

**RIVER ISLAND CLOTHING CO.**  
**LIMITED**

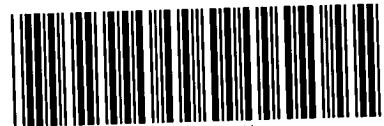
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE 52 WEEKS ENDED**

**29 DECEMBER 2018**

**COMPANY NUMBER: 00636095**

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**RIVER ISLAND CLOTHING CO. LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**Company information**

**Directors:** Bernard Lewis  
Clive Lewis  
Vanessa Lewis  
Benjamin Lewis

**Secretary and registered office:** Cavendish Square Secretariat,  
Chelsea House, West Gate, London, W5 1DR

**Auditor:** KPMG LLP  
15 Canada Square, Canary Wharf, London, E14 5GL

**Company number:** 00636095

**RIVER ISLAND CLOTHING CO. LIMITED**  
**STRATEGIC REPORT**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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The directors submit their strategic report together with the audited financial statements for the 52 weeks ended 29 December 2018.

**Results and dividends**

The profit and loss account is set out on page 7, and statement of comprehensive income is set out on page 8, which show the results for the period.

The directors approved the payment of a dividend of £276.3 million. (2017: no dividends declared).

**Principal activities**

The company is engaged in the design and retailing of women's, men's and children's clothing and accessories in the UK, Ireland, and the rest of the world. Sales are made through stores, the website, franchise agreements and wholesale agreements with selected partners internationally.

**Business review and future developments**

Turnover for the period of £877.7 million has decreased by 2.7% (2017: £901.9 million) and operating profit for the period of £42.2 million has decreased by 51.9% (2017: £87.7 million). Despite difficult market conditions, the business has succeeded in keeping the revenue materially stable, and has experienced growth from its online and wholesale channels while remaining focused on maintaining its physical store presence. The business has continued to invest significantly in its core customer proposition and keep pace with technological developments to service customers' changing requirements to shop across multiple channels. The balance sheet, set out on page 9, shows a net assets position of £341.5m (2017: £581.6 million).

During the year, the company opened four new retail outlets, and nine retail outlets were relocated. As at 29 December 2018, the company traded from stores across the UK, with online, franchise and wholesale channels reaching customers all around the world.

The directors do not anticipate any significant changes to the company's activities in the future. On-going performance and opportunities presented by all sales channels are monitored closely both in our core and overseas markets.

**Principal risks and uncertainties**

The market for the retailing of fashion clothing is fast changing with customer preferences for more diverse, speedier and convenient shopping journeys and with increasing competition especially in the digital sector. The key business risks for the company is considered to be competition from other retailers and increased economic uncertainty fuelled by Brexit resulting in inflation and weaker disposable income. The company seeks to manage the risk of losing customers to key competitors (both within the UK and elsewhere) by offering uniquely designed merchandise of high quality at a fair price and by providing a high level of customer service and convenience both online and in stores. The company's operations exposes it to a variety of financial risks that include credit risk, foreign currency risk, liquidity risk and interest rate risk. The company responds to these risks as noted below.

***Credit risk***

The company's credit risk is primarily attributable to its trade debtors, most of which represents credit card payments and debtors from franchise and wholesale partners. The company regards these as low risk.

***Foreign currency risk***

The company is exposed to movements in exchange rates. The company monitors the foreign exchange (FX) market daily and has systems and procedures in place to respond quickly to movements in the FX market, which include entering into forward foreign exchange contracts where appropriate.

***Liquidity risk***

The company monitors cash flow as part of its day to day control procedures. The board considers cash flow projections on a monthly basis and ensures that appropriate facilities are available to be drawn upon as necessary.

***Interest rate risk***

The company considers this risk to be small. The company includes all interest payments and receipts in its cash flow forecasts which are monitored.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**STRATEGIC REPORT (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**Financial Instruments**

The company's policy is to hedge currency risk using forward foreign currency contracts. This exposure arises where the company purchases products in different currencies to the selling and local currencies or expects to receive payments for products sold in different currencies to the local currencies.

**Key Performance Indicators**

The directors monitor company performance on both weekly and periodic (four-weekly) cycles using a wide range of financial and non-financial indicators including like for like, total turnover, gross profit, and operating profit like for like sales, markdown cost, traffic and conversion. EBITDA, individual store performance and a robust approval process on investment are monitored regularly to ensure that the company is maximising the use of its assets.

