

RIVER ISLAND CLOTHING CO.
LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED

30 DECEMBER 2017

COMPANY NUMBER: 00636095



**RIVER ISLAND CLOTHING CO. LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017**

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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 30 DECEMBER 2017

The directors submit their strategic report together with the audited financial statements for the 52 weeks ended 30 December 2017.

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.

During 2017 no dividends were declared (2016: 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 £901.9 million has decreased by 2.3% (2016: £923.3 million) and operating profit for the period of £87.7 million has decreased by 34.2% (2016: £133.3 million). Overall, the trading was stable and 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. Consequently, the company continues to see growth from its online and wholesale channels and remains focused on maintaining its physical store presence, all of which are seen as key areas of growth. The balance sheet, set out on page 9, shows a net assets position of £581.6m (2016: £500.6 million).

During the year, the company opened seven new retail outlets, and five retail outlets were relocated. As at 30 December 2017, 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 more convenient shopping journeys and with increasing competition especially in the digital sector. The key business risk 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 30 DECEMBER 2017

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 and 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.

	2017	2016	Change
	£million	£million	%
Turnover	901.9	923.3	(2.3%)
Gross profit	143.5	171.2	(16.2%)
Operating profit	87.7	133.3	(34.2%)

Research and Development

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

Audit Committee

The River Island Holdings 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.



Ms S. Padmanathan
Cavendish Square Secretariat
Chelsea House, West Gate, London, W5 1DR
Company Secretary

22 June 2018

Company registered number: 00636095

RIVER ISLAND CLOTHING CO. LIMITED
DIRECTORS' REPORT
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

The directors submit their report together with the audited financial statements for the 52 weeks ended 30 December 2017.

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 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 period. 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 30 DECEMBER 2017

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



Ms S. Padmanathan
Cavendish Square Secretariat
Chelsea House, West Gate, London, W5 1DR
Company Secretary

22 June 2018

Company registered number: 00636095

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

Opinion

We have audited the financial statements of River Island Clothing Co. Limited ("the company") for the period ended 30 December 2017 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 30 December 2017 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.

Going concern

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 twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

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

- 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.

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

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.

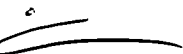
Auditor's responsibilities

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.

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

22 June 2018

RIVER ISLAND CLOTHING CO. LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

	Note	2017 £million	2016 £million
Turnover	2	901.9	923.3
Cost of sales		<u>(758.4)</u>	<u>(752.1)</u>
Gross profit		143.5	171.2
Distribution expenses		(20.9)	(20.8)
Administration expenses		<u>(34.9)</u>	<u>(17.1)</u>
Operating profit		87.7	133.3
Other interest receivable and similar income		5.7	5.7
Interest payable and similar charges		<u>(0.4)</u>	<u>(0.4)</u>
Profit before taxation		93.0	138.6
Tax on profit	6	(18.4)	(28.9)
Profit for the financial year		<u><u>74.6</u></u>	<u><u>109.7</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 30 DECEMBER 2017

	Note	2017 £million	2016 £million
Profit on ordinary activities after taxation		74.6	109.7
Other comprehensive income			
Remeasurement of the net defined benefit asset/(liability)	15	14.0	(6.9)
Effective portion of changes in fair value of cash flow hedges recycled to profit or loss	17	(6.4)	3.2
Income tax on other comprehensive income	12	(1.2)	0.6
Total comprehensive income for the year		<u>81.0</u>	<u>106.6</u>

