

Taveta Investments Limited

**Annual report and consolidated financial statements
for the 53 weeks ended 1 September 2018**



Taveta Investments Limited

Company information

Directors

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Siobhan Forey
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Gillian Hague
Brett Palos
David Shepherd
Jamie Drummond Smith

Company secretary

Michelle Gammon

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Chartered Accountants and Statutory Auditors
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Taveta Investments Limited

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Taveta Investments Limited

Strategic report for the 53 weeks ended 1 September 2018

Introduction

The directors present their strategic report of Taveta Investments Limited and its subsidiaries ("the Group") for the 53 weeks ended 1 September 2018. The financial statements have been prepared for the 53 weeks ended 1 September 2018 (2017: 52 weeks ended 26 August 2017).

The retail landscape has changed dramatically over recent years and the increased competition from other high street and online retailers in particular has had a significant impact on our performance.

After coming through a challenging year, we are now very clear on our strategic direction. Our stakeholders have supported us by voting in favour of the 7 Company Voluntary Arrangements ("CVAs") which have reduced our cost base and given us a platform for the future. Our Business and Recovery Plan is focused on our product, service, stores and maximising the potential of all the partners and channels that we are operating through, details of which are outlined below.

We have some of the greatest brands in the fashion market and we are confident that we will deliver on our plan, improve the way we work and win the hearts and minds of more and more of our customers.

We are already making good progress. We are building on our very strong partnership with Nordstrom, who are Topshop/Topman's exclusive American retail partner and who also offer Topshop/Topman product successfully online. We have built a very substantial business with Zalando across all of our brands, which continues to grow.

We are also very pleased to be developing our relationship with ASOS, with whom Burton and Miss Selfridge already trade, to see the exciting launch of Topshop and Topman brands on ASOS this autumn.

Similarly, we are growing our relationship with Very, where the existing brand offering of Wallis, Evans and Miss Selfridge has been developed to introduce all of our other brands to Shop Direct/Very customers.

We are also looking forward to expanding our brand presence on Next online to include both Topshop and Topman in addition to our other brands who have seen a strong launch through this channel over the last year.

Our new 1.2 million square feet distribution centre in Daventry has now opened with Topman having moved in successfully in July, and Topshop due to go live next spring. With state of the art technology and automation integral to the operation, the distribution centre is already delivering efficiency and an improved customer experience.

We are also taking our digital channels to the next level. The launch of our new platform following two years of development and investment, and the introduction of digital delivery passes across all of our brands, have already given our customers more choice and there are plenty of enhancements and initiatives in the pipeline.

In addition, we are looking forward to investing in key stores within our more focused real estate to ensure that we are able to continue to give our customers an exciting shopping experience on the high street.

None of these developments would be possible without all of our stakeholders including our incredible team, our loyal supplier base and our wholesale partners. We are very grateful for their continued support.

Principal activities

The Group's principal activities are the retailing, wholesaling and franchising of clothing and clothing accessories in the United Kingdom and internationally through stores and the internet. The Group trades under the brand names Topshop, Topman, Dorothy Perkins, Burton, Wallis, Evans, Miss Selfridge and Outfit.

Our portfolio of brands aim to deliver great value, up to the minute fashion to our customers through multiple trading channels.

The Company's principal activity is that of a holding company.

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Results for the period

Turnover for the period for continuing operations totalled £1,818.8 million (2017: £1,905.4 million), the reduction of 4.5% reflecting the ongoing challenging global market conditions for retailers. The Group operating profit before goodwill amortisation and exceptional costs for continuing operations was £78.1 million (2017: £124.1 million). Reduced contribution from retail stores impacted profitability, as it was not possible to reduce store costs at the same rate as the decline in retail sales.

The Group incurred exceptional items and remeasurements during the period of £217.1 million (2017: £29.0 million). These primarily relate to fixed asset impairment and provisions for onerous leases. These exceptional items were principally non-cash in nature; the exceptional cash incurred being £7.6 million of the total (2017: £10.9 million). Further details are set out in note 7.

The loss for the financial period after tax was £169.2 million (2017: profit of £49.4 million).

The net liabilities at 1 September 2018 were £73.7 million (2017: £4.9 million).

One of the Group's key performance measures is Headline cash (EBITDA) which totalled £137.9 million (2017: £185.8 million).

During the period, the Group remained cash generative at an operating level and at 1 September 2018 held cash at bank and in hand of £132.2 million (2017: £235.4 million). A summary of the Group's operating cash flows is shown below.

	2018 £000	2018 £000	2017 £000	2017 £000
Operating profit before goodwill amortisation and exceptional items and remeasurements	78,105		122,953	
Goodwill amortisation	(15,933)		(16,029)	
Operating profit before exceptional items	62,172		106,924	
Depreciation and amortisation	75,745		78,904	
Headline cash generated (EBITDA)		137,917		185,828
Pension working capital movement	(47,676)		(20,580)	
Other working capital movements	(30,587)		(30,512)	
		(78,263)		(51,092)
Cash inflow from operating activities before exceptional items, tax and pension contributions		59,654		134,736

During the period the Group incurred capital expenditure of £120.6 million (2017: £124.9 million) primarily in respect of infrastructure improvements and additions and refurbishments to its store portfolio and investment properties.

No dividends have been paid in the period (2017: £nil).

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Group restructure

On 22 May 2019, the Group launched 7 individual entity Company Voluntary Arrangement ("CVA") proposals relating to 5 property companies, Arcadia Group Limited and Top Shop/Top Man Limited. These CVAs were approved by the requisite number of creditors on 12 June 2019.

These CVAs and parallel agreements with the Group's pension trustees have allowed the Group to reduce future cash outgoings, and will enable the Group to implement its 3 year Business and Recovery Plan.

As part of the restructure the Group will receive £50.0 million of equity financing from its ultimate shareholder, £10.0 million of which was received on 25 June 2019 and the balance (which will be held by the supervisor of the CVA to fund a Creditors Compensation Fund required to ensure that no compromised creditors are worse off as a result of the CVA than they would have been in an insolvency) which falls due 14 days after the CVAs became challenge-free. In addition, the Group has received a £50.0 million interest-free loan from the ultimate shareholder, which is secured on the new distribution centre in Daventry. The majority shareholder will continue to provide support in the form of a rent subsidy, up to £9.1 million per annum for the 3 years following the agreement of the CVAs.

