

Top Shop/Top Man Limited

Annual report and financial statements

for the year ended 26 August 2017

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Top Shop/Top Man Limited

Company Information

Directors

Paul Budge
Jonathan Sokoloff
Siobhan Forey
Chris Harris
Ian Grabiner
Sir Philip Green
James Halper
Paul Price

Company secretary

Michelle Gammon

Registered number

2317752

Registered office

Colegrave House
70 Berners Street
London
England
W1T 3NL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
LS1 4DL

Top Shop/Top Man Limited

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Top Shop/Top Man Limited

Strategic report for the year ended 26 August 2017

Introduction

The directors present their Annual report and the audited financial statements of Top Shop/Top Man Limited ("the Company") for the year ended 26 August 2017.

Principal activities and future developments

The principal activity of the Company is the retailing and wholesaling of clothing and clothing accessories in the United Kingdom and internationally through stores and the internet. The Company trades under the brand names Top Shop and Top Man. The Company will continue to operate on the same basis for the foreseeable future.

Business review

During the year the Company was a subsidiary of Taveta Investments Limited ("Taveta") and a review of the Group's business during the year, its future outlook and its position on 26 August 2017 is given on pages 1 to 3 of the financial statements of that company.

Results for the year

The loss for the financial year amounted to £10,874,000 (2016: profit of £59,432,000).

The Company incurred exceptional costs in the year of £12,584,000 (2016: £8,598,000) in relation to fixed asset impairment and provision for onerous leases. These exceptional items were non-cash in nature. Further details are set out in note 6.

As at 26 August 2017 the Company had net assets of £643,034,000 (2016: net assets of £653,908,000).

Management and reporting of principal risks and key performance indicators (KPIs)

The directors of Taveta Investments Limited manage the Company's risks and those of its fellow subsidiaries at a group level. Furthermore, they monitor the group's performance on a brand basis rather than at statutory level.

For these reasons the Company's directors do not believe that a discussion of the principal risks facing the Company or of the KPIs used to analyse its performance is appropriate for an understanding of its development, performance or financial position.

The KPIs used by the Group and the principal business risks it faces are discussed on pages 3-5 of Taveta Investments Limited's Annual report which does not form part of this report.

Top Shop/Top Man Limited

**Strategic report (continued)
for the year ended 26 August 2017**

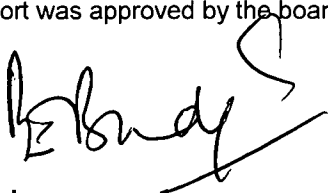
Financial risk management

The directors of Taveta Investments Limited manage the Company's financial risks and those of its fellow subsidiaries at group level. Furthermore, they monitor the Group's performance on a brand basis rather than at statutory level.

For these reasons the Company's directors do not believe that a discussion of the principal financial risks facing the Company or of the management of those risks is appropriate for an understanding of its development, performance or financial position.

The principal risks faced by the Group, and the strategy it employs to manage those risks, are discussed on pages 4 and 5 of Taveta Investments Limited's Annual report which does not form part of this report.

This report was approved by the board on 7 December 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P. Budge', with a long horizontal stroke extending to the right.

Paul Budge
Director
Date: 7 December 2017

Top Shop/Top Man Limited

Directors' report for the year ended 26 August 2017

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

Matters covered in the strategic report

The principal activities, the business review, financial risk management, KPIs and future developments are all discussed in the strategic report on pages 1 and 2.

Dividends

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

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

Paul Budge
Jonathan Sokoloff
David Shepherd (resigned 28 September 2017)
Siobhan Forey
Mary Homer (resigned 2 June 2017)
Chris Harris
Ian Grabiner
Sir Philip Green
James Halper
Paul Price (appointed 28 September 2017)

Top Shop/Top Man Limited

Directors' report for the year ended 26 August 2017

Directors' responsibilities

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

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

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

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.

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

Employees and equal opportunities

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

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

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

Charitable donations

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

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

During the year, the funds raised through the Top Shop and Top Man brands charitable activities was £149,000 (2016: £93,000).