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

RIVER ISLAND CLOTHING CO. LIMITED
BALANCE SHEET
AS AT 30 DECEMBER 2017

	Note	2017 £million	2016 £million
Fixed assets			
Tangible assets	7	<u>103.2</u>	<u>94.4</u>
Total fixed assets		<u>103.2</u>	<u>94.4</u>
Current assets			
Stock	8	95.8	81.8
Debtors: due within one year	9	434.8	368.4
Cash at bank and in hand		<u>101.4</u>	<u>119.4</u>
		<u>632.0</u>	<u>569.6</u>
Creditors: amounts falling due within one year	10	<u>(139.7)</u>	<u>(136.2)</u>
Net current assets		<u>492.3</u>	<u>433.4</u>
Total assets less current liabilities		<u>595.5</u>	<u>527.8</u>
Provisions for liabilities	11	(12.2)	(11.9)
Net assets excluding pension liability		<u>583.3</u>	<u>515.9</u>
Pension liability and similar obligations	15	(1.7)	(15.3)
Net assets		<u><u>581.6</u></u>	<u><u>500.6</u></u>
Capital and reserves			
Called up share capital	13	3.4	3.4
Profit and loss account		578.2	497.2
Shareholders' funds		<u><u>581.6</u></u>	<u><u>500.6</u></u>

The financial statements were approved and authorised for issue by the board of directors on 22 June 2018.

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 30 DECEMBER 2017

	Share Capital £million	Profit and Loss account £million	Total Equity £million
Balance at 31 December 2016	3.4	497.2	500.6
Total comprehensive income for the year			
Profit for the year	-	74.6	74.6
Other comprehensive income			
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)
Balance at 30 December 2017	3.4	578.2	581.6

	Share Capital £million	Profit and Loss account £million	Total Equity £million
Balance at 27 December 2015	3.4	390.6	394.0
Total comprehensive income for the year			
Profit for the year	-	109.7	109.7
Other comprehensive income			
Actuarial losses on defined benefit pension schemes	-	(6.9)	(6.9)
Movement in cash flow hedge	-	3.2	3.2
Taxation on other comprehensive income	-	0.6	0.6
Balance at 31 December 2016	3.4	497.2	500.6

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 30 DECEMBER 2017

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 group and parent company 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's 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 30 DECEMBER 2017

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

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 30 DECEMBER 2017

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 30 DECEMBER 2017

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
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

2 Turnover

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

	2017	2016
	Turnover	Turnover
	£million	£million
United Kingdom	785.4	822.0
Rest of World	116.5	101.3
	<u>901.9</u>	<u>923.3</u>

3 Expenses and auditor's remuneration

	2017	2016
	£million	£million
Included in the profit are the following		
Depreciation	29.6	28.9
Impairment of fixed assets	(0.5)	(0.4)
Payments made under operating leases:-		
Land and buildings	72.3	72.9
Hire of equipment	0.4	0.6
Gains on foreign exchange	(7.2)	(9.6)
Interest receivable	(5.7)	(5.7)
Interest payable to group undertakings	-	0.1
Other interest payable	0.4	0.3
Total interest payable	<u>0.4</u>	<u>0.4</u>
Loss on sale of tangible fixed assets	<u>0.7</u>	<u>0.1</u>

Auditor's remuneration

	2017	2016
	£million	£million
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 30 DECEMBER 2017

4 Directors' remuneration and transactions

4.1) Directors emoluments:	2017 £million	2016 £million
Aggregate directors' emoluments during period	1.1	2.3
Highest paid director	<u>0.5</u>	<u>1.1</u>

4.2) Number of directors at the end of the period in pension schemes:	2017	2016
Defined benefit schemes	<u>4</u>	<u>4</u>

5 Staff costs and numbers

5.1) Staff costs	2017 £million	2016 £million
Wages and salaries (excluding directors' emoluments)	152.7	145.0
Social security costs	11.2	10.0
Defined contribution pension costs	<u>3.5</u>	<u>3.2</u>
	<u>167.4</u>	<u>158.2</u>

5.2) Average numbers of employees during the period:

	2017		2016	
	Full time number	Part time number	Full time number	Part time number
Direct	1,713	6,220	1,717	6,596
Administration	<u>1,742</u>	<u>205</u>	<u>1,680</u>	<u>130</u>
	<u>3,455</u>	<u>6,425</u>	<u>3,397</u>	<u>6,726</u>