Business review

The business operates in a challenging environment with UK and overseas consumer habits changing, and underlying consumer confidence low. In addition, the digital arena continues to see significant competition, particularly in the younger fashion market, from newer entrants who do not have the high fixed cost base associated with retail stores.

The Group has looked to respond to the changes in shopping habits and reduction in high street footfall through developing a multi-channel offering that will allow customers to interact through the stores and websites of the individual brands in a seamless way. We believe that high quality stores in the right location can enhance the customer experience and the brands' relationships with their customers.

The Group also continues to invest in its infrastructure, with £29.4 million spent during the period on a new distribution centre in Daventry, which has opened and started to operate its first brand in July 2019. In addition, the Group continued with its on-going investment in the digital web platform, developing an agile capability which will enable a programme of continuous investment once the project is delivered.

In order to compete in this rapidly changing environment, the Group continues to recruit new personnel into senior management roles and is focused on ensuring that it has the correct skill sets at both senior and more junior levels to implement its Business and Recovery Plan.

The Group continues to look for opportunities to expand into new territories with appropriate wholesale partners when suitable opportunities arise.

Future developments

In autumn 2018, the Group took the decision to close the Outfit Kids childrenswear brand and in May 2019, as a result of on-going losses, the Group placed the subsidiary responsible for operating the Topshop/Topman stores in the USA, Arcadia Group (USA) Limited, into administration. The Topshop/Topman brands will continue to be available in the USA through our wholesale arrangement with Nordstrom, and through our own digital channels.

Following the launch of the CVAs referred to above, and the closure of Outfit Kids and the US stores business, the Group is now expected to remain in its current form.

The reduced cost base and more flexible lease portfolio will allow the Group to focus on a well-defined strategy aimed at growing the wholesale and digital businesses as part of the 3 year Business and Recovery Plan, together with targeted investment in the remaining retail estate. The Group will continue to operate a portfolio of diverse, market-leading brands.

The Group continues with its goal to produce fashionable products in an ethical way. The Fashion Footprint initiative is in its fourteenth year and responsible retailing remains a key focus.

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Our brands and culture

The Group operates 8 brands covering a diverse range of the clothing market. Brief details on each brand are set out below:

Burton – mid-market menswear specialising in formalwear but with a strong casual offer

Dorothy Perkins – mid-market affordable fashion for women looking for casual or work wear

Evans – specialises in size 14+ fashionable womenswear

Miss Selfridge – young fashion womenswear

Outfit – out-of-town multi-brand fashion retailer, including the Group's brands and complementary concessions

Topman – leading young fashion retailer of menswear

Topshop – leading young fashion retailer of womenswear targeting fashion conscious young people seeking affordable fashion and quality

Wallis – fashionable womenswear retailer

Each brand has its own intrinsic culture but the Group's overall values can be summarised within 5 key areas:

Customer focus

It is critical to the success of the business to ensure our customers are satisfied, so every aspect of their experience – whether online or in any stores worldwide – is important and every effort is made to ensure that customer service is tailored to suit the customers of each individual brand. We would like to thank our customers for their continued loyalty in shopping with our brands across multiple channels.

Commercial flair

Being intuitive and spotting opportunities ahead of the market is essential to sustaining growth. The Group continues to explore exciting new ways to develop the business and actively encourages original ideas and innovation. Our recruitment efforts are directed at introducing new talent with flair and forward thinking into the Group.

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Strategic focus

An ability to innovate rapidly is important but it is also key to maintain a longer term view to ensure value can be sustained. The Group looks to the future to spot challenges and opportunities that allow the Group to adapt to the fast-changing global retail environment. The Group continues its wholesale expansion with key partners such as Nordstrom, Zalando and ASOS.

Energy and drive

The Group has high expectations, based upon having confidence in people who are driven by the passion and determination they have for their work. It's the ambition, energy and drive of its employees which helps underpin the success of the Group.

Our people

People are at the heart of all the Group's activities and great effort is made to place employees in the brand that is right for them and their personality. Our people are friendly and sociable but they're also professional, supportive, passionate and knowledgeable.

We would like to thank all of our people for their commitment and energy which has enabled us to continue to provide value to our customers in challenging times.

The Fashion Retail Academy ('FRA') is a unique, employer-led college with charitable status. It was founded in 2005 via a private-public partnership between Arcadia, Next, Marks and Spencer, Tesco and Experian who funded its start-up, matched by investment from the Government.

FRA offer a wide range of specialist fashion courses for students of all ages. The courses are developed to provide the student with a combination of an in-depth knowledge of fashion retail and hands on practical experience of the work environment.

During the period to 1 September 2018, the Group offered 114 placements (2017: 110) to graduates of the Academy. Placement roles varied from visual merchandising to buying and merchandising which demonstrates the Group's commitment to finding and developing the top fashion talent of the future.

Store portfolio

As at 1 September 2018, the Group traded from 2,765 (2017: 2,805) outlets representing 6.0 million (2017: 6.3 million) square feet of space. During the year the Group closed 339 and opened 299 solus, external business and franchise stores. The Group continues to review its store portfolio to ensure that it best fits with the fast-changing retail industry by closing loss-making stores as leases expire and, where appropriate, investing in improving existing outlets and opening new retail outlets across the world either wholly-owned, external business concessions or through franchise operations. In total £120.6 million (2017: £124.9 million) was invested in capital projects of which £20.1 million (2017: £27.1 million) related to new stores. The CVAs outlined above have assisted the Group in accelerating this review of the store portfolio as well as improving profitability in a number of stores through moving rents closer to market rates.

Digital

The Group now trades 39 brand-specific desktop websites and 28 mobile sites, as well as trading on other retailers' websites where there are synergies. This is a key area of growth for the Group and our objective is to keep abreast of technological developments to ensure these websites allow us to provide the service and inspiration that our customers expect both online and in stores. We continue to grow our social media presence and look to communicate with our customers through whichever channels they choose.

Infrastructure

During the year the Group has invested £29.4 million (2017: £49.5 million) in infrastructure improvements, including development of the new distribution centre in Daventry.

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Key performance indicators

The board uses a range of KPIs to monitor the Group's performance and progress towards its strategic objectives. The principal KPIs, which are reviewed regularly at both Group and brand level and include best and least performing stores/product lines, margins, mark downs, profitability of different channels, EBITDA, cash flow, returns on capital invested in store openings/refits and like-for-like (LFL) sales.

See page 2 for an assessment of the Group's performance in respect of EBITDA which is the Group's main KPI.