Top Shop/Top Man Limited

Directors' report for the year ended 26 August 2017

Qualifying third party indemnity provisions

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

Disclosure of information to auditors

In accordance with Section 418 of the Companies Act 2006, each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

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

Independent auditors

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

This report was approved by the board on 7 December 2017 and signed on its behalf by:



Paul Budge
Director
Date: 7 December 2017

Independent auditors' report to the members of Top Shop/Top Man Limited

Report on the audit of the financial statements

Opinion

In our opinion, Top Shop/Top Man Limited's financial statements (the "financial statements"):

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

We have audited the financial statements, included within the Annual report and Financial statements (the "Annual Report") which comprise: the Balance sheet as at 26 August 2017; the Profit and loss account, the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Independent auditors' report to the members of Top Shop/Top Man Limited

Reporting on other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic report and Directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Top Shop/Top Man Limited

Independent auditors' report to the members of Top Shop/Top Man Limited

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, reading "Paul Cragg". The signature is written in a cursive, flowing style.

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

Top Shop/Top Man Limited

**Profit and loss account
for the year ended 26 August 2017**

		Before exceptional items 2017 £000	Exceptional items (note 6) 2017 £000	Total 2017 £000	Before exceptional items 2016 £000	Exceptional items (note 6) 2016 £000	Total 2016 £000
	Note						
Turnover	5	933,626	-	933,626	990,813	-	990,813
Cost of sales		(808,520)	(12,584)	(821,104)	(789,788)	(8,598)	(798,386)
Gross profit/(loss)		125,106	(12,584)	112,522	201,025	(8,598)	192,427
Administrative expenses		(42,388)	-	(42,388)	(37,998)	-	(37,998)
Operating profit/(loss) before goodwill amortisation	7	82,718	(12,584)	70,134	163,027	(8,598)	154,429
Goodwill amortisation		(44,898)	-	(44,898)	(44,898)	-	(44,898)
Operating profit/(loss)	7	37,820	(12,584)	25,236	118,129	(8,598)	109,531
Interest receivable and similar income	9	948	-	948	1,701	-	1,701
Interest payable and similar expenses	10	(25,275)	-	(25,275)	(26,663)	-	(26,663)
Profit/(loss) before taxation		13,493	(12,584)	909	93,167	(8,598)	84,569
Tax on profit	11	(14,092)	2,309	(11,783)	(26,856)	1,719	(25,137)
Profit/(loss) for the financial year		(599)	(10,275)	(10,874)	66,311	(6,879)	59,432

All amounts relate to continuing operations.

There were no other comprehensive income transactions in 2017 or 2016 therefore a statement of comprehensive income has not been presented.

The notes on pages 12 to 32 form part of these financial statements.

Top Shop/Top Man Limited
Registered number: 2317752

Balance sheet
as at 26 August 2017

	Note	2017 £000	Restated 2016 £000
Fixed assets			
Intangible assets	12	733,927	771,483
Tangible assets	13	38,895	50,177
Investments	14	50	50
		<u>772,872</u>	<u>821,710</u>
Current assets			
Stocks	15	89,848	83,665
Debtors	16	199,623	136,020
Cash at bank and in hand		216,961	275,229
		<u>506,432</u>	<u>494,914</u>
Creditors: amounts falling due within one year	17	(301,950)	(181,748)
Net current assets		<u>204,482</u>	<u>313,166</u>
Total assets less current liabilities		<u>977,354</u>	<u>1,134,876</u>
Creditors: amounts falling due after more than one year	18	(325,000)	(475,000)
Other provisions	20	(9,320)	(5,968)
Net assets		<u><u>643,034</u></u>	<u><u>653,908</u></u>
Capital and reserves			
Called up share capital	21	-	-
Share premium account		350,000	350,000
Retained earnings		293,034	303,908
Total equity		<u><u>643,034</u></u>	<u><u>653,908</u></u>

The restatement in 2016 is disclosed in note 26.

The financial statements on pages 9 to 32 were approved and authorised for issue by the board and were signed on its behalf on 7 December 2017.


Paul Budge
Director

The notes on pages 12 to 32 form part of these financial statements.

Top Shop/Top Man Limited

**Statement of changes in equity
for the year ended 26 August 2017**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
At 30 August 2015	-	350,000	244,476	594,476
Profit for the financial year	-	-	59,432	59,432
At 28 August 2016	-	350,000	303,908	653,908
Loss for the financial year	-	-	(10,874)	(10,874)
At 26 August 2017	-	350,000	293,034	643,034

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

1. General information

Top Shop/Top Man Limited ("the Company") operates a number of retailing stores throughout the UK and internationally, selling clothing and clothing accessories under the Top Shop and Top Man brand names.

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

2. Statement of compliance

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

3. Accounting policies

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

3.1 Basis of preparation of financial statements

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

The Company's functional and presentation currency is the pound sterling.