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

6 Taxation on profit on ordinary activities

	2017 £million	2016 £million
Current tax		
UK corporation tax at current rates	19.6	29.1
Under/(Over) provision in respect of previous periods	(1.0)	0.3
Overseas tax	<u>0.2</u>	<u>0.1</u>
Total current tax	18.8	29.5
Deferred tax (see note 12)		
Origination and reversal of timing differences:		
Current period	(0.4)	(0.7)
Under/(Over) provision in respect of previous periods	-	(0.2)
Changes in tax rates	<u>-</u>	<u>0.3</u>
Movement in deferred tax asset (see note 12)	(0.4)	(0.6)
Total taxation charge on ordinary activities	<u><u>18.4</u></u>	<u><u>28.9</u></u>

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19.25% (2016 20%).

	2017 £million	2016 £million
Profit before taxation	<u>93.0</u>	<u>138.6</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	17.9	27.8
Effects of:		
Income not taxable less expenses not deductible for tax purposes	1.1	0.5
Group relief claimed	(4.0)	(4.9)
Payment for group relief	4.0	4.9
Adjustment to tax charge in respect of previous periods	(0.8)	-
Change in tax rates	0.1	0.5
Overseas tax	<u>0.1</u>	<u>0.1</u>
Total tax charge for the period	<u><u>18.4</u></u>	<u><u>28.9</u></u>

Factors that may affect future tax charges:

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantially enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was subsequently enacted on 6 September 2016. This will reduce the group and company's future current tax charge accordingly.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

7 Tangible fixed assets

	Short Leasehold property £million	Furniture, fittings & office equipment £million	Vehicles & Transport £million	Total £million
Cost				
Balance at 31 December 2016	20.6	397.2	14.1	431.9
Additions	1.3	36.3	1.4	39.0
Disposals	(0.6)	(11.9)	(1.0)	(13.5)
Balance at 30 December 2017	<u>21.3</u>	<u>421.6</u>	<u>14.5</u>	<u>457.4</u>
Depreciation				
Balance at 31 December 2016	12.2	316.0	9.3	337.5
Charged for the period	1.6	26.6	1.4	29.6
Disposals	(0.6)	(11.0)	(0.8)	(12.4)
Impairment	(0.1)	(0.4)	--	(0.5)
Balance at 30 December 2017	<u>13.1</u>	<u>331.2</u>	<u>9.9</u>	<u>354.2</u>
Net book value				
Balance at 30 December 2017	<u>8.2</u>	<u>90.4</u>	<u>4.6</u>	<u>103.2</u>
Balance at 31 December 2016	<u>8.4</u>	<u>81.2</u>	<u>4.8</u>	<u>94.4</u>

The reversal of impairment loss recognised on tangible fixed assets in the period was £0.5m (2016: £0.4m 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

	2017 £million	2016 £million
Goods in transit	15.2	9.6
Raw materials and consumables	4.6	4.3
Work in progress	5.4	4.1
Finished goods and goods for resale	70.6	63.8
	<u>95.8</u>	<u>81.8</u>

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 30 DECEMBER 2017

9 Debtors: amounts due within one year	2017 £million	2016 £million
Trade debtors	26.8	21.5
Deferred tax (see note 12)	7.5	8.3
Other debtors	4.0	2.6
Amounts owed by group undertakings	311.2	257.9
Amount owed by parent undertaking	54.2	42.4
Prepayments and accrued income	31.1	30.6
Fair value of cash flow hedge	-	5.1
	434.8	368.4

10 Creditors: amounts due within one year	2017 £million	2016 £million
Trade creditors	62.0	58.9
Corporation tax	1.6	6.3
Taxation and social security	8.2	12.0
Amounts owed to group undertakings	1.5	1.7
Other creditors	4.9	5.5
Accruals and deferred income	60.2	51.8
Fair value of cash flow hedge	1.3	-
	139.7	136.2

11 Provisions for liabilities

Dilapidations	2017 £million
At 31 December 2016	11.9
Unwinding of discounted amount	0.3
At 30 December 2017	12.2