Principal risks and uncertainties

It is important to the business that it identifies and manages risks. Key business risks are monitored on an ongoing basis by the directors, and strategies are developed as appropriate to mitigate such risks and minimise their impact. The principal risks and the strategies adopted are set out below:

Financial risk management

The key financial risks to the Group are the availability of cash flows to meet business requirements, commodity price risks, working capital impact on changes to credit insurance and supplier terms, credit risk on our trading partners and fluctuations in interest and foreign exchange rates.

The Group has seen, in line with many other retailers, a significant reduction in credit insurance available to its suppliers, with consequent impacts on working capital as some suppliers have sought to renegotiate terms. The Group has a loyal supplier base and has worked with them to manage the position as efficiently as possible.

Liquidity risk is managed by reviewing banking facilities and maintaining appropriate headroom to ensure adequate access to cash whilst anticipating likely movements in working capital, focusing on cash generation within the business and targeting efficient use of working capital as part of the Business and Recovery Plan. The Group reviews performance against financial covenants and stress tests these on a regular basis.

The Group will have sufficient headroom to implement its Business and Recovery Plan given its ability to raise further debt should the need arise and the Board considers it appropriate to do so. Further information is provided on liquidity in the going concern note on page 26.

The Group operates a centralised treasury function responsible for managing foreign exchange risk. The Group uses currency forward contracts to manage its direct exposure to foreign currency risk. The Group does not consider there to be a material exposure to changes in interest rates. Interest rate risk is monitored and if the situation changes the Group will take appropriate action.

Commodity prices are regularly reviewed and communicated to the sourcing teams, who are advised by sourcing experts within the Group over options to minimise cost prices while trading in an ethical and sustainable manner. The cost of raw materials is managed using a diverse profile of suppliers worldwide and the Group places orders for a proportion of its merchandise on appropriate lead times to minimise this risk. The Group has identified possible import duty increases that may result from Brexit (particularly if there is a "no-deal" exit) as a significant risk and has looked to amend its sourcing where feasible in order to mitigate this. Lack of clarity around Brexit dates and final tariffs across all categories and the relatively long lead times for good value textiles means that this risk is difficult to eliminate completely.

Due to the growth in the Group's wholesale business, it is important to focus on credit risk associated with business to business sales. The Group reviews counter party risk and sets appropriate credit limits which are reviewed regularly in light of payment history and publicly available financial information. Where appropriate, specific risks are covered with credit insurance and/or bank guarantees.

**Strategic report
for the 53 weeks ended 1 September 2018**

Economic uncertainty

The Group is aware that its customers continue to face testing times driven by challenging economic conditions. Our offer to our customers is continuously reviewed to ensure that our product mix, pricing and promotional stance are appropriate to market conditions. Costs are reviewed regularly and are subject to robust approval processes.

Brexit contributes to uncertainty both for our customers and for the Group in terms of the possible commodity price risk outlined above. The Group has had a Brexit Steering Group in place since summer 2018 and has sought to minimise risk in the face of uncertainty in the most cost effective way by taking "no regret" decisions as they have become necessary. Systems amendments have been developed and tested to allow the Group to continue to trade across its portfolio of UK and European stores, and contingency plans have been made for revised supply chain routings where necessary. Brexit also contributes to uncertainty on currency rates. For the period to August 2020 the Group has sufficient USD purchased at forward exchange rates of around £1:\$1.3 to ensure that exposure to any possible Sterling weakness relative to the USD (to cover sourcing requirements) is offset by the benefit of Euro strength relative to Sterling (from Euros generated as a result of European retail and wholesale sales). The impact on import duty and tariffs of a potential exit from the European Union with no deal in place is potentially significant and the Group is continually reviewing its sourcing strategy and contingency planning to address potential risks to cost prices as new information becomes available.

Changing market dynamics

The current retail environment is very challenging as competitors seek to attract value-conscious customers using a variety of routes to market. Failure to keep pace with the changing retail environment would adversely impact on the Group's profitability. The Group regularly reviews both its own sales channels and those of its competitors. It has a continuing investment programme in its infrastructure in order to be able to respond to customers' changing requirements to interact in different ways and improving the customer experience. The ongoing performance and opportunities presented by all sales channels is monitored closely.

Product development and brand equity

It is crucial that our brands maintain a strong product offering giving our customers confidence that we have spotted and developed current and future trends and that our products are of consistent quality. The business has a mix of experienced buying teams and new talent and looks to develop all of its buying, merchandise and design teams through bespoke competency programmes. Our buyers continually review emerging trends and seek customer based feedback on our existing offerings. In addition, the Group is developing capabilities to gain greater insight into our customers and their needs. The Group has specific expertise and a programme to ensure compliance with the requirements of GDPR.

Key suppliers and supply chain management

The Group relies on its suppliers to deliver goods on time, to the required quality standards and within a robust ethical framework. Meeting such targets is key to delivering the options and quality that customers expect, and hence maintaining and enhancing the reputation of the Group's brands. The Group analyses its supplier performance in terms of cost, quality and delivery times in order to maintain the efficiency of its supply chain.

Personnel

The loss of key individuals or the inability to recruit and retain individuals with the relevant talent and experience would disrupt the operation of the business. Competitive incentive arrangements exist, with specific initiatives in place designed to retain key individuals. The Group regularly reviews talent and recruitment opportunities with continuous programmes of development and succession planning, including specific recruitment required in order to facilitate the implementation of the 3 year Business and Recovery Plan. Following the launch of the recovery plan a process of employee engagement has begun, with the key aim being to inform, mobilise and motivate our team to deliver the plan.

IT systems and business continuity

The Group's operations rely on the availability and integrity of its IT systems in order to trade efficiently. A failure in these systems could have a significant impact on the Group's operations and its reputation. A number of key controls are in place to maintain the integrity and efficiency of the Group's IT systems, including recovery plans which would be implemented in the event of a major failure. The Group's Business Continuity Plan is tested and reviewed on a regular basis. IT security is continually monitored and updated accordingly to ensure data is protected from corruption, unauthorised use and cyber-attacks.

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Fashion footprint

Fashion Footprint is the Group's programme to monitor and manage the social and environmental impacts of the business and has been established for over ten years. Fashion Footprint continually reinforces the Group's commitment to sustainability; a commitment that makes just as much sense from a business perspective as it does from an ethical one. In 2017 the Group published its Modern Slavery Act statement, which the Group continues to endorse and which has become an integral part of its existing Fashion Footprint programme.

