

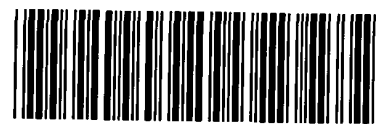
LANDS' END EUROPE LIMITED

**Strategic Report, Directors' Report and
Financial Statements**

Company Registration Number 02583731

Period ended 27 January 2017

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LANDS' END EUROPE LIMITED

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LANDS' END EUROPE LIMITED

Officers, registered office and professional advisers

Directors

James Frederick Gooch
Dorian Robert Williams – resigned 25th September 2017
Monique Louis – appointed 25th September 2017
Peter Grey – appointed 25th September 2017

Secretary

Justin James Mclarney

Registered Office

Lands' End Way
Oakham
Rutland
LE15 6US
United Kingdom

Bankers

Santander UK plc
2 Clumber Street
Nottingham
NG1 3GA
United Kingdom

Auditor

Deloitte LLP
Statutory Auditor
1 Woodborough Road
Nottingham
NG1 3FG
United Kingdom

LANDS' END EUROPE LIMITED

Strategic report

The directors present their Strategic Report with the audited financial statements of the Company for the 52 weeks ended 27 January 2017. The comparative period is the 52 weeks ended 29 January 2016. In preparing this Strategic Report, the directors have complied with s414c of the Companies Act 2006.

Principal activity and business review

The Company is a wholly owned subsidiary of the parent company, Lands' End International Inc., a company incorporated in the state of Delaware, USA.

The principal activity of the Company is the direct merchandising of traditionally styled casual clothing for men and women, principally in the United Kingdom and Germany. There has not been any significant change in the Company's principal activity in the year under review. On the 28 January 2017 the Company transferred the activity of its German branch to Lands' End GmbH, a company incorporated in Germany and which is also wholly owned by Lands' End International Inc. The transfer was made at book values and equated to the value of the head office/branch control account. Customers in the markets served by Lands' End GmbH will still have their purchases delivered by the Company but the sales will now be recorded as inter-company sales. Other than this, the directors are not aware, at the date of this report, of any other likely change in the Company's activity in the next year.

As shown in the Company's income statement on page 10, turnover increased by 5.2% to £93.0m which comprised a 9.3% increase as a result of sales in Euro, which benefited from exchange rate movement against the pound sterling, and a decrease in overall unit sales of 3.9% due to a combination of an increasingly competitive and promotional market place.

The Company recorded an operating loss of £853,637 during the period (52 weeks ended 29 January 2016 profit of £821,604). The loss before tax was £805,103 (52 weeks ended 29 January 2016 profit of £859,689). The statement of financial position on page 11 shows that the Company's net assets were £37,834,721 as at 27 January 2017 having reduced by £715,960 (1.9%) during the period.

Key performance indicators

The directors utilise various KPI's in order to measure the performance of the business. These are measured against operating profit/(loss) as this removes variations caused by interest and corporation tax rates. The KPI's are:

	2017	2016
Return on capital employed (i)	(4.2)%	3.3%
Return of operating (loss)/profit to turnover	(0.9)%	0.9%
Operating (loss)/profit per employee (£)	(2,477)	2,347

(i) Operating profit as per financial statements divided by capital employed being period end net assets excluding cash deposits or overdrafts.

Whilst the Company saw both turnover and gross profit grow in the year this was largely driven by the impact of the German branch whose revenue is Euro denominated; the impact of the Brexit vote on currency translation was therefore favourable. Conversely the operating loss for the year was also directly driven by the impact of the Euro denominated business in Germany as operating expenses increased as a result of the weaker pound in addition to the changes in the USD denominated recharges received from Lands' End Inc. which were also adversely impacted by the weaker pound.

Future developments

Given the ongoing macro-economic uncertainties, the directors consider that both the near and medium term outlook will continue to place pressure on market pricing and competitor discounting. The directors believe that the Company is well placed to mitigate these pressures through a value proposition that generates strong customer loyalty combined with sufficient liquidity that will allow the Company to be flexible and adapt to changing market conditions.