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

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

12 Deferred taxation	2017	2016
	£million	£million
Deferred tax asset:		
Deferred tax asset at start of period	8.3	6.9
Charge for period	0.4	0.7
Adjustments relating to prior periods	--	0.4
Change in tax rates	-	(0.3)
Charged to statement of comprehensive income	(1.2)	0.6
Deferred tax asset at the end of period	<u>7.5</u>	<u>8.3</u>
Recognised in:		
Debtors: amounts due within one year (see note 9)	<u>7.5</u>	<u>8.3</u>
	<u>7.5</u>	<u>8.3</u>
The closing deferred tax asset is in respect of:		
Accelerated capital allowances	5.4	5.2
Short term timing differences	1.6	1.3
Other timing differences	0.2	(0.8)
Defined benefit scheme pension liability	0.3	2.6
Deferred tax asset at the end of period	<u>7.5</u>	<u>8.3</u>

Deferred taxes at the balance sheet date have been calculated using a tax rate of 17% (2016 17%).

13 Share capital	2017	2016
	£million	£million
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's immediate UK parent undertaking is River Island Holdings Limited which is registered in England.

The company's ultimate parent undertaking is LFH International Limited which is registered in the Cayman Islands.

River Island Holdings Limited is the smallest group of which the company is a member at the balance sheet date and for which publicly available group accounts are prepared.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

15 Pension commitments

The company takes part in the United Kingdom pension arrangements of the Lewis Trust Group. The United Kingdom pension schemes currently operated by the Lewis Trust Group Limited group 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' 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 £3.1 million (2016: £2.9 million) and the amount of contributions outstanding at the period end was £0.6 million (2016: £0.5 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 £0.4 million (2016 : £0.4 million) and the amount of contributions outstanding at the period end was £0.06 million (2016: £0.06 million).

Defined benefits schemes

LTGSPP, is a scheme that provides benefits based on final pensionable pay.

The latest actuarial valuation of LTGSPP is as at 1st July 2014. This valuation shows a past service surplus of £1.9m. As a result of the surplus shown by the 2014 valuation, LTGSPP's Trustee and the principal employer agreed on 14th December 2015 a schedule of contributions confirming that the cost of future benefit accrual is to be met from the surplus in LTGSPP, and from October 2015 the employer has paid no contributions. This arrangement went under review at the actuarial valuation date of 1st July 2017 and was still under review at the date of approval of these financial statements.

The assets of LTGSPP are managed under the Trustee's direction by Cavendish Asset Management Limited, a fellow subsidiary undertaking.

LTG SPP's WGMP Section pays a Guaranteed Minimum Pension (GMP) in respect of members' benefits earned before April 1997. At any time the Trustee can determine the value of members' GMP and also the value of contributions of members whose GMP is not yet in payment. WGMP is therefore a defined benefit section with defined contribution overlay.

The Trustee and Employer of WGMP agreed on 30 September 2010 a schedule of contributions incorporating annual Employer deficit reduction contributions of £58,000 from December 2010 to December 2019.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

15 Pension commitments (Continued)

WGMP received the eighth of these contributions in December 2017.

The next actuarial valuation due, currently in preparation, is at 1st July 2017.

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

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

	2017 £million	2016 £million
<i>Reconciliation of present value of plan liabilities</i>		
At the beginning of the year	79.0	76.9
Current service cost	0.1	-
Interest cost	2.1	2.3
Actuarial (gains)/losses	(7.0)	12.9
Benefits paid	(2.0)	(1.9)
Settlements	0.1	(11.2)
At the end of the year	<u>72.3</u>	<u>79.0</u>

Composition of plan liabilities

Schemes wholly or partly funded	<u>72.3</u>	<u>79.0</u>
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Reconciliation of present value of plan assets

At the beginning of the year	63.7	68.8
Interest income on plan assets	1.7	2.0
Actuarial gains/(losses)	7.0	6.0
Contributions by the company	0.1	-
Benefits paid	(2.0)	(1.9)
Settlements	0.1	(11.2)
At the end of the year	<u>70.6</u>	<u>63.7</u>