The Fashion Footprint vision leads to a mission statement that all employees can support: to produce fashionable products in an ethical way and demonstrate a responsible attitude towards people and the environment.

Pension schemes

In January 2017, the Group completed its triennial actuarial valuation as at 31 March 2016 with the Group's pension schemes trustees and a Schedule of Contributions was agreed at £50.0 million per year (previously £24.3 million) for the next three years, with the intention of removing the deficit over ten years. Since then, as part of the Group restructuring, an agreement has been reached with the trustees of the Group's 2 UK pension schemes to revise the schedule of contributions to £25.0 million per year (plus costs) for the next 3 years (with the potential for this to be increased by up to £5.0 million per annum if EBITDA exceeds the Business and Recovery Plan by more than a certain amount). Certain security (totalling £185.0 million, plus up to a further £25.0 million) has been given to the pension trustees in return for agreeing the revised schedule of contributions. In addition, the majority shareholder has committed to pay £100.0 million to the pension schemes over the next 3 years. The March 2019 triennial actuarial valuation is underway, but is not expected to lead to any change in the agreed contributions over the next 3 years.

This report was approved by the board and authorised for issue and was signed on its behalf on 30 August 2019.



Gillian Hague
Director
Date: 30 August 2019

Taveta Investments Limited

Directors' report for the 53 weeks ended 1 September 2018

The directors present their report and the audited consolidated financial statements for the 53 weeks ended 1 September 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the audited consolidated 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 Group and Company 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 Group and Company and of the profit or loss of the Group and 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 Group and Company will continue in business.

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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors

The directors who served during the period and up to the date of approval of the financial statements were:

Peter Bloxham (appointed 10 April 2019)
Baroness Brady (resigned 20 February 2019)
Sharon Brown (appointed 2 November 2017, resigned 20 February 2019)
Paul Budge (resigned 1 September 2018)
Siobhan Forey
Ian Grabiner
Sir Philip Green
Gillian Hague (appointed 17 October 2018)
Christopher Harris (resigned 18 December 2017)
Brett Palos
David Shepherd
Jamie Drummond Smith (Chair) (appointed 10 April 2019)

Dividends

The directors do not recommend the payment of a dividend in respect of the financial period (2017: £nil).

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Directors' report (continued) for the 53 weeks ended 1 September 2018

Charitable donations

During the period, the Group donated £177,000 (2017: £187,000) 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 period, the funds raised through the Group's charitable activities was £95,000 (2017: £178,000)

Employees and equal opportunities

All staff are informed about matters concerning their interests as employees and the financial position of the Group through a number of communication channels including face-to-face briefings and an intranet site supplemented by e-mail announcements. The Group encourages two way communication through these channels whereby the views of the employees are taken into account.

The Board recognises the importance of a highly motivated and well-trained workforce. It encourages employees' involvement in the Group's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in that 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 Group 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 who become disabled during their employment.

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 financial period and is currently in force. The Company also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Matters covered in the strategic report

The principal activities, the business review and an indication of the financial risk management objectives and policies of the Group, including the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk are all discussed in the strategic report on pages 1 to 8.

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 the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the 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 and the Group's auditors are aware of that information.

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Directors' report (continued) for the 53 weeks ended 1 September 2018

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.

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company is able to meet its obligations as they fall due for the foreseeable future.

On 12 June 2019 the Group announced the approval of 7 Company Voluntary Arrangements ("CVAs"), further details of which are given in note 35 (post balance sheet events). In addition, on 22 May 2019 the entity responsible for the Topshop and Topman retail operations in the USA (Arcadia Group (USA) Limited) was placed into administration. The Business and Recovery Plan which is being implemented following the CVAs of certain group companies and the administration of Arcadia Group (USA) Limited will, if successfully implemented and together with other liquidity sources, generate sufficient cash through operating activities to allow the Group and the Company to meet their working capital and other cash requirements, including payment of the revised pension deficit repair contributions agreed with the trustees of the UK defined benefit pension schemes.

The Group has continued to benefit from support from the majority shareholder both in terms of direct financial support to the Group and direct support provided by the majority shareholder to the UK pension schemes.

However, there are material uncertainties that could impact the Group and Company's going concern position over the next 12 months.

The Group is financed through various property mortgages and shareholder loans. With the exception of the £310.0 million mortgage on the flagship property at 214 Oxford Street, the earliest maturity date for these facilities is May 2021. The £310.0 million property mortgage terminates in December 2019. The Board have commenced constructive discussions with various potential lenders and is confident that the Group will be able to renew financing on this very robust asset. The Group has been able to secure an extension to the term of the sub-lease to Nike, who are also now taking on an additional floor of the building. The Group has also concluded a sub-let of some of the ground floor retail space previously occupied by Miss Selfridge to Vans. The Board is therefore confident that the Group will be able to achieve this refinancing at a reasonable rate of interest, though no refinancing has yet been concluded.

The directors have assessed the current cash position of the Group and Company, together with the latest forecast cash projections for the next 16 months and have stress-tested these projections and the resulting liquidity position and covenant headroom against various downside trading scenarios. There are certain scenarios that could arise in the event of continued challenging and volatile market conditions in the retail sector, including a disorderly exit from the European Union, that would create uncertainties around the ability of the Group to operate within the liquidity available from existing funding arrangements.

Furthermore, the Company has inter-company creditors due to subsidiaries. These group companies have confirmed to the directors that they do not have any current intention to demand repayment of these sums in whole or in part within the next 12 months.

Having assessed the Group's liquidity outlook on the basis of the above projections and sensitivities, the Board has concluded that the risks identified around the refinancing of the 214 Oxford Street mortgage and on-going difficult trading conditions in a volatile retail sector could in certain circumstances cause the Group to require additional financing in order to provide sufficient liquidity to deliver the 3 year Business and Recovery Plan. Absent those risks the business has access to sufficient resources to enable it to implement the 3 year Business and Recovery Plan.

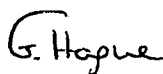
Taveta Investments Limited

**Directors' report (continued)
for the 53 weeks ended 1 September 2018**

The Board recognises the uncertainties mentioned above, and that, as a result, in some circumstances, there may be material uncertainties which could cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the Board confirms that after considering the matters set out above, it has a reasonable expectation that the Group has access to sufficient resources to continue to operate for a minimum of 12 months following the signing of these financial statements.