LANDS' END EUROPE LIMITED

Strategic report (Continued)

One measure that was taken with effect from the new financial year is that the branch structure currently operated with the German business has been changed. Moving forward the German sister company, Lands' End GmbH (LE GmbH), will no longer act as a Sales Agent but rather as a fully fledged distributor throughout Europe with the following implications:

- The Company will no longer recognise the total sales and associated costs in its results, it will simply recognise the intercompany sale of goods to LE GmbH at an appropriate arms length price respective of acting as a supplier to LE GmbH.
- LE GmbH will purchase goods for re-sale from the Company for sale to third party customers at a retail market price. LE GmbH will also carry all costs associated with its operations where as in the past these would have been recharged back to the Company at an appropriate mark-up under the arms length terms of the Commission Agent arrangements that were in place upto the end of the financial period 27 January 2017.
- In addition to selling goods for re-sale to LE GmbH, the Company will also recharge other associated costs for the provision of services to LE GmbH on an arms length basis.

Principal risks and uncertainties

Competitive pressure in the United Kingdom and Europe is a continuing risk for the Company; if we fail to offer merchandise and services that customers want to purchase, our business and results of operations could be adversely affected. Our products must satisfy the desires of customers, whose preferences change over time and so in order to be successful we must identify, obtain supplies of, and offer to customers attractive, innovative and high-quality merchandise on a continuous and timely basis. Failure to effectively gauge the direction of customer preferences, or convey a compelling brand image or price/value equation to customers may result in lower sales and resultant lower gross profit margins.

The Company manages these risks by providing an excellent quality products and services including handling customer queries efficiently in order to develop and maintain a strong relationship with its customers.

The Company's products are manufactured using several key raw materials including wool, cotton and down. These materials are subject to fluctuations in price and availability with many being produced in emerging markets in Asia and Central America. To ensure that economies of scale are achieved, the Company purchases these products via its parent company, Lands' End International Inc. Exchange risk on these purchases is borne by the parent company with purchases made during the year being paid for at foreign exchange rates which are fixed throughout the year. However, the fixed exchange rates are re-set at the commencement of each year and the Company does carry the risk of that year-on-year exchange rate movement.

The Company relies on sophisticated information technology systems provided via the US parent to operate our business, including the e-commerce websites, inventory management, warehouse management and human resources, some of which are based on end-of-life or legacy technology which over time present greater difficulty to maintain. Our systems may be subject to damage or interruption from power outages, computer or telecommunications failures, computer viruses, security breaches as well as risks posed by catastrophic events such as fire, tornadoes and hurricanes as well as usage errors by our employees or vendors. Operating legacy systems subjects the business to inherent costs and risks associated with maintaining, upgrading and replacing these systems as well as its ability to recruit and retain sufficiently skilled personnel to maintain and operate the systems. Our e-commerce websites are subject to numerous risks associated with selling merchandise that could have an adverse effect on our results, including unanticipated operating problems, reliance on third-party computer hardware and software providers, system failures and the need to invest in additional and updated computer platforms. The risk control/mitigation is managed through the ongoing engagement and ability of the Group support functions provided by the US parent and is therefore reliant upon the Group to provide the requisite level of development and innovation to mitigate these risks.

LANDS' END EUROPE LIMITED

Strategic report (Continued)

Increases in postage, paper and printing costs could adversely affect the costs of producing and distributing our catalogue and promotional mailings, which could have an adverse effect on the business performance. Catalogue mailings are a key aspect of our business and increases in the associated production costs could reduce our profitability to the extent that we are unable to offset such increases by raising prices or implementing more efficient printing and postage options or by using alternative direct-mail formats. We currently use national mail carriers for distribution of substantially all of our catalogues and are therefore vulnerable to postal rate increases that may not be capable of being offset by discounts that Lands' End Europe Limited currently obtains for bulk mailings or pre-sorting by postal codes and carrier routes.

In addition to this, the impact of the Brexit vote in 2016 has create cost increases to the business as a result of the sterling currency devaluation and the impact on market / consumer confidence is expected to continue until greater certainty is understood on the outcomes / implications of the exit negotiations.

The Company has sought to manage this risk by taking the structural actions noted in the Future Developments section above.

Approved by the Board of Directors and signed on behalf of the Board on 26 October 2017.