The financial statements are prepared on a going concern basis and under the historical cost convention. In the opinion of the directors it is appropriate to prepare the financial statements on the going concern basis as the Company continues to generate sufficient cash through operating activities to meet their working capital requirements and the Company has net assets of £643,034,000 (2016: £653,908,000).

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

The Company is a subsidiary of Arcadia Group Limited and of its ultimate parent, Taveta Investments Limited. It is included in the consolidated financial statements of both Arcadia Group Limited and Taveta Investments Limited which are publicly available. Therefore the Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

3. Accounting policies (continued)

3.2 Exemptions for qualifying entities under FRS 102

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

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Taveta Investments Limited, includes the Company's cashflows in its own consolidated financial statements.

The Company has also taken advantage of the exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures of Taveta.

The Company has also taken advantage of the exemption from disclosing the key management personnel compensation in total, on the basis that it is a qualifying entity and the key management personnel compensation is disclosed in the consolidated financial statements of Taveta, the Company's ultimate parent company.

3.3 Related party transactions

The Company has taken advantage of the exemption under FRS 102 from disclosing related party transactions with entities that are part of the Top Shop/Top Man (Holdings) Limited Group.

The Company discloses transactions with related parties which are not wholly owned within the Top Shop/Top Man (Holdings) Limited Group.

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

3. Accounting policies (continued)

3.4 Revenue

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

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

(i) Sale of goods - retail

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

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

(ii) Sale of goods - internet-based transactions

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

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

(iii) Income from concession arrangements

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

(iv) Income from franchise fees

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

(v) Income from wholesale arrangements

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

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

3. Accounting policies (continued)

3.5 Intangible assets

Goodwill and business combinations

Business combinations are accounted for by applying the purchase method.

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

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

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

Software

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

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

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

Costs that are associated with maintaining computer software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

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

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

3. Accounting policies (continued)

3.6 Tangible assets and depreciation

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

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

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

Depreciation is provided on the following basis:

Fit out, fixtures and equipment - 3 to 10 years

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

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

3.7 Impairment of fixed assets

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

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

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

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

3. Accounting policies (continued)

3.8 Leased assets

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

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

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

3.9 Foreign exchange

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

3.10 Investments

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

3.11 Stock valuation

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

3.12 Cash and cash equivalents

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

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

3. Accounting policies (continued)

3.13 Financial instruments

(i) Financial assets

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

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

(ii) Financial liabilities

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

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

(iii) Offsetting

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

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

3.14 Pensions

The Company's employees participate in two defined benefit schemes operated by the Group to which the Company contributes in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. These schemes are disclosed in the financial statements of the sponsoring employer, Arcadia Group Limited.

The above schemes are now closed and eligible employees are offered the opportunity to join the group's defined contribution scheme. For this scheme, the amounts charged to the profit and loss account are the contributions payable during the year.

3.15 Provisions for liabilities

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

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

3. Accounting policies (continued)

3.16 Taxation

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

(i) Current tax

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

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

(ii) Deferred tax

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

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

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

3.17 Exceptional items

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

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

4. Critical accounting judgements and estimation uncertainty

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

(i) Impairment of tangible fixed assets

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

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

(ii) Impairment of intangible assets and goodwill

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

(iii) Provision for onerous leases

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

(iii) Taxes

Determining current tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on timing differences where it is probable that there will be taxable income against which these can be offset. See note 19 for details of deferred tax recognised.

5. Turnover

Turnover is wholly attributable to the Company's principal activities.

A geographical analysis of turnover is as follows:

	2017 £000	2016 £000
UK	845,908	916,446
Rest of the world	87,718	74,367
	<u>933,626</u>	<u>990,813</u>

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

6. Exceptional items

	2017 £000	2016 £000
Provision for onerous leases on loss-making stores	4,848	4,913
Impairment of tangible assets	6,562	3,685
Impairment of intangible assets	1,174	-
	<u>12,584</u>	<u>8,598</u>

As in the prior year, the Company has reviewed those leasehold stores currently making a loss to assess whether their future operating cash flows are projected to meet their rental and other property cost obligations. Where appropriate, the projected shortfall between the operating cash flows and the property costs for the period of the lease or, if earlier, to the expected date of disposal, has been provided for. The figure above reflects an increase in the provision which was recognised against leases in prior years of £621,000, and also an increase in the provision for new loss-making stores of £4,227,000. The resultant provision has been discounted to net present value at a rate of 4%. See note 20.