	2018	2017	Change
	£million	£million	%
Turnover	877.7	901.9	(2.7%)
Gross profit	107.1	143.5	(25.4%)
Operating profit	42.2	87.7	(51.9%)

**Research and Development**

The company conducts activities in the field of research and development.

**Audit Committee**

The River Island Clothing Co board of directors has decided not to establish a separate sub-committee to fulfil the responsibilities of an audit committee as the board is responsible for oversight of the financial reporting process, selection of the independent auditor, and the receipt of audit results both internal and external.

**Auditor**

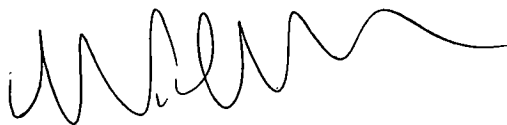
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**Post balance sheet events**

There are no material post balance sheet events as at the date of signature.

**Approval**

This strategic report was approved on behalf of the Board.



Mr W.Cohen  
Cavendish Square Secretariat  
Chelsea House, West Gate, London, W5 1DR  
Company Secretary

12 September 2019

Company registered number: 00636095

**RIVER ISLAND CLOTHING CO. LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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The directors submit their report together with the audited financial statements for the 52 weeks ended 29 December 2018.

**Directors**

The directors who served during the year were as follows:-

Bernard Lewis  
Clive Lewis  
Vanessa Lewis  
Benjamin Lewis

**Statement of directors' responsibilities in respect of the annual report and financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**Disclosure of information to auditor**

In so far as the directors are aware there is no relevant audit information of which the company's auditor is unaware and they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**REPORT OF THE DIRECTORS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**Disabled persons and employee involvement**

It is the company's policy to employ disabled persons whenever appropriate and to evaluate employees on the basis of merit. In respect of employee involvement, the company circulates on a regular basis information of interest to all members of staff.

**Creditors' payment policy**

The company negotiates payment arrangement and other terms and conditions with all its principal suppliers. Payments are made after negotiations in respect of payment period and other terms and conditions other than in the event of a dispute.

**Companies Act Requirements**

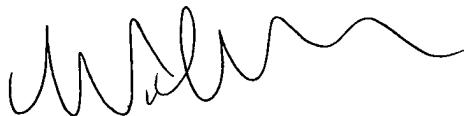
The following items required in the Directors' Report are included in the Company's Strategic Report:

- Financial risk management
- Exposure to credit risk, liquidity risk and other cash flow risks
- Post balance sheet events
- Future developments
- Dividends
- Research and development

**Modern Slavery Act 2015**

River Island condemns the practice of Modern Slavery. In accordance with the Modern Slavery Act 2015 the group publishes an anti-slavery statement annually on its website.

By order of the board



Mr W.Cohen  
Cavendish Square Secretariat  
Chelsea House, West Gate, London, W5 1DR  
Company Secretary

**12 September** 2019

Company registered number: 00636095

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER ISLAND CLOTHING CO. LIMITED**

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### **Opinion**

We have audited the financial statements of River Island Clothing Co. Limited ("the company") for the period ended 29 December 2018 which comprise the profit and loss account, statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIVER ISLAND CLOTHING CO. LIMITED**  
**(Continued)**

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**Strategic report and directors' report (continued)**

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 3, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

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.

  
**Peter Hine (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square, London, E14 5GL

12 September 2019

**RIVER ISLAND CLOTHING CO. LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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	Note	2018 £million	2017 £million
<b>Turnover</b>	2	877.7	901.9
Cost of sales		<u>(770.6)</u>	<u>(758.4)</u>
<b>Gross profit</b>		107.1	143.5
Distribution expenses		(20.2)	(20.9)
Administration expenses		<u>(44.7)</u>	<u>(34.9)</u>
<b>Operating profit</b>	3	42.2	87.7
Other interest receivable and similar income		3.1	5.7
Interest payable and similar charges		<u>-</u>	<u>(0.4)</u>
<b>Profit before taxation</b>		45.3	93.0
Tax on profit	6	(8.3)	(18.4)
<b>Profit for the financial year</b>		<u><u>37.0</u></u>	<u><u>74.6</u></u>

All amounts relate to continuing activities.

The notes on pages 11 to 25 form part of these financial statements.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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	Note	2018 £million	2017 £million
Profit on ordinary activities after taxation		37.0	74.6
<b>Other comprehensive income</b>			
Remeasurement of the net defined benefit asset/(liability)	15	(7.7)	14.0
Effective portion of changes in fair value of cash flow hedges recycled to profit or loss	17	6.7	(6.4)
Income tax on other comprehensive income	12	0.2	(1.2)
<b>Total comprehensive income for the year</b>		<u><u>36.2</u></u>	<u><u>81.0</u></u>

The notes on pages 11 to 25 form part of these financial statements.

