,249)</u>	<u>(2,269)</u>

Sensitivity Analysis

The Company purchases a proportion of its inventory in US dollars. In order to verify the potential impact of movements in the sterling/US dollar exchange rate in the period an average exchange rate for the year was calculated from all the USD transactions and this rate was then varied by one cent and recalculated. Based on this calculation if the average rate had varied from that actually achieved, it would have added to or reduced cost by approximately £293,000 (FY 2012: £286,000) for every cent of variation if no mitigating action had been taken.

The Company has no exposure to equity price risk.

Capital Management

There were no changes to the Company's capital management policy during the period with the Board of Directors continuing to seek to maintain a sound balanced capital position for the Company.

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern so that it can continue to provide return for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders commensurate with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages its capital structure and makes changes in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may in future adjust its dividend policy, return capital to shareholders, issue new shares or sell assets to reduce debt.

Notes to the financial statements (continued)

24 Financial instruments – Categories

	1 February 2014 £000	2 February 2013 £000
<i>Financial Assets:</i>		
Cash and bank balances	8,880	6,814
Loans and receivables	26,528	29,017
Derivatives at fair value through the profit and loss – held for trading	-	133
<i>Financial Liabilities:</i>		
Derivatives at fair value through the profit and loss – held for trading	294	-
Amortised cost	29,288	43,166
Intra group loans	6,033	5,572
<i>Financial Liabilities due after 1 year:</i>		
Cumulative preference shares – principal amount including Interest payable – Ensco 648 Limited	15,256	22,941

All derivatives are classified as level 2 under the requirements of IFRS 7, as they are valued using techniques based significantly on observed market data.

25 Ultimate parent company

The Company is a wholly owned subsidiary undertaking of Ensco 645 Limited. The Men's Wearhouse, Inc. is regarded as the ultimate parent undertaking and controlling party at the period end. The Men's Wearhouse, Inc. is the largest and smallest group of which the Company is a member and for which group financial statements are drawn up. Copies of the parent's consolidated financial statements are available through the investor relations section of its website at www.menswearhouse.com, from the United States Securities and Exchange Commission website at www.sec.gov or from The Men's Wearhouse, Inc., c/o Corporate Compliance, 6380 Rogerdale Road, Houston, TX 77072 USA.