For this reason the Group and Company therefore continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

This report was approved by the board and authorised for issue and was signed on its behalf on 30 August 2019.



**Gillian Hague
Director**

Date: 30 August 2019

Taveta Investments Limited

Independent auditors' report to the members of Taveta Investments Limited

Opinion

In our opinion, Taveta Investments Limited's Group financial statements and Company financial statements:

- give a true and fair view of the state of the Group's and of the Company's affairs as at 1 September 2018 and of the Group's loss for the 53 week period (the "period") 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 consolidated and company balance sheets as at 1 September 2018; the consolidated profit and loss account and consolidated statement of comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements 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 Group 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.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 3.2 to the financial statements concerning the Group and Company's ability to continue as a going concern

The forecast for the Group for the 16 months from the approval of the financial statements contains assumptions regarding the seven Company Voluntary Arrangements (CVAs) approved on 12 June 2019, the refinancing of certain loan facilities and the trading performance of the Group during the forecast period which are subject to a level of uncertainty.

The Group's £310m loan, secured on its property at 214 Oxford Street, matures in December 2019. If this loan cannot be refinanced in the intervening period it would have to be repaid in full at that date or the lenders would be able to enforce their security on this property in order to recover their debt.

Furthermore, if the Group is unable to deliver in full its Business and Recovery plan and/or EBITDA declines below management's downside scenario due to trading and external market conditions (including any potential impact of the UK's exit from the European Union) and without effective and timely mitigating action being taken, there is a risk that the Group will have insufficient liquidity within its existing financing arrangements to meet its obligations as they fall due.

These conditions, together with other matters explained in note 3.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

Taveta Investments Limited

Independent auditors' report to the members of Taveta Investments Limited

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. 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 for the 53 weeks ended 1 September 2018, 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 53 weeks ended 1 September 2018 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 Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report for the 53 weeks ended 1 September 2018.

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, 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Taveta Investments Limited

Independent auditors' report to the members of Taveta Investments Limited

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.

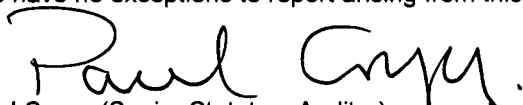
Other required reporting

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 Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date: 30 August 2019

Taveta Investments Limited

**Consolidated profit and loss account
for the 53 weeks ended 1 September 2018**

	Note	Before exceptional items & remeasure- ments 2018 £000	Exceptional items & remeasure- ments 2018 £000	Total 2018 £000	Before exceptional items & remeasure- ments 2017 £000	Exceptional items & remeasure- ments 2017 £000	Restated* Total 2017 £000
Turnover	6	1,818,817	-	1,818,817	1,905,447	-	1,905,447
Cost of sales		(1,685,148)	(209,787)	(1,894,935)	(1,710,058)	(61,048)	(1,771,106)
Gross profit/(loss)		133,669	(209,787)	(76,118)	195,389	(61,048)	134,341
Distribution costs		(47,789)	-	(47,789)	(39,886)	-	(39,886)
Administrative expense		(25,446)	(6,938)	(32,384)	(31,452)	(4,154)	(35,606)
Other operating income	8	17,670	-	17,670	-	36,202	36,202
Operating profit/(loss) before goodwill amortisation and losses from joint ventures		78,104	(216,725)	(138,621)	124,051	(29,000)	95,051
Goodwill amortisation		(15,933)	(383)	(16,316)	(16,029)	-	(16,029)
Profit/(loss) from joint ventures		-	-	-	(1,098)	-	(1,098)
Operating profit/(loss)	9	62,171	(217,108)	(154,937)	106,924	(29,000)	77,924
Interest receivable and similar income	13	887	-	887	949	-	949
Interest payable and similar expenses	14	(16,231)	-	(16,231)	(16,753)	-	(16,753)
Other finance expenses	15	(7,020)	-	(7,020)	(8,612)	-	(8,612)
Profit/(loss) before taxation		39,807	(217,108)	(177,301)	82,508	(29,000)	53,508
Tax on profit/(loss)	16	(26,637)	34,767	8,130	(10,921)	6,841	(4,080)
Profit/(loss) for the financial period		13,170	(182,341)	(169,171)	71,587	(22,159)	49,428
Profit/(loss) for the period attributable to:							
Non-controlling interests - equity				(37,379)			6,327
Owners of the parent				(131,792)			43,101
				(169,171)			49,428

Taveta Investments Limited

All exceptional items and remeasurements relate to continuing operations and are detailed in note 7.

* See note 38 for details of the prior year restatement.

Consolidated statement of comprehensive income for the 53 weeks ended 1 September 2018

	2018 £000	Restated* 2017 £000
(Loss)/profit for the financial period	(169,171)	49,428
Other comprehensive income/(expense):		
Remeasurements of defined benefit schemes	120,969	115,078
Movement on deferred tax relating to pension schemes	(20,560)	(23,423)
Exchange (loss)/gain on overseas subsidiaries	(68)	44
Other comprehensive income for the period	100,341	91,699
Total comprehensive (expense)/income for the period	(68,830)	141,127
Total comprehensive (expense)/income attributable to:		
Non-controlling interests	(37,379)	6,327
Owners of the parent	(31,451)	134,800
	(68,830)	141,127

The notes on pages 25 to 68 form part of these financial statements.

All amounts relate to continuing operations.

* See note 38 for details of the prior year restatement.

Taveta Investments Limited
Registered number: 04464926

Consolidated balance sheet
as at 1 September 2018

	Note	2018 £000	Restated* 2017 £000
Fixed assets			
Intangible assets	17	152,515	159,435
Tangible assets	18	501,487	568,503
Investment property	20	141,642	96,330
		<u>795,644</u>	<u>824,268</u>
Current assets			
Stock	21	186,797	183,119
Debtors: amounts falling due after more than one year	22	-	17,242
Debtors: amounts falling due within one year	22	142,382	158,026
Cash at bank and in hand	23	132,187	235,391
		<u>461,366</u>	<u>593,778</u>
Creditors: amounts falling due within one year	24	(787,678)	(550,397)
Net current (liabilities)/assets		<u>(326,312)</u>	<u>43,381</u>
Total assets less current liabilities		<u>469,332</u>	<u>867,649</u>
Creditors: amounts falling due after more than one year	25	(199,162)	(492,925)
Deferred taxation	28	(3,052)	-
Other provisions	29	(202,474)	(79,626)
Pension liability	33	(138,384)	(300,009)
Net (liabilities)/assets		<u><u>(73,740)</u></u>	<u><u>(4,911)</u></u>

Taveta Investments Limited
Registered number: 04464926

Consolidated balance sheet
as at 1 September 2018

	Note	2018 £000	Restated* 2017 £000
Capital and reserves			
Called up share capital	30	10,309	10,309
Share premium account		1,941	1,941
Accumulated losses		(189,606)	(158,155)
Total equity attributable to owners of the parent		(177,356)	(145,905)
Non-controlling interests		103,616	140,994
Total equity		(73,740)	(4,911)

The financial statements were approved by the board and authorised for issue and were signed on its behalf on 30 August 2019.