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

15 Pension commitments (Continued)

	2017 £million	2016 £million
Present value of plan liabilities	(72.3)	(79.0)
Fair value of plan assets	70.6	63.7
Net pension scheme liability	<u>(1.7)</u>	<u>(15.3)</u>
<i>Amounts recognised in the profit and loss account</i>		
Included in administrative expenses		
Current Service Cost	(0.1)	-
Employer contributions	0.1	-
	<u>-</u>	<u>-</u>
Included in interest (payable)/receivable	<u>(0.4)</u>	<u>(0.3)</u>
<i>Amounts recognised in statement of comprehensive income</i>		
Experience losses/(gains) arising on scheme liabilities	(14.0)	6.9
	<u>(14.0)</u>	<u>6.9</u>
Composition of plan assets		
Equities	55.8	51.4
Cash & other assets	14.7	12.3
Total plan assets	<u>70.5</u>	<u>63.7</u>
Actual return on plan assets	<u>8.7</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 schemes' liabilities.

This valuation basis does not necessarily reflect the expected return on assets actually held by the pension schemes. The pension scheme's investment strategy, determined by the schemes' trustee, is heavily weighted towards growth assets.

The pension schemes' triennial actuarial valuations determine the funding policy for the schemes. As described earlier in this note, on the valuation basis agreed by the schemes' actuary and trustee, the latest scheme actuarial valuation at 1st July 2014 showed a scheme funding surplus of £1.9m hence no further contributions are required from the employer. This arrangement went under review at the actuarial valuation date of 1st July 2017 and was still under review at the date of approval of these financial statements.

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

15 Pension commitments (Continued)

Principal actuarial assumptions used at the balance sheet date

	2017	2016
LTGSPP		
Discount rate	2.5%	2.7%
Future salary increases	2.3%	2.4%
Future pension increases	2.3%	2.4%
Inflation assumption		
- RPI	3.3%	3.4%
- CPI	2.3%	2.4%
Mortality rates		
- For a male aged 65 now	23.7%	24.6%
- At 65 for a male aged 45 now	26.0%	27.4%
- For a female aged 65 now	24.8%	25.8%
- At 65 for a female aged 45 now	27.1%	28.9%
WPP		
Discount rate	-	2.4%
Future salary increases	n/a	n/a
Future pension increases	-	2.1%
Inflation assumption		
- RPI	-	3.4%
- CPI	-	2.4%
Mortality rates		
- For a male aged 65 now	-	23.1%
- At 65 for a male aged 45 now	-	25.4%
- For a female aged 65 now	-	25.2%
- At 65 for a female aged 45 now	-	27.6%

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:

Land and buildings	2017	2016
	£million	£million
Operating leases which expire:		
Less than one year	77.6	79.3
Between one and five years	192.3	187.7
More than five years	123.5	120.0
Total commitments	<u>393.4</u>	<u>387.0</u>

During the year £80.6m was recognised as an expense in the profit and loss account in respect of operating leases 2016 (£79.5m).

RIVER ISLAND CLOTHING CO. LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE 52 WEEKS ENDED 30 DECEMBER 2017

17 Financial Instruments

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

	2017	2016
	£million	£million
Financial assets		
Financial assets measured at amortised cost	497.6	443.8
Derivative financial instruments designated as hedges of foreign exchange cash flow risk	-	5.1
	=====	=====
Financial liabilities		
Financial liabilities measured at amortised cost	(81.9)	(77.0)
Derivative financial instruments designated as hedges of foreign exchange cash flow risk	(1.3)	-
	=====	=====

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 £100m (2016: £48.4m). Foreign exchange contracts are entered into throughout the period. The fair value of foreign exchange contracts at the year end was £1.3m loss (2016: £5.1m gain). The change in fair value of foreign exchange contracts which was recognised in the statement of comprehensive income was £6.4m loss (2016: £3.2m gain).

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 LFH International 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.