Monique Louis
Director

LANDS' END EUROPE LIMITED

Directors' report

The directors present their report with the audited financial statements of the Company for the 52 weeks ended 27 January 2017. The comparative period is the 52 weeks ended 29 January 2016.

Results and dividends

Results for the period were as follows:

	27 January 2017 £'000	29 January 2016 £'000
Accumulated surplus at the beginning of the period	31,050,681	30,366,253
(Loss)/profit for the financial year	(715,960)	684,428
Accumulated surplus at the end of the period	<u>30,334,721</u>	<u>31,050,681</u>

There was no payment of dividends made during the current period nor in the prior period.

Directors and their interests

The directors who served during the year and subsequently to the date of this report were as follows:

James Frederick Gooch (Appointed 16 March 2016)
Steven Rado (Appointed 28 January 2016; Resigned 21 May 2016)
Dorian Robert Williams

No director held any beneficial interest in the shares of the Company during the period.

Going Concern

The Company has considerable financial resources and no external borrowing. As a consequence, the Company is well placed to manage its business risks successfully, despite uncertainty in economic outlook.

The directors have reviewed the forecast results for a period of at least 12 months from the date of this report, whilst in the shorter term it is anticipated that the business will be faced with reduced profitability, principally driven by the weakening of the pound sterling versus the US dollar, the currency in which goods are purchased, it is expected that offsetting actions will be taken with regard to passing on price increases to customers combined with continued cost efficiencies in order to enable the Company to move back to the position of making operating profits across the medium term.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they have continued to adopt the going concern basis of accounting in preparing these annual financial statements.

Charitable and political contributions

During the period the Company made charitable donations of £36,431 (52 weeks ended 29 January 2016 - £27,802).

Disabled employees

It is the Company's policy to give fair consideration to the employment needs of disabled persons and to comply with current legislation with regard to such persons. It is the policy of the Company, so far as is possible, to treat disabled persons in an identical way to other employees for training, career development and promotion.

Employee consultation

The Company places considerable value on the involvement of its employees. The Company has continued its practice of keeping employees informed, through regular briefing meetings, on matters affecting them and on the various factors affecting the performance of the Company.

LANDS' END EUROPE LIMITED

Directors' report (continued)

Financial risk management objectives and policies

The Company uses financial instruments, other than derivatives, comprising intercompany borrowings, cash and other liquid resources and various other items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risks arising from the Company's financial instruments are liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks, which are summarised below. The policies have remained unchanged from the previous period.

The Company finances its operations through a mixture of retained profits and intercompany accounts.

Liquidity Risk

The Company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs, and to invest cash assets safely and profitably.

Currency Risk

The Company is exposed to an element of translation foreign exchange risk, by virtue of its mainland European business.

The Company is protected against transactional foreign exchange risk because the majority of its foreign currency purchases are at a pre-agreed exchange rate.

Auditor

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- 1) So far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditor is unaware; and
- 2) Each of the directors has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006 unless the Company receives notice under section 488 (1) of the Companies Act 2006.

For more information concerning the future developments please see the Strategic Report.

Approved by the Board and signed on its behalf on 26 October 2017.



Monique Louis
Director

LANDS' END EUROPE LIMITED

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 those financial statements, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and accounting estimates that are reasonable and prudent;
3. state whether applicable UK Accounting Standards have been followed; and
4. 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDS' END EUROPE LIMITED

We have audited the financial statements of Lands' End Europe Limited for the 52 weeks ended 27 January 2017 which comprise the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 27 January 2017 and of its loss for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

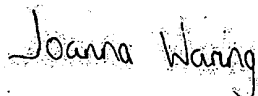
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDS' END EUROPE LIMITED

Matters on which we are required to report by exception

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

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



Joanna Waring FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Nottingham, United Kingdom

27 October 2017

LANDS' END EUROPE LIMITED

Income statement for the 52 week period ended 27 January 2017

	Notes	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Turnover	3	93,016,105	88,436,271
Cost of sales		<u>(46,809,082)</u>	<u>(48,546,578)</u>
Gross profit		46,207,023	39,889,693
Other operating expenses	4	<u>(47,060,660)</u>	<u>(39,068,089)</u>
Operating (loss)/profit		(853,637)	821,604
Finance income	5	<u>48,534</u>	<u>38,085</u>
(Loss)/profit on ordinary activities before taxation	6	<u>(805,103)</u>	<u>859,689</u>
Tax on (loss)/profit on ordinary activities	8	<u>89,143</u>	<u>(175,261)</u>
(Loss)/profit for the period		<u><u>(715,960)</u></u>	<u><u>684,428</u></u>

There were no gains or losses other than the (loss)/profit for either period; accordingly no statement of comprehensive income is presented.