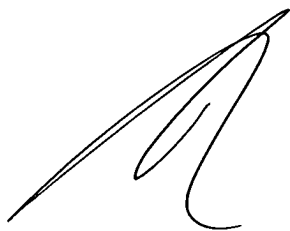
**RIVER ISLAND CLOTHING CO. LIMITED**  
**BALANCE SHEET**  
**AS AT 29 DECEMBER 2018**

	Note	29 Dec 2018 £million	30 Dec 2017 £million
<b>Fixed assets</b>			
Tangible assets	7	<u>106.1</u>	<u>103.2</u>
<b>Total fixed assets</b>		<u>106.1</u>	<u>103.2</u>
<b>Current assets</b>			
Stock	8	81.0	95.8
Debtors: due within one year	9	191.4	434.8
Cash at bank and in hand		<u>127.1</u>	<u>101.4</u>
		<u>399.5</u>	<u>632.0</u>
Creditors: amounts falling due within one year	10	<u>(142.8)</u>	<u>(139.7)</u>
<b>Net current assets</b>		<u>256.7</u>	<u>492.3</u>
<b>Total assets less current liabilities</b>		<u>362.8</u>	<u>595.5</u>
Provisions for liabilities	11	(12.0)	(12.2)
<b>Net assets excluding pension liability</b>		<u>350.8</u>	<u>583.3</u>
Pension liability and similar obligations	15	(9.3)	(1.7)
<b>Net assets</b>		<u><u>341.5</u></u>	<u><u>581.6</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	3.4	3.4
Profit and loss account		338.1	578.2
<b>Shareholders' funds</b>		<u><u>341.5</u></u>	<u><u>581.6</u></u>

The financial statements were approved and authorised for issue by the board of directors on 12 September 2019.

Benjamin Lewis

Director



Company registered number: 00636095

The notes on pages 11 to 25 form part of these financial statements.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

	Share Capital £million	Profit and Loss account £million	Total Equity £million
<b>Balance at 30 December 2017</b>	3.4	578.2	581.6
<b>Total comprehensive income for the year</b>			
<b>Profit for the year</b>	-	37.0	37.0
<b>Other comprehensive income</b>			
Actuarial losses on defined benefit pension schemes	-	(7.7)	(7.7)
Movement in cash flow hedge	-	6.7	6.7
Taxation on other comprehensive income	-	0.2	0.2
	3.4	614.4	617.8
<b>Contributions by and distributions to owners</b>			
Dividends paid	-	(276.3)	(276.3)
<b>Balance at 29 December 2018</b>	3.4	338.1	341.5

	Share Capital £million	Profit and Loss account £million	Total Equity £million
<b>Balance at 31 December 2016</b>	3.4	497.2	500.6
<b>Total comprehensive income for the year</b>			
<b>Profit for the year</b>	-	74.6	74.6
<b>Other comprehensive income</b>			
Actuarial gains on defined benefit pension schemes	-	14.0	14.0
Movement in cash flow hedge	-	(6.4)	(6.4)
Taxation on other comprehensive income	-	(1.2)	(1.2)
<b>Balance at 30 December 2017</b>	3.4	578.2	581.6

The notes on pages 11 to 25 form part of these financial statements.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**1 Accounting policies**

**Basis of preparation**

River Island Clothing Co. Limited is a private company incorporated, domiciled and registered in England in the UK. The company registration number and registered office are stated in the company information.

The financial statements have been prepared in accordance with the historical cost convention modified to include certain items at fair value. The financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* ("FRS 102").

FRS 102 requires management to make an assessment of the entity's ability to continue as a going concern taking into account all available information about the future, which is at least, but not limited to, twelve months from the date when the financial statements are authorised for issue. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies.

The company's principal accounting policies are described below:

**Cash flow statement**

The directors have taken advantage of the exemption in FRS 102 from including a cash flow statement in the financial statements on the grounds that the company's immediate parent undertaking, River Island Holdings Limited includes the company in its consolidated financial statements. The consolidated financial statements of River Island Holdings Limited are prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and are available to the public and may be obtained from Companies House.