The Company considers that each trading property is a separate cash generating unit (CGU) and therefore considers every property for an indication of impairment annually. The Company calculates each property's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value in use' and 'fair value less costs of disposal' and is discounted to net present value at a pre-tax discount rate of 9.4%. If the recoverable amount is less than the book value, an impairment charge is recognised. Having applied the above methodology, the Company has recognised an impairment charge of £6,562,000 (2016: £3,685,000) during the year. For further details see note 4(i).

At 26 August 2017, the key assumption to which the 'value-in-use' calculation is most sensitive is the sales growth rate over the forecast period. Specific sensitivity analysis with regard to this assumption shows that a further decrease of 1% would result in an additional impairment charge of approximately £2,312,000.

At 26 August 2017 there were indicators that some intangible assets may be impaired due to the termination of software development projects. Accordingly the Company recognised an impairment charge of £1,174,000 (2016: £nil) against these intangible assets.

The exceptional charges relating to onerous leases and tangible and intangible asset impairment are all recognised within exceptional cost of sales in the profit and loss account. The tax credit arising on these items is £2,309,000 (2016: £1,719,000).

Top Shop/Top Man Limited

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

7. Operating profit/(loss)

The operating profit/(loss) is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible fixed assets	14,634	16,516
Amortisation of software intangible assets	5,277	3,291
Amortisation of goodwill	44,898	44,898
Impairment of tangible fixed assets	6,562	3,685
Impairment of intangible assets	1,174	-
Stock recognised as an expense	354,935	391,569
Impairment of stock	4,979	3,982
Operating lease rentals payable	70,235	70,296
Shared service charge from Arcadia Group Limited	42,388	37,998

None of the directors received remuneration in respect of his or her services to the Company during the year (2016: £nil).

Auditors' remuneration of £10,000 (2016: £10,000) has been borne by Arcadia Group Limited, a fellow group undertaking. There were no non-audit services provided by the Company's auditors in the year (2016: none).

8. Staff costs

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	118,183	116,342
Social security costs	8,323	7,986
Other pension costs (note 22)	1,598	1,707
	128,104	126,035

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

	2017 No.	2016 No.
Retailing activities	8,519	9,069

The average monthly number of full-time equivalent employees was 4,363 (2016: 4,571).

9. Interest receivable and similar income

	2017 £000	2016 £000
Bank deposits	948	1,701

Top Shop/Top Man Limited

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

10. Interest payable and similar expenses

	2017 £000	2016 £000
Bank loans and overdrafts	26	25
Unwind of discount rate on provisions (note 20)	234	156
Vendor loan notes (note 17 and 18)	25,000	26,250
Other interest payable	15	232
	25,275	26,663

11. Taxation

	2017 £000	2016 £000
Corporation tax		
Current tax on profits for the year	11,174	21,127
Adjustments in respect of previous periods	1,044	(1,248)
	12,218	19,879
Total current tax	12,218	19,879
Deferred tax		
Origination and reversal of timing differences	(1,849)	5,383
Adjustments in respect of previous years	997	(578)
Effects of changes in tax rates	417	453
Total deferred tax	(435)	5,258
Taxation on profit on ordinary activities	11,783	25,137

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

11. Taxation (continued)

Factors affecting tax charge for the year

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

	2017 £000	2016 £000
Profit before taxation	909	84,569
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.6% (2016: 20.0%)	178	16,913
Effects of:		
Expenses not deductible for tax purposes	9,147	9,597
Adjustments in respect of previous years	2,041	(1,826)
Tax rate changes	417	453
Total tax charge for the year	11,783	25,137

Factors that may affect future tax charges

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

The company has entered into a group payment arrangement whereby Arcadia Group Limited undertakes to make corporation tax payments on behalf of all companies within the Arcadia Group. Accordingly, at the year end the company's corporation tax creditor has been offset against amounts owed by group undertakings (note 16).

Top Shop/Top Man Limited

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

12. Intangible assets

	Software £000	Goodwill £000	Total £000
Cost			
At 28 August 2016	48,460	897,951	946,411
Additions	13,688	-	13,688
Transfers	105	-	105
Disposals	(1,763)	-	(1,763)
At 26 August 2017	60,490	897,951	958,441
Amortisation			
At 28 August 2016	6,562	168,366	174,928
Charge for the year	5,277	44,898	50,175
Disposals	(1,763)	-	(1,763)
Impairment charge	1,174	-	1,174
At 26 August 2017	11,250	213,264	224,514
Net book value			
At 26 August 2017	49,240	684,687	733,927
At 27 August 2016	41,898	729,585	771,483

On 5 December 2012, Top Shop/Top Man Limited acquired the trade and assets of Top Shop/Top Man UK businesses from Arcadia Group Brands Limited, a fellow group undertaking, for a consideration of £876,613,000. Goodwill of £897,951,000 arose due to the difference in consideration received and the book value of the net liabilities attributable to the operation at the date of sale.