All operations of the Company continued throughout both periods.

The accompanying notes 1 to 18 are an integral part of these financial statements.

LANDS' END EUROPE LIMITED

Statement of financial position as at 27 January 2017

	Notes	27 January 2017 £	29 January 2016 £
Fixed assets			
Tangible assets	9	6,974,522	7,571,407
Current assets			
Stocks	10	20,877,604	21,312,683
Debtors	11	9,546,855	9,622,139
Cash at bank and in hand		17,668,403	13,666,206
		48,092,862	44,601,028
Creditors: amounts falling due within one year	12	(16,962,404)	(13,297,986)
Net current assets		31,130,458	31,303,042
Total assets less current liabilities		38,104,980	38,874,449
Provisions for liabilities	13	(270,259)	(323,768)
Net assets		37,834,721	38,550,681
Capital and reserves			
Called-up share capital	14	7,500,000	7,500,000
Profit and loss account		30,334,721	31,050,681
Total shareholders' funds - all equity		37,834,721	38,550,681

Signed on behalf of the board

Monique Louis

Monique Louis
Director

The financial statements of Lands' End Europe Limited, registered number 2583731 on pages 10 to 24 were approved by the board of directors on 26 October 2017.

The accompanying notes 1 to 18 are an integral part of these financial statements.

LANDS' END EUROPE LIMITED

Statement of changes in equity as at 27 January 2017

	Called-up share capital £	Profit and loss account £	Total £
At 30 January 2015	7,500,000	30,366,253	37,866,253
Profit for the financial period	-	684,428	684,428
Total comprehensive income	-	684,428	684,428
At 29 January 2016	7,500,000	31,050,681	38,550,681
Loss for the financial period	-	(715,960)	(715,960)
Total comprehensive expense	-	(715,960)	(715,960)
At 27 January 2017	7,500,000	30,334,721	37,834,721

LANDS' END EUROPE LIMITED

Notes to the financial statements For the 52 weeks ended 27 January 2017

1. Accounting policies

The principal accounting policies of the Company are set out below.

General information and basis of accounting

Lands' End Europe Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1 of this document. The nature of the Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 4 of this document.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Lands' End Europe Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. Foreign operations are included in accordance with the policies set out below.

Lands' End Europe Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, on the basis such disclosures are included in the consolidated financial statements. The Company's results are consolidated in the financial statements of Lands' End Inc., and copies of these may be obtained from the address in note 18. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Tangible fixed assets

Tangible fixed assets are shown at cost, net of accumulated depreciation. Freehold land is not depreciated.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets, on a straight-line basis, over their expected useful lives as follows:

Buildings	- 30 years
Leasehold improvements	- over the life of the lease
Plant and machinery	- 10 years
Fixtures and fittings	- 10 years
Motor vehicles	- 4 years
Computer equipment	- 3 to 5 years

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued)

For the 52 weeks ended 27 January 2017

1. Accounting policies (continued)

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in pounds sterling using actual exchange rates ruling as of the date of each transaction, with the exception of purchases and charges from Lands' End International Inc. and Lands' End GmbH where these are transacted at fixed exchange rates set at the commencement of each financial year. Monetary assets and liabilities denominated in foreign currencies at the year end are revalued and reported using exchange rates prevailing at the date of the statement of financial position. Exchange gains or losses and exchange revaluation adjustments are dealt with in the income statement.

Turnover

Turnover comprises the value of sales (excluding Value Added Tax and trade discounts) of goods and services from continuing operations in the normal course of business. Turnover is recognised at the point of delivery to the customer.