**Tangible fixed assets**

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged to the profit and loss account over the estimated useful lives of each part of an item of tangible fixed assets. The estimated useful lives are as follows:

Furniture, fittings and office equipment.	-	10% - 50% straight line
Vehicles and transport	-	25% on written down value or 4% - 33% straight line
Short leasehold property	-	equally over the life of the lease

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

**Impairment of tangible fixed assets**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is 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.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**1 Accounting policies (continued)**

**Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date where the company operates and generates taxable income and any adjustment to tax payable.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- (i) the recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- (ii) any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- (iii) where timing differences relate to interests in subsidiaries and the company can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

**Turnover**

Turnover comprises amounts receivable in respect of goods and services supplied to outside customers, net of VAT, returns and a provision made for sales returns, and is attributable to the company's principal activity. Turnover is recognised when the risks and rewards of owning the goods has passed to the customer, which is generally on the point of sale. Online, franchise, and wholesale sales are recognised on despatch of the goods to the customer.

**Cost of sales**

The company classifies all costs involved in getting goods available for sale within cost of sales in the profit and loss.

**Foreign currency**

*(a) Functional and presentation currency*

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in 'sterling', which is the company's functional and presentational currency. All amounts in the financial statements have been rounded to the nearest £million.

*(b) Transactions and balances*

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**1 Accounting policies (continued)**

**Operating Leases**

Rental costs under operating leases are charged to profit and loss account in equal amounts on a straight line basis over the lease term. The benefits of operating lease incentives are spread on a straight-line basis over the lease term as an integral part of the lease expense.

**Leased assets: Lessors**

Rental income under operating leases are recognised in the profit and loss account in equal amounts on a straight line basis over the lease term.

**Dividends**

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders.

**Stock**

Stock is stated at the lower of cost and net realisable value after making due allowances for any slow-moving or obsolete items. The cost of stock is determined on a weighted average cost basis and includes expenditure incurred in acquiring the stocks, and other costs in bringing them to their existing location and condition.

**Pension costs**

A defined benefit plan is a post-employment plan other than a defined contribution plan. The company's net obligation in respect of defined benefit plans (and other long term employee benefits) is calculated (separately for each plan) by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods: that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of, the company's obligations. A valuation is performed by a qualified actuary using the projected unit credit method. The company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the defined benefit liability arising from employer service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the profit and loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

**Other provisions**

The company makes provisions for known and anticipated obligations where the company has a present legal obligation or a constructive obligation as a result of past events that can be reliably measured and where it is probable that an outflow of economic benefits will be required to settle the obligation and where a reliable estimate can be made of the best estimate of the obligation at the reporting date.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**1 Accounting policies (continued)**

**Hedge accounting**

The company enters into foreign exchange contracts to manage its exposure to foreign exchange cash flow risk on its foreign transactions. These derivatives are measured at fair value at each reporting date. To the extent the hedge is effective, movements in fair value are recognised in the statement of comprehensive income. Any ineffective portions of those movements are recognised in profit or loss for the period.

**Financial assets**

Financial assets are measured initially at fair value and subsequently at amortised cost, less any impairment.

**Financial liabilities**

Financial liabilities are measured initially at transaction price (including transaction costs), and subsequently held at amortised cost. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

**Trade and other debtors / creditors**

Trade and other debtors are recognised at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs.

**Interest receivable and interest payable**

Interest receivable and interest payable amounts are based on trading activities and are recognised in profit or loss as they accrue.

**Reserves**

The company's reserves are as follows:

- (i) Ordinary share capital reserve represents the nominal value of the shares issued.
- (ii) The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

**Critical accounting estimates and judgements**

The presentation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates, and management to exercise judgements in applying accounting policies. The directors consider key judgements, and sources of estimation uncertainty in preparing these financial statements to be:-

**Key judgements**

Fixed assets impairment - Factors taken into consideration include economic viability and expected future financial performance of the asset.

Stock provisioning - Factors taken into consideration include seasonality of the stock, current economic environment and historic trade patterns in ensuring that stock recoverability is appropriately estimated.

Dilapidation provisioning - Factors taken into consideration include dilapidation costs associated with previous store closures, known contractual obligations and current store lease dates.

**Sources of estimation uncertainty**

Useful economic life of tangible fixed assets - the actual lives of assets and residual value are assessed annually and may vary depending on a number of factors such as product life cycles. Residual value assessments include issues such as future market conditions, the remaining life of the asset, and disposal values.