Ian Grabiner
Director
 30 August 2019


Gillian Hague
Director
 30 August 2019

The notes on pages 25 to 68 form part of these financial statements.

* See note 38 for details of the prior year restatement.

Taveta Investments Limited
Registered number: 04464926

Company balance sheet
as at 1 September 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	19	866,395	866,395
		<u>866,395</u>	<u>866,395</u>
Total assets less current liabilities		<u>866,395</u>	<u>866,395</u>
Creditors: amounts falling due after more than one year	25	(1,030,805)	(1,010,533)
Net liabilities		<u>(164,410)</u>	<u>(144,138)</u>
Capital and reserves			
Called up share capital	30	10,309	10,309
Share premium account		1,941	1,941
Accumulated losses		(176,660)	(156,388)
Total equity		<u>(164,410)</u>	<u>(144,138)</u>

The financial statements were approved by the board and authorised for issue and were signed on its behalf on 30 August 2019.


Ian Grabiner
Director
 30 August 2019


Gillian Hague
Director
 30 August 2019

The Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own profit and loss account. The loss of the Company for the financial period was £20,272,000 (2017: £18,385,000).

The notes on pages 25 to 68 form part of these financial statements.

Taveta Investments Limited

**Consolidated statement of changes in equity
For the 53 weeks ended 1 September 2018**

	Called up share capital £000	Share premium account £000	Restated* accumulated losses £000	Total equity attributable to owners of parent £000	Restated* non- controlling interests £000	Total equity £000
At 28 August 2016	10,309	1,941	(292,955)	(280,705)	134,667	(146,038)
Comprehensive income/(expense) for the period						
Profit for the financial period	-	-	43,101	43,101	6,327	49,428
Remeasurements of defined benefit schemes	-	-	115,078	115,078	-	115,078
Deferred tax movements	-	-	(23,423)	(23,423)	-	(23,423)
Exchange gain on overseas subsidiaries	-	-	44	44	-	44
Total comprehensive income/(expense) for the period	<u>-</u>	<u>-</u>	<u>134,800</u>	<u>134,800</u>	<u>6,327</u>	<u>141,127</u>
At 27 August 2017	10,309	1,941	(158,155)	(145,905)	140,994	(4,911)
Comprehensive income/(expense) for the period						
Loss for the financial period	-	-	(131,792)	(131,792)	(37,379)	(169,171)
Remeasurements of defined benefit schemes	-	-	120,969	120,969	-	120,969
Deferred tax movements	-	-	(20,560)	(20,560)	-	(20,560)
Exchange loss on overseas subsidiaries	-	-	(68)	(68)	-	(68)
Total comprehensive income/(expense) for the period	<u>-</u>	<u>-</u>	<u>(31,451)</u>	<u>(31,451)</u>	<u>(37,379)</u>	<u>(68,830)</u>
At 1 September 2018	<u>10,309</u>	<u>1,941</u>	<u>(189,606)</u>	<u>(177,356)</u>	<u>103,615</u>	<u>(73,741)</u>

* See note 38 for details of the prior year restatement.

Taveta Investments Limited

**Company statement of changes in equity
for the 53 weeks ended 1 September 2018**

	Called up share capital	Share premium account	Accumulated losses	Total equity
	£000	£000	£000	£000
At 28 August 2016	10,309	1,941	(138,003)	(125,753)
Loss for the financial period	-	-	(18,385)	(18,385)
At 27 August 2017	10,309	1,941	(156,388)	(144,138)
Loss for the financial period	-	-	(20,272)	(20,272)
At 1 September 2018	10,309	1,941	(176,660)	(164,410)

Taveta Investments Limited

**Consolidated statement of cash flows
for the 53 weeks ended 1 September 2018**

	2018 £000	2017 £000
Cash flows from operating activities		
(Loss)/profit for the financial period	(169,171)	49,428
Tax on profit/(loss)	(8,130)	4,080
Other finance expenses	7,020	8,612
Net interest charged	15,344	15,804
Operating profit	(154,937)	77,924
Adjustments for:		
Provision against funding provided to joint ventures	11,820	-
Exceptional costs	7,602	4,154
Remeasurements (mark to market)	(12,152)	2,415
Amortisation of intangible assets and goodwill	28,922	28,099
Depreciation of tangible assets	46,823	50,805
Impairment of tangible and intangible assets	72,240	47,546
Revaluation of investment property	(12,127)	(36,202)
Increase in stocks	(3,678)	(13,225)
Decrease/(increase) in debtors	12,784	(21,474)
Increase/(decrease) in creditors and provisions	65,599	(10,670)
Pension admin charge	2,400	1,732
(Profit)/loss on disposal of tangible assets	(5,642)	3,632
Net cash generated from operating activities before exceptional items, tax and pension contributions	59,654	134,736
Corporation tax received/(paid)	7,026	(10,749)
Pension cash contributions	(50,076)	(22,312)
Cash flows relating to exceptional costs	(8,487)	(10,907)
Net cash generated from operating activities	8,117	90,768
Cash flows used in investing activities		
Purchase of intangible assets	(22,385)	(23,673)
Purchase of tangible assets	(64,985)	(101,247)
Proceeds from disposal of tangible assets	12,617	10,343
Purchase of investment properties	(33,185)	-
New loans to joint venture	(5,148)	(7,662)
Interest received	888	949
Cash flows from investing activities	(112,198)	(121,290)

Taveta Investments Limited

**Consolidated statement of cash flows
for the 53 weeks ended 1 September 2018**

	2018 £000	2017 £000
Cash flows from financing activities		
New secured loans	54,690	-
Repayment of loans	(20,000)	(20,000)
Interest paid	(16,169)	(15,410)
	<hr/>	<hr/>
Cash flows from financing activities	18,521	(35,410)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(85,560)	(65,932)
Cash and cash equivalents at beginning of period	160,130	226,018
Foreign exchange gains and losses	(68)	44
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	74,502	160,130
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	132,187	235,391
Bank overdrafts	(57,685)	(75,261)
	<hr/>	<hr/>
	74,502	160,130
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 25 to 68 form part of these financial statements.