Leases

Rentals paid under operating leases are charged to the income statement on a straight-line basis over the lease term.

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge for the period represents contributions payable by the Company to the fund.

Related Party Transactions

The Company is a wholly owned subsidiary of Lands' End International Inc. and has taken advantage of the exemption given in FRS 102 which allows non-disclosure of certain intercompany transactions on the basis that the results of the Company are included in the consolidated financial statements of the Company's ultimate parent company, Lands' End International Inc., and that these consolidated financial statements are publicly available.

Stocks

Stocks are stated at the lower of cost or net realisable value. Stock cost includes the purchase cost, expenses incurred in bringing each product to its present location and condition, applicable duties and freight costs.

Net realisable value is based on estimated normal selling price, less any further costs expected to be incurred to sale completion. Where appropriate, provisions are made against slow moving or defective items.

Stock in Transit

Stock in transit is merchandise that has been shipped by the seller but not yet received by the Company. When the Company contracts directly with the seller for the supply of merchandise using FOB terms, ownership transfers to the Company as soon as the shipment is on board the carrying transport and such merchandise will be recorded as stock in transit.

Deferred Revenue

Deferred revenue comprises money received for goods or services which have been shipped to a customer but not yet been delivered to that customer. Separate calculations are made to determine the average shipping lag for customers in the German market and in the United Kingdom market and, in line with the appropriate average, prepayments are made to hold back revenue and the associated costs of sale are added back to the inventory valuation.

Deferred revenue is held in the statement of financial position until the customer receives the goods, at which point the sale is then completed and the revenue and cost of sales are then recognised.

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

1. Accounting policies (continued)

Catalogue costs

Catalogue production and mailing costs are written off when catalogues are despatched. Catalogue costs in the process of production and those which have not been despatched are included within prepayments and accrued income and will be written off when those catalogues are despatched. The expected revenue stream from catalogues is approximately three months from the date the catalogues are mailed to customers.

Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

i) Financial assets

Basic financial assets, including "trade and other debtors" and "cash and bank balances" are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, in which case the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period, financial assets which have been measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the income statement.

If there is a decrease in the impairment loss arising from an event occurring after the impairment loss was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously have been recognised. The impairment reversal is recognised in the income statement.

Financial assets are derecognised (a) when the contractual rights to the cash flows from the assets expire or are settled; or (b) when substantially all of the risks and rewards of asset ownership are transferred to another party; or (c) when control of the asset has been transferred to an unrelated third party without imposing additional restrictions.

ii) Financial liabilities

Basic financial liabilities, including trade creditors and short term loans, are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, in which case the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, which is when the contractual obligation has been discharged, cancelled or becomes expired.

The Company does not hold or issue derivative financial instruments.

iii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to either settle on a net basis or to realise the asset and settle the liability simultaneously.

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

1. Accounting policies (continued)

Taxation

Current tax, including United Kingdom corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the date of the statement of financial position where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the date of the statement of financial position. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Directors consider the following to be key sources of estimation uncertainty:

- Stock obsolescence provisioning is a matter of judgement with provisions for specific stock lines being calculated based on previous experience of stock holding periods versus time to convert to revenue.
- Provision is made for customer returns, with the provision level based on previous experience of return levels.

Critical judgements in applying the Company's accounting policies

Directors anticipate that any judgements made do not have a material effect on results.

3. Segmental information

All turnover related to the continuing operations derived from the Company's principal activity and originated from its operations within the UK. The geographical analysis of turnover by destination is as follows:

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
United Kingdom	27,700,071	29,639,762
Rest of World	65,316,034	58,796,509
	<u>93,016,105</u>	<u>88,436,271</u>

4. Other operating expenses

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Selling, distribution and marketing costs	37,388,854	31,214,046
Administrative expenses	9,671,806	7,854,043
	<u>47,060,660</u>	<u>39,068,089</u>

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

5. Finance income

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Interest on bank deposits and advance payments	48,534	38,085