**RIVER ISLAND CLOTHING CO. LIMITED**  
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**2 Turnover**

An analysis of turnover (which all relates to the company's principal activity) by geographical market is given below:

	<b>2018</b>	<b>2017</b>
	<b>Turnover</b>	<b>Turnover</b>
	<b>£million</b>	<b>£million</b>
United Kingdom	765.6	785.4
Rest of World	112.1	116.5
	<u>877.7</u>	<u>901.9</u>

**3 Expenses and auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Included in the profit are the following		
Depreciation	29.6	29.6
Impairment of fixed assets	(0.4)	(0.5)
Payments made under operating leases:-		
Land and buildings	71.6	72.3
Hire of equipment	0.4	0.4
Gains on foreign exchange	(14.0)	(7.2)
Interest receivable	(3.1)	(5.7)
Interest payable to group undertakings	-	-
Other interest payable	-	0.4
Total interest payable	-	0.4
Loss on sale of tangible fixed assets	3.2	0.7

**Auditor's remuneration**

	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Audit of these financial statements	<u>0.1</u>	<u>0.1</u>

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

**4 Directors' remuneration and transactions**

4.1) Directors emoluments:	2018 £million	2017 £million
Aggregate directors' emoluments during period	1.1	1.1
Highest paid director	0.5	0.5

4.2) Number of directors at the end of the period in pension schemes:	2018 Number	2017 Number
Defined benefit schemes	4	4

**5 Staff costs and numbers**

5.1) Staff costs	2018 £million	2017 £million
Wages and salaries (excluding directors' emoluments)	150.9	152.7
Social security costs	11.1	11.2
Defined contribution pension costs	4.3	3.5
	166.3	167.4

5.2) Average number of employees during the period:

	2018		2017	
	Full time number	Part time number	Full time number	Part time number
Direct	1,538	5,768	1,713	6,220
Administration	1,815	162	1,742	205
	3,353	5,930	3,455	6,425

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

**6 Taxation on profit on ordinary activities**

	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
<b>Current tax</b>		
UK corporation tax at current rates	<b>10.9</b>	19.5
Over provision in respect of previous periods	<b>(1.6)</b>	(0.8)
Overseas tax	<b>0.1</b>	0.1
Total current tax	<b>9.4</b>	18.8
<b>Deferred tax (see note 12)</b>		
Origination and reversal of timing differences:		
Current period	<b>(1.2)</b>	(0.4)
Under provision in respect of previous periods	<b>0.1</b>	0.0
Movement in deferred tax asset (see note 12)	<b>(1.1)</b>	(0.4)
<b>Total taxation charge on ordinary activities</b>	<b>8.3</b>	<b>18.4</b>

The tax assessed for the period is lower than (2017: higher than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Profit before taxation	<b>45.3</b>	93.0
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	<b>8.6</b>	17.9
<b>Effects of :</b>		
Income not taxable less expenses not deductible for tax purposes	<b>1.4</b>	1.1
Group relief claimed	<b>(5.4)</b>	(4.0)
Payment for group relief	<b>5.4</b>	4.0
Adjustment to tax charge in respect of previous periods	<b>(1.5)</b>	(0.8)
Change in tax rates	<b>(0.1)</b>	0.1
R&D tax credit	<b>(0.2)</b>	-
Overseas tax	<b>0.1</b>	0.1
Total tax charge for the period	<b>8.3</b>	18.4

Factors that may affect future tax charges:

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 29 December 2018 has been calculated based on these rates.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

**7 Tangible fixed assets**

	Short Leasehold property £million	Furniture, fittings & office equipment £million	Vehicles & Transport £million	Capitalised IT Software £million	Total £million
<b>Cost</b>					
Balance at 30 December 2017	21.3	421.6	14.5	-	457.4
Additions	1.1	33.3	1.2	-	35.6
Disposals	(1.3)	(19.5)	(1.0)	-	(21.8)
Reclassification to intangibles	-	(50.6)	-	50.6	0.0
<b>Balance at 29 December 2018</b>	<b>21.1</b>	<b>384.8</b>	<b>14.7</b>	<b>50.6</b>	<b>471.2</b>
<b>Depreciation</b>					
Balance at 30 December 2017	13.1	331.2	9.9	-	354.2
Charged for the period	1.5	26.9	1.2	-	29.6
Disposals	(1.3)	(16.2)	(0.8)	-	(18.3)
Impairment	-	(0.4)	-	-	(0.4)
Reclassification to intangibles	-	(26.9)	-	26.9	0.0
<b>Balance at 29 December 2018</b>	<b>13.3</b>	<b>314.6</b>	<b>10.3</b>	<b>26.9</b>	<b>365.1</b>
<b>Net book value</b>					
Balance at 29 December 2018	<b>7.8</b>	<b>70.2</b>	<b>4.4</b>	<b>23.7</b>	<b>106.1</b>
Balance at 30 December 2017	<b>8.2</b>	<b>90.4</b>	<b>4.6</b>	<b>-</b>	<b>103.2</b>

The reversal of impairment loss recognised on tangible fixed assets in the period was £0.4m (2017: £0.5m gain) and is included in administrative expenses in the profit and loss account. Assets have been written down to their recoverable amount in line with the accounting policies of the company.