The consideration paid was determined by reference to an enterprise value (an approximation of market value) of the Top Shop/Top Man brand and the operation's share of that brand.

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

13. Tangible assets

	Fit out, fixtures and equipment £000
Cost	
At 28 August 2016	119,629
Additions	11,200
Transfers intra group	(1,269)
Disposals	(43,271)
	<hr/>
At 26 August 2017	86,289
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Depreciation	
At 28 August 2016	69,452
Charge for the year	14,634
Disposals	(43,254)
Impairment charge	6,562
	<hr/>
At 26 August 2017	47,394
	<hr/>
Net book value	
At 26 August 2017	38,895
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At 27 August 2016	50,177
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The cost of disposals and depreciation on disposals of fit out, fixtures and equipment reflects the removal of £43,103,000 of fully depreciated assets no longer in use in the business.

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

14. Investments

	Investments in subsidiary undertakings £000
Cost	
At 28 August 2016	50
At 26 August 2017	50
Net book value	
At 26 August 2017	50
At 27 August 2016	50

Subsidiary undertakings

The directors believe that the carrying value of the investments is supported by their underlying net assets. At 26 August 2017, with the exception of Parkwood Topshop Athletic Limited (50%), the Company owned the whole of the issued ordinary shared capital of the subsidiary undertakings listed below. The registered office for Top Shop/Top Man (Ireland) Limited is: Grand Canal Square, Dublin 2. The registered office for Top Shop/Top Man (Netherlands) B.V. is 48/52 Kalverstraat, 1012PE, Amsterdam. The registered office for all other companies is: Colegrave House, 70 Berners Street, London, W1T 3NL.

Name	Country of registration	Principal activity
Arcadia Group (USA) Limited	England	Fashion retailing
Parkwood Topshop Athletic Limited	England	Fashion retailing
Top Shop/Top Man (Australia) Limited	England	Fashion retailing
Top Shop/Top Man (Germany) Limited	England	Dormant
Top Shop/Top Man (Ireland) Limited	Ireland	Fashion retailing
Top Shop/Top Man (Netherlands) B.V.	Netherlands	Property holding
Top Shop/Top Man (Trinity) Limited	England	Dormant
Top Shop/Top Man Wholesale Limited	England	Fashion retailing
Top Shop/Top Man Properties Limited	England	Property investment

Top Shop/Top Man Limited

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

15. Stocks

	2017	Restated
	£000	2016
		£000
Goods for resale	89,848	83,665

Stocks are stated after provision for impairment of £4,390,000 (2016: £3,263,000).

The 2016 restatement is disclosed in note 26.

16. Debtors

	2017	2016
	£000	£000
Trade debtors	27,502	26,594
Amounts owed by group undertakings	145,591	95,447
Other debtors	13,660	6,345
Deferred tax asset (note 19)	4,513	4,078
Prepayments and accrued income	5,011	3,556
Tax recoverable	3,346	-
	199,623	136,020

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

Trade debtors are stated after provisions for impairment of £5,025,000 (2016: £567,000).

Top Shop/Top Man Limited

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

17. Creditors: amounts falling due within one year

	2017	Restated
	£000	2016
		£000
Vendor loan note	150,000	25,000
Trade creditors	101,067	91,483
Corporation tax	-	2,530
Taxation and social security	8,580	15,364
Other creditors	18,391	21,256
Accruals and deferred income	23,912	26,115
	301,950	181,748

The vendor loan notes bears interest at 5%, is unsecured and repayable on demand (this requires both parties to agree to an immediate repayment). The ageing disclosed reflects the current repayment schedule.

The 2016 restatement is disclosed in note 26.

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

	2017	2016
	£000	£000
Vendor loan note	325,000	475,000

The vendor loan note bears interest at 5%, is unsecured and repayable on demand (this requires both parties to agree to an immediate repayment). The ageing disclosed reflects the current repayment schedule.