6. (Loss)/profit on ordinary activities before taxation

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	823,245	714,088
Rentals payable under operating leases:		
Machinery and equipment	19,111	12,234
Other	71,987	72,853
Exchange (gains)	(930,298)	(303,762)
Staff costs (see note 7)	6,830,500	6,911,130
Cost of goods sold	46,762,187	48,092,187
Impairment of stock recognised as an expense	977,193	185,389
Trade name royalty payable to parent company	4,432,260	4,197,847

Auditor's remuneration

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Fees payable to the company's auditor for the audit of the company's annual accounts	80,000	74,000
Amounts receivable by the auditor and their associates in respect of: Other services relating to taxation		11,700

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

7. Staff costs

Staff costs during the period (including the remuneration of executive directors) amounted to:

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Wages and salaries	6,212,475	6,241,529
Social security costs	462,244	527,116
Other pension costs	155,781	142,485
	<u>6,830,500</u>	<u>6,911,130</u>

The average monthly number of persons employed by the Company during the period was as follows:

	52 weeks ended 27 January 2017 No.	52 weeks ended 29 January 2016 No.
Distribution and sales	200	229
Administration and other	125	121
	<u>325</u>	<u>350</u>

Directors' remuneration

The remuneration of the one director paid by the Company was as follows:

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Remuneration received	-	-
Value of company pension contributions	-	-
	<u>-</u>	<u>-</u>

Some of the directors of the Company are also directors of fellow group companies in the USA and are remunerated by those companies.

The directors do not believe that it is practical to apportion this amount between their services as directors of the Company and their services as directors of the fellow group companies.

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

8. Taxation

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Current tax		
Current tax on (expense)/income for the period	-	217,342
Adjustment in respect of prior periods	(35,634)	(71,206)
Total current tax	(35,634)	146,136
Deferred tax (See note 13)	(53,509)	29,125
Tax on profit on ordinary activities	(89,143)	175,261

Factors affecting tax (credit)/charge for the current period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK of 20.00% (29 January 2016 20.16%).

The differences are explained as follows:

	52 weeks ended 27 January 2017 £	52 weeks ended 29 January 2016 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(805,103)	859,689
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (29 January 2016: 20.16%)	(161,021)	173,313
Effects of:		
Adjustment in respect of prior periods	(35,634)	(7,957)
Effect of changes in tax rates	(8,828)	(29,464)
Expenses not deductible for tax purposes	90,327	65,421
Movement on deferred tax not provided	26,013	(26,052)
Tax on (loss)/profit on ordinary activities	(89,143)	175,261

Factors affecting future tax charge

The standard rate of UK corporation tax will be reduced from 20% to 19% with effect from 1 April 2017. The Finance Act 2016 provides for a further reduction to 17% with effect from 1 April 2020. The Finance Act 2016 was substantively enacted on 6 September 2016, therefore, these reduced rates have been reflected in the calculation of deferred tax as they were substantively enacted at the Statement of financial position date.

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

9. Tangible fixed assets

Company	Land and Buildings £	Leasehold improvements £	Plant, machinery, fixtures, fittings and Motor vehicles £	Computer equipment £	Assets in course of construction £	Total £
Cost						
At 29 January 2016	10,438,996	114,293	6,650,878	1,018,890	167,200	18,390,257
Additions	22,795	-	218,995	63,610	30,135	335,535
Transfers	-	-	179,011	-	(179,011)	-
Disposals	-	(24,434)	(124,178)	-	-	(148,612)
At 27 January 2017	10,461,791	89,859	6,924,706	1,082,500	18,324	18,577,180
Accumulated depreciation						
At 29 January 2016	5,052,365	50,383	4,808,174	907,928	-	10,818,850
Charge for the year	333,220	48,049	363,756	78,220	-	823,245
Disposals	-	(12,803)	(26,634)	-	-	(39,437)
At 27 January 2017	5,385,585	85,629	5,145,296	986,148	-	11,602,658
Net book value						
At 27 January 2017	5,076,206	4,230	1,779,410	96,352	18,324	6,974,522
At 29 January 2016	5,386,631	63,910	1,842,704	110,962	167,200	7,571,407

Depreciation has not been charged on freehold land, which is stated at its cost of £249,460 (29 January 2016 £249,460).

10. Stocks

	As at 27 January 2017 £	As at 29 January 2016 £
Goods for resale	20,877,604	21,312,683

The directors consider that there is no material difference between the statement of financial position value and the replacement cost of stocks.