**8 Stock**

	2018 £million	2017 £million
Goods in transit	20.3	15.2
Raw materials and consumables	3.9	4.6
Work in progress	2.7	5.4
Finished goods and goods for resale	54.1	70.6
	<b>81.0</b>	<b>95.8</b>

There is no material difference between the replacement cost of stocks and the amounts stated above.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

<b>9 Debtors: amounts due within one year</b>	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Trade debtors	28.1	26.8
Corporation tax	6.7	-
Deferred tax (see note 12)	8.8	7.5
Other debtors	8.3	4.0
Amounts owed by group undertakings	6.2	311.2
Amount owed by parent undertaking	100.2	54.2
Prepayments and accrued income	27.7	31.1
Fair value of cash flow hedge	5.4	-
	<b>191.4</b>	<b>434.8</b>
<b>10 Creditors: amounts due within one year</b>	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Trade creditors	61.0	62.0
Corporation tax	-	1.6
Taxation and social security	12.3	8.2
Amounts owed to group undertakings	-	1.5
Other creditors	5.0	4.9
Accruals and deferred income	64.5	60.2
Fair value of cash flow hedge	-	1.3
	<b>142.8</b>	<b>139.7</b>
<b>11 Provisions for liabilities</b>		
<b>Dilapidations</b>		<b>£million</b>
At 30 December 2017		12.2
Unwinding of discounted amount		0.2
Provision release		(0.4)
At 29 December 2018		<b>12.0</b>

Dilapidations provisions are expected to be utilised between one and ten years.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

<b>12 Deferred taxation</b>	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Deferred tax asset at start of period	7.5	8.3
Charge for period	1.2	0.4
Adjustments relating to prior periods	(0.1)	-
Charged to statement of comprehensive income	0.2	(1.2)
Deferred tax asset at the end of period	<u>8.8</u>	<u>7.5</u>
Recognised in:		
Debtors: amounts due within one year (see note 9)	<u>8.8</u>	<u>7.5</u>
	<u>8.8</u>	<u>7.5</u>
The closing deferred tax asset is in respect of:		
Accelerated capital allowances	6.4	5.4
Short term timing differences	1.7	1.6
Other timing differences	(0.9)	0.2
Defined benefit scheme pension liability	1.6	0.3
Deferred tax asset at the end of period	<u>8.8</u>	<u>7.5</u>

Deferred taxes at the balance sheet date have been calculated using a tax rate of 17% (2017: 17%).

<b>13 Share capital</b>	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Allotted, called up and fully paid:		
34,000,100 ordinary shares of 10p each	<u>3.4</u>	<u>3.4</u>

**14 Ultimate parent undertaking**

The company is a subsidiary undertaking of River Island Holdings Limited, registered office address Chelsea House, Westgate, London, W5 1DR. The company's ultimate parent undertaking was LFH International Limited until 14/07/2018. Following a corporate reorganisation, the company's ultimate controlling party is now RI Group Holdings Limited, registered office address Unit 7B, Block 3, Spectrum, Gloucester Street, St Helier, Jersey, JE2 3DA.

The largest group in which the results of the company are consolidated is headed by River Island Holdings Limited. The consolidated financial statement of the group are publicly available from companies house, <https://www.gov.uk/government/organisations/companies-house>. No other group financial statements include the results of the company.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

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**15 Pension commitments**

The company takes part in the United Kingdom pension arrangements of LFH International Ltd and RI Group Holdings Ltd (Jersey). The United Kingdom pension schemes currently operated by the two groups of companies are the Chelsea Pension Scheme, a Group Personal Pension (GPP) provided and administered by Aegon, the Government-sponsored National Employment Savings Trust (NEST) scheme, which is the company's auto-enrolment scheme, and the Lewis Trust Group Supplemental Pension Plan (LTGSPP).

The assets of each of the company's pension schemes are held separately from those of the company in funds managed by the pension providers.

Until March 2013, the company operated two trustee-based occupational schemes, the Lewis Trust Group Executive Pension Scheme (LTGEPS) and the Westgate Pension Plan (WPP).