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

1. General information

Taveta Investments Limited ("the Company") and its subsidiaries (together "the Group") operate a number of retailing stores, internet sites, wholesale and franchise arrangements throughout the UK and internationally, selling clothing and clothing accessories. The Group trades under the brand names Topshop, Topman, Dorothy Perkins, Burton, Wallis, Evans, Miss Selfridge, Outfit and Outfit Kids.

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, England, W1T 3NL.

2. Statement of compliance

The Group and Company financial statements of Taveta Investments 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 consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements have been prepared for the 53 weeks ended 1 September 2018 (2017: 52 weeks ended 26 August 2017).

These Group and Company financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets and liabilities and investment properties measured at fair value.

The Group's and Company's functional and presentational currency is the pound sterling. The financial statements are rounded to thousands.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and 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 notes 4 & 5.

The freehold and long leasehold properties which are rented out to other Group undertakings have historically been classified as PPE and held at cost rather than as investment properties held at fair value.

In the current year, the Group has early adopted the triennial review 2017 amendments and has elected to measure its investment properties that are rented to other group entities on an ongoing basis at cost less accumulated depreciation and accumulated impairment losses.

As a result, the Group has not restated the prior period comparatives to fair value. The difference between PPE cost and the fair value of the properties, excluding the property known as 214 Oxford Street, at 1 September is immaterial.

At the date of revaluation, the market value for 214 Oxford Street was greater than the net book value by an amount in excess of £250.0 million.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.2 Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company is able to meet its obligations as they fall due for the foreseeable future.

On 12 June 2019 the Group announced the approval of 7 Company Voluntary Arrangements ("CVAs"), further details of which are given in note 35 (post balance sheet events). In addition, on 22 May 2019 the entity responsible for the Topshop and Topman retail operations in the USA (Arcadia Group (USA) Limited) was placed into administration. The Business and Recovery Plan which is being implemented following the CVAs of certain group companies and the administration of Arcadia Group (USA) Limited will, if successfully implemented and together with other liquidity sources, generate sufficient cash through operating activities to allow the Group and the Company to meet their working capital and other cash requirements, including payment of the revised pension deficit repair contributions agreed with the trustees of the UK defined benefit pension schemes.

The Group has continued to benefit from support from the majority shareholder both in terms of direct financial support to the Group and direct support provided by the majority shareholder to the UK pension schemes.

However, there are material uncertainties that could impact the Group and Company's going concern position over the next 12 months.

The Group is financed through various property mortgages and shareholder loans. With the exception of the £310.0 million mortgage on the flagship property at 214 Oxford Street, the earliest maturity date for these facilities is May 2021. The £310.0 million property mortgage terminates in December 2019. The Board have commenced constructive discussions with various potential lenders and is confident that the Group will be able to renew financing on this very robust asset. The Group has been able to secure an extension to the term of the sub-lease to Nike, who are also now taking on an additional floor of the building. The Group has also concluded a sub-let of some of the ground floor retail space previously occupied by Miss Selfridge to Vans. The Board is therefore confident that the Group will be able to achieve this refinancing at a reasonable rate of interest, though no refinancing has yet been concluded.

The directors have assessed the current cash position of the Group and Company, together with the latest forecast cash projections for the next 16 months and have stress-tested these projections and the resulting liquidity position and covenant headroom against various downside trading scenarios. There are certain scenarios that could arise in the event of continued challenging and volatile market conditions in the retail sector, including a disorderly exit from the European Union, that would create uncertainties around the ability of the Group to operate within the liquidity available from existing funding arrangements.

Furthermore, the Company has inter-company creditors due to subsidiaries. These group companies have confirmed to the directors that they do not have any current intention to demand repayment of these sums in whole or in part within the next 12 months.

Having assessed the Group's liquidity outlook on the basis of the above projections and sensitivities, the Board has concluded that the risks identified around the refinancing of the 214 Oxford Street mortgage and on-going difficult trading conditions in a volatile retail sector could in certain circumstances cause the Group to require additional financing in order to provide sufficient liquidity to deliver the 3 year Business and Recovery Plan. Absent those risks the business has access to sufficient resources to enable it to implement the 3 year Business and Recovery Plan.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.2 Going concern (continued)

The Board recognises the uncertainties mentioned above, and that, as a result, in some circumstances, there may be material uncertainties which could cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, the Board confirms that after considering the matters set out above, it has a reasonable expectation that the Group has access to sufficient resources to continue to operate for a minimum of 12 months following the signing of these financial statements.

For this reason the Group and Company therefore continue to adopt the going concern basis in preparing the financial statements. The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

3.3 Basis of consolidation

The Group financial statements include the financial statements of the Company and all its subsidiaries together with the Group's share of the results of joint ventures made up to 1 September 2018. Each subsidiary has adopted the Group's accounting policies.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where control of a subsidiary is lost, the gain or loss on disposal is recognised in the consolidated profit and loss account.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate. The Group's interests in associates are determined using the equity accounting method. Where the associate has net liabilities, a provision is recognised when the Group has a legal or constructive obligation.

The financial statements of all subsidiary undertakings, joint ventures or associates are consolidated from the date of their acquisition to the date of their sale using the acquisition method of accounting.

All material intercompany transactions, balances and unrealised profits and losses on transactions between group companies have been eliminated on consolidation.

The Group's share of its joint ventures' results is included in the consolidated profit and loss account. The Group's share of its joint ventures' net assets is included in the consolidated balance sheet using the equity accounting method. Where the joint venture has net liabilities, a provision is recognised when the Group has a legal or constructive obligation.

Non-controlling interests represent the amount of capital and reserves attributable to shares in subsidiary undertakings not held by the Group.

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

3. Accounting policies (continued)

3.4 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 the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows.

In addition, the Group has elected not to apply Section 19 'Business combinations and goodwill' to business combinations that were effected before the date of transition to FRS 102.