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

11. Debtors

	As at 27 January 2017 £	As at 29 January 2016 £
Amounts falling due within one year:		
Trade debtors	7,732,837	6,488,181
Amounts owed by other Group undertakings	-	868,302
Corporation tax refund due	-	83,173
VAT refunds due	773,327	1,060,563
Other debtors	819	2,910
Prepayments and accrued income	1,039,872	1,119,010
	<u>9,546,855</u>	<u>9,622,139</u>

12. Creditors: amounts falling due within one year

	As at 27 January 2017 £	As at 29 January 2016 £
Trade creditors	5,905,067	4,750,629
Amounts owed to other Group undertakings	4,383,688	3,001,654
Corporation tax payable	81,707	-
Social security and PAYE	109,586	140,847
Other creditors	-	-
Accruals and deferred income	6,482,356	5,404,856
	<u>16,962,404</u>	<u>13,297,986</u>

Amounts owed to other company undertakings primarily represents trading balances due to Lands' End International Inc., the parent company.

Amounts over ninety days attract interest at 1% above the prevailing Bank of England base rate.

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

13. Provisions for liabilities

Deferred tax liability relating to accelerated capital allowances, short-term timing differences and tax losses:

	As at 27 January 2017 £	As at 29 January 2016 £
Deferred taxation		
Adjustment in respect of prior periods	-	(63,248)
Effect of change in tax rate on opening liability	17,987	29,464
Origination and reversal of timing differences	(30,602)	4,659
Recoverable losses and other deductions	66,124	
	<u>53,509</u>	<u>(29,125)</u>
Movement during period	(323,768)	(294,643)
Opening balance		
Closing balance	<u>(270,259)</u>	<u>(323,768)</u>

The following deferred taxation balances have been recognised:

	As at 27 January 2017 £	As at 29 January 2016 £
Accelerated capital allowances	(351,028)	(354,376)
Other timing differences	14,645	30,608
Recoverable losses and other deductions	66,124	
	<u>(270,259)</u>	<u>(323,768)</u>

There are no un-provided deferred tax amounts.

14. Called-up share capital

	As at 27 January 2017 £	As at 29 January 2016 £
Allotted, called-up and fully paid:		
7,500,000 ordinary shares of £1 each	<u>7,500,000</u>	<u>7,500,000</u>

LANDS' END EUROPE LIMITED

Notes to the financial statements (continued) For the 52 weeks ended 27 January 2017

15. Guarantees and other financial commitments

Pension arrangements

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost represents contributions payable by the Company to the fund and amounted to £155,781 (52 weeks ended 29 January 2016 - £142,485).

Contingent liabilities

	As at 27 January 2017	As at 29 January 2016
Guarantee in favour of HM Revenue and Customs for deferred payments of duties, levies and taxes	1,400,000	1,400,000

16. Financial commitments

The Company has rental commitments under operating leases in respect of property and certain items of machinery and equipment.

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

	As at 27 January 2017		As at 29 January 2016	
	Land and buildings £	Other £	Land and buildings £	Other £
Company				
- within one year	-	5,517	71,645	906
- between one and five years	-	4,951	-	18,765
- after five years	-	-	-	-
	-	10,468	71,645	19,671

17. Related party transactions

There were no related party transactions with any director during the period (52 weeks ended 29 January 2016 - £Nil).

18. Ultimate controlling party

The Company is a wholly owned subsidiary of the parent company, Lands' End International Inc., a company incorporated in the state of Delaware, USA.

At 27 January 2017, Lands' End International Inc. was a wholly owned subsidiary of Lands' End Inc., a company incorporated in the state of Delaware, USA. Lands' End Inc. is a publically traded company.

The largest and smallest company in which the results of the Company are consolidated is Lands' End Inc., whose principal place of business is at 1 Lands' End Lane, Dodgeville, WI 53595, USA. The financial statements of Lands' End Inc. and Lands' End International Inc. are available at 1 Lands' End Lane, Dodgeville, WI 53595, USA.

The directors consider Lands' End Inc. to be the ultimate controlling party.