LTGEPS was wound up on 17 January 2017.

WPP was wound up on 11 January 2018.

Before winding up, WPP's value relating to members' defined contribution benefits was either transferred to other defined contribution schemes or paid as members' benefits, and its value relating to members' Guaranteed Minimum Pension (GMP) benefits was transferred to a separate section of LTGSPP, the Westgate GMP Section (WGMP).

*Defined contribution schemes*

The company pension cost charge for the Chelsea Pension Scheme amounted to £3.6 million (2017: £3.1 million) and the amount of contributions outstanding at the period end was £0.3 million (2017: £0.6 million).

The company's auto-enrolment scheme, the National Employment Savings Trust (NEST), is a trustee-based occupational defined contribution scheme. The pension cost charge for NEST amounted to £0.7 million (2017 : £0.4 million) and the amount of contributions outstanding at the period end was £0.1 million (2017: £0.06 million).

*Defined benefits schemes*

As mentioned above, LTGSPP now has two sections: the Main Section and the WGMP Section. The Main Section provides benefits based on final pensionable pay. The WGMP Section pays the GMP of former WPP members' benefits earned before April 1997. At any time the Trustee can determine the value of WGMP members' GMP and also the value of contributions of WGMP members whose GMP is not yet in payment. WGMP is therefore a defined benefit section with defined contribution overlay.

The latest actuarial valuation of LTGSPP is as at 01 July 2017. This valuation shows for the Main Section a past service surplus of £0.1m. As a result of the surplus shown by the 2017 Main Section valuation, LTGSPP's Trustee and its Principal Employer agreed on 20 August 2018 a schedule of contributions confirming that the cost of future benefit accrual in the Main Section is to be met from the Main Section surplus and that the Employer is to pay no contributions to the Main Section. This arrangement will be reviewed at the actuarial valuation date, 01 July 2020. The actuarial valuation at 01 July 2017 shows for the WGMP section a deficit of £0.4m.

The Trustee and Principal Employer of the WGMP Section agreed on 20 September 2018 a schedule of contributions incorporating annual employer deficit reduction contributions of £58,000 from 2018 to 2025. The WGMP Section received the first of these contributions in November 2018. The next LTGSPP actuarial valuation due is at 01 July 2020.

Requests for a copy of the actuarial valuation should be sent to the Pensions Administrator, Chelsea House, Westgate, London W5 1DR.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

**15 Pension commitments (Continued)**

LTGSPP's fund manager is Cavendish Asset Management Ltd (CAM), an associated company of the Main Section's Principal Employer. LTGSPP bears and pays to CAM its own management and safe custody fees. All other costs of SPP are borne and paid by the two sections' Principal Employers.

	2018 £million	2017 £million
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	72.3	79.0
Current service cost	-	0.1
Interest cost	1.7	2.1
Actuarial (gains)/losses	(1.5)	(7.0)
Benefits paid	(2.0)	(2.0)
Settlements	(0.1)	0.1
At the end of the year	<u>70.4</u>	<u>72.3</u>
 Composition of plan liabilities		
Schemes wholly or partly funded	<u>70.4</u>	<u>72.3</u>
 <i>Reconciliation of present value of plan assets</i>		
At the beginning of the year	70.6	63.7
Interest income on plan assets	1.7	1.7
Actuarial gains/(losses)	(9.2)	7.0
Contributions by the company	0.1	0.1
Benefits paid	(2.0)	(2.0)
Settlements	(0.1)	0.1
At the end of the year	<u>61.1</u>	<u>70.6</u>
 Present value of plan liabilities	 (70.4)	 (72.3)
Fair value of plan assets	<u>61.1</u>	<u>70.6</u>
Net pension scheme liability	<u>(9.3)</u>	<u>(1.7)</u>

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

**15 Pension commitments (Continued)**

	2018 £million	2017 £million
<i>Amounts recognised in the profit and loss account</i>		
Included in administrative expenses		
Current Service Cost	-	(0.1)
Employer contributions	<u>0.1</u>	<u>0.1</u>
	<u>0.1</u>	<u>-</u>
Included in interest (payable)/receivable	<u>-</u>	<u>(0.4)</u>
<i>Amounts recognised in statement of comprehensive income</i>		
Experience losses/(gains) arising on scheme liabilities	<u>7.7</u>	<u>(14.0)</u>
	<u>7.7</u>	<u>(14.0)</u>
Composition of plan assets		
Equities	47.5	55.8
Cash & other assets	<u>13.6</u>	<u>14.7</u>
Total plan assets	<u>61.1</u>	<u>70.5</u>
Actual return on plan assets	<u>(7.5)</u>	<u>8.7</u>

For the purposes of these accounts the net pension scheme liability has been calculated using a valuation basis that reflects the yield on fixed-interest and index-linked corporate bonds of equivalent term and currency to the pension scheme's liabilities. This valuation basis does not necessarily reflect the expected return on assets actually held by the pension scheme. The pension scheme's investment strategy, determined by the scheme's trustee, is heavily weighted towards growth assets.