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

19. Deferred taxation

	Deferred tax £000
At 28 August 2016	4,078
Charged to the profit and loss account	435
At 26 August 2017	4,513

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Fixed asset timing differences	3,532	3,396
Other timing differences	981	682
	4,513	4,078

20. Provisions

	Onerous leases £000
At 28 August 2016	5,968
Charged to the profit and loss account	4,848
Discount unwind	234
Utilised in year	(1,730)
At 26 August 2017	9,320

Onerous leases

The onerous lease provision relating to loss-making stores is discounted at a return of 4% (2016: 4%). A decrease in the discount rate of 1% would result in an increase in the provision of £701,000 (2016: £432,000). Provision has been made for the remaining period of the leases, which on average is 12.1 years (2016: 5.0 years).

The exceptional charge of £4,848,000 (2016: £4,913,000) reflects an increase in the provision on properties for which a provision was recognised in prior years of £621,000 (2016: £4,183,000) and also an increase in the provision for new loss-making stores of £4,227,000 (2016: £730,000).

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

21. Called up share capital

	2017 £	2016 £
Allotted and fully paid		
2 (2015: 2) ordinary shares of £1 each	<u>2</u>	<u>2</u>

22. Pension commitments

The Company's eligible employees participate in two defined benefit schemes operated by Arcadia Group Limited. These schemes are financed through separate trustee administered funds. Contributions to the schemes are based on actuarial advice following the most recent valuations of the funds. During the year, the Company contributed £nil (2016: £nil) to the above schemes.

An actuarial valuation of the defined benefit schemes referred to above, and carried out as at 26 August 2017 for the purposes of FRS 102 section 28, identified that the present value of their liabilities exceeded the market value of the schemes' assets by £299,662,000 (2016: £348,726,000). The detailed disclosures required by FRS 102 are provided for the Group as a whole in the consolidated financial statements of the Company's ultimate parent undertaking, Taveta Investments Limited.

The defined benefit schemes above are now closed to future accrual and eligible employees were offered the opportunity to join the Group's defined contribution scheme, to which the Company contributed £1,598,000 (2016: £1,707,000) in the financial year.

23. Related party transactions

During the year the Company incurred a shared service recharge from Arcadia Group Limited of £42,388,000 (2016: £37,998,000).

The Group has an agreement with a fellow subsidiary, Arcadia Group Limited, whereby numerous costs are incurred on the Company's behalf and recharged monthly on an arm's length basis. At the year end the amount owed by Arcadia Group Limited to the Company was £607,000 (2016: £2,200,000).

The Company occupies trading stores where the leases are owned by fellow Arcadia Group Limited subsidiaries outside of the Top Shop/Top Man (Holdings) Limited group. The charge to the Company in the year was £20,856,000 (2016: £22,132,000).

Parkwood Topshop Athletic Limited ('Parkwood') is a joint venture between Top Shop/Top Man Limited ('TSTM') and Parkwood Athletic LLC to develop a brand for athletic wear. During the year TSTM provided funding of £7,662,000 (2016: £5,129,000) on behalf of Parkwood. At the year end Parkwood owed the company £13,772,000 (2016: £6,110,000).

In 2012 as part of the financing of the transfer of trade and net assets of the Top Shop/Top Man businesses the Company issued vendor loan notes to Arcadia Group Limited for the value of £600,000,000. The Company made a capital repayment of £25,000,000 (2016: £25,000,000) and paid accrued interest of £25,000,000 (2016: £26,250,000). At the year end the total amount outstanding on the vendor loan note was £475,000,000 (2016: £500,000,000) (see notes 17 and 18).

Top Shop/Top Man Limited

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

24. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Top Shop/Top Man Holdings Limited a company incorporated in England. The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England. The largest group to consolidate these financial statements is Taveta Investments Limited. The smallest group is Arcadia Group Limited. Copies of both Arcadia Group Limited and Taveta consolidated financial statements can be obtained by writing to the Secretary at Colegrave House, 70 Berners Street, London, W1T 3NL.

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

25. Contingent liabilities

The Company considers the potential obligations which may arise as a result of past events and the uncertainty of the impact on the Company. Where the Company identifies an obligation for which payment is probable and the amount can be reliably estimated, a provision is recognised. The Company has given guarantees in respect of property leases held by other group companies, which at 26 August 2017 amounted to £1,500,000 (2016: £2,123,000).

26. Prior year adjustment

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

The effect of the restatement has been to increase stock by £12,941,000 and to increase trade creditors by the same amount.

There has been no impact on equity, profit and loss or cash flow as a result of the restatement.