The pension scheme's triennial actuarial valuations determine the funding policy for the scheme. As described earlier in this note, on the valuation basis agreed by the scheme's actuary and trustee, the latest scheme actuarial valuation at 1st July 2017 showed a scheme funding surplus for the Main Section of £0.1m, hence no further contributions are required from the employer for the Main Section. Deficit reduction contributions of £0.1m are payable to the WGMP Section from its Employer for the next 8 years in respect of the WGMP Section's £0.4m deficit shown by the latest actuarial valuation at 1st July 2017.

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

**15 Pension commitments (Continued)**

*Principal actuarial assumptions used at the balance sheet date*

	<b>2018</b>	<b>2017</b>
<b>LTGSPP</b>		
Discount rate	<b>2.6%</b>	2.5%
Future salary increases	<b>2.2%</b>	2.3%
Future pension increases	<b>2.2%</b>	2.3%
Inflation assumption		
- RPI	<b>3.2%</b>	3.3%
- CPI	<b>2.2%</b>	2.3%
Mortality rates		
- For a male aged 65 now	<b>23.8%</b>	23.7%
- At 65 for a male aged 45 now	<b>26.1%</b>	26.0%
- For a female aged 65 now	<b>24.9%</b>	24.8%
- At 65 for a female aged 45 now	<b>27.2%</b>	27.1%

**16 Commitments in respect of operating leases**

The company's commitments under operating leases relate solely to land and buildings. These total commitments under non-cancellable operating leases are as follows:

<b>Land and buildings</b>	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
Operating leases which expire:		
Less than one year	<b>75.3</b>	77.6
Between one and five years	<b>193.9</b>	192.3
More than five years	<b>119.5</b>	123.5
Total commitments	<b><u>388.7</u></b>	<b><u>393.4</u></b>

During the year £80.5m was recognised as an expense in the profit and loss account in respect of operating leases (2017: £80.6m).

**RIVER ISLAND CLOTHING CO. LIMITED**  
**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)**  
**FOR THE 52 WEEKS ENDED 29 DECEMBER 2018**

**17 Financial Instruments**

The company's financial instruments may be analysed as follows:

	<b>2018</b>	<b>2017</b>
	<b>£million</b>	<b>£million</b>
<b>Financial assets</b>		
Financial assets measured at amortised cost	<b>269.9</b>	497.6
Derivative financial instruments designated as hedges of foreign exchange cash flow risk	<b>5.4</b>	-
	<b>=====</b>	<b>=====</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(76.6)</b>	(81.9)
Derivative financial instruments designated as hedges of foreign exchange cash flow risk	<b>-</b>	(1.3)
	<b>=====</b>	<b>=====</b>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade debtors, other debtors and amounts owed by group and parent undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, loans from fellow subsidiary undertaking, other creditors, and accruals.

Derivative financial instruments designated as hedges of foreign exchange cash flow risk comprise foreign exchange contracts.

To hedge the potential volatility in future foreign exchange movements, the company has entered into foreign exchange contracts. At the period end the company had entered into contracts totalling £63.3m (2017: £100.0m). Foreign exchange contracts are entered into throughout the period. The fair value of foreign exchange contracts at the period end was £5.4m gain (2017: £1.3m loss). The change in fair value of foreign exchange contracts which was recognised in the statement of comprehensive income was £6.7m gain (2017: £6.4m loss).

The company's policy is to hedge currency risk using forward foreign currency contracts. This exposure arises where the company purchases products in different currencies to the selling and local currencies or expects to receive payments for products sold in different currencies to the local currencies.

**18 Related party transactions**

The company has taken advantage of the exemption allowed by FRS 102, not to disclose transactions with entities that are included in the consolidated financial statements of River Island Holdings Limited on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included within those financial statements.

The company regards key management personnel to be the directors of the company who are named in the company information section of these financial statements.

**19 Subsequent events**

There are no material post balance sheet events as at the date of signature.