The Company has taken advantage of the exemption under FRS 102 paragraph 33.1A from disclosing transactions entered into between two or more wholly-owned members of the Taveta Investments Limited group where the ultimate parent company is Taveta Investments Limited. The Company discloses transactions with related parties which are not wholly-owned within the Taveta Investments Limited group.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.5 Turnover

Turnover 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 Group recognises turnover 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 turnover 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 Group's sales channels have been met, as described below.

(i) Sale of goods - retail

The Group operates retail stores for the sale of a range of own-branded products. Retail sales are usually settled by cash, credit or payment card. Turnover 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 usage.

(ii) Sale of goods - internet-based transactions

The Group sells goods via its websites for delivery to the customer or collection from one of its retail stores. Turnover 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 usage.

(iii) Income from concession arrangements

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

(iv) Income from franchise fees

In certain locations the Group 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 turnover as the rights are used and the services are provided.

(v) Income from wholesale arrangements

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

(vi) Commission income from wholesale arrangements

The Company receives a percentage payment based on the level of wholesale partner sales. This income is recognised within turnover on an accruals basis.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.6 Exceptional items

The Group classifies certain one-off charges or credits that have a significant impact on the Group's financial results either by their nature or value as 'exceptional items', these items include, but are not limited to, onerous lease provisions, fixed asset impairment and restructuring costs. These are disclosed separately to provide further understanding of the financial performance of the Group. For further details see note 7.

3.7 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 Group 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 Group 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 Group 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.

The Group also provides for dilapidations where there is an obligation to repair damages which occur during the life of the lease such as wear and tear. The cost is charged to the profit and loss account as the obligation arises.

Rental income is recognised in the profit and loss account on a straight line-basis over the term of the lease.

3.8 Other operating income

Surplus or deficits on revaluations of investment properties are recognised in the profit and loss account as and when they arise.

3.9 Interest payable and similar expenses

Costs associated with the issue of bank and other borrowings are deferred and are charged to the profit and loss account over the term of the respective loan at a constant rate to the loan's carrying value. The carrying value of bank borrowings and subordinated loan notes in the balance sheet are stated net of unamortised issue costs.

3.10 Interest receivable and similar income

Interest receivable and similar income is recognised in the profit and loss account using the effective interest method.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.11 Tax

Tax 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 corporation 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.

3.12 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.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.13 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 (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

Software is 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 as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group 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 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.14 Impairment of intangible assets

The Group considers whether any events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. If there is such an indication, the Group calculates the assets 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'. 'Value in use' is calculated by looking at estimated future cash flows discounted to their present value using a pre-tax discount rate based on the Group's weighted average cost of capital. 'Fair value less costs to sell' is estimated by the directors based on their knowledge of the markets they serve and likely demand.

Where the fair value of an asset cannot be measured directly, such as goodwill, the fair value is calculated based on the fair value of the cash generating units of which the goodwill is part of. Where goodwill cannot be allocated to individual cash generating units, goodwill is tested by determining the recoverable amount of the entity or group of entities.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has changed. Where there is an indication that the loss has decreased or no longer exists, and does not relate to goodwill, the impairment loss is reversed to the extent that the carrying value of the asset does not exceed the carrying value that would have been determined net of amortisation had no impairment losses been recognised in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

3.15 Tangible assets and depreciation

Tangible fixed assets under the cost model, other than investment properties, 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 Group 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 Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the profit and loss account 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:

Freehold property	- depreciated to their estimated residual value over their estimated useful economic life
Long-term leasehold property	- life of lease
Short leasehold property	- life of lease
Fit out, fixtures and equipment	- 3 to 15 years
Motor vehicles	- 25% per annum on a reducing balance basis
Office equipment	- 10 years
Computer equipment	- 2 to 4 years
Land	- land is not depreciated

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 in the profit and loss account.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.16 Impairment of tangible assets

The Group 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 Group 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 four years and then applying the Group's long-term growth rate assumption. These cash flows are discounted using a pre-tax discount rate based on the Group'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 costs to sell' for the purposes of testing for impairment.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has changed. Where there is an indication that the loss has decreased or no longer exists, the impairment loss is reversed to the extent that the carrying value of the asset or cash generating unit does not exceed the carrying value that would have been determined net of depreciation or amortisation had no impairment losses been recognised in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

3.17 Investment properties

Investment properties are carried at fair value determined annually either by the directors or by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the profit and loss account.

3.18 Investments

The Company's fixed asset investments are solely investments in subsidiaries and are shown at cost less accumulated impairment. Provision is made where, in the opinion of the directors, there has been an impairment in the investments' carrying value based on the higher of fair value of the net assets or value in use of each subsidiary. Impairment is recognised in the profit and loss account.

3.19 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.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.20 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.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3.21 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 where the transaction is measured at the present value of future receipts discounted at a market rate of interest. 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.

(iv) Derivative instruments

The Group uses forward currency contracts to reduce exposure to foreign exchange rates.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and is subsequently measured at fair value through the profit and loss account. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of the forward currency contract is calculated by reference to current forward exchange contracts with similar maturity profiles.

The Group enters into 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.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.22 Other provisions

A provision is recognised when the Group 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.

3.23 Pensions

The Group operates a number of defined benefit schemes to provide pension and other benefits expressed in terms of a percentage of pensionable salary. The amounts charged to operating profit, as part of employee costs, are the current service costs. Past service costs are recognised in the profit and loss account in the period in which the existing plan is amended or a new plan is introduced with a retrospective effect. If the benefits have not vested, the costs are recognised over the period until vesting occurs. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets and the resulting cost is recognised in the profit and loss account.

Actuarial gains and losses are recognised immediately in the statement of comprehensive income. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the schemes' liabilities. Actuarial valuations are obtained triennially and are updated at each balance sheet date.

The assets of the schemes are held separately from those of the Group in independently administered funds.

The Group also operates a number of defined contribution schemes for eligible staff. For these schemes, the amounts charged to the profit and loss account are the contributions payable during the period.

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.

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

Significant judgements

(i) Going concern

The directors apply judgement to assess whether it is appropriate for the Group to be reported as a going concern, by considering the business activities and the Group's principal risks and uncertainties. Details of the considerations made by the directors as part of the assessment of going concern and the material uncertainties that exist are included within the Directors report on page 11 and within the basis of preparation on page 26.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

5. Significant estimates and assumptions

(i) Impairment of trading outlet tangible fixed assets

The Group considers whether separate cash generating units ("CGUs") are identifiable and will test for impairment at the lowest identifiable level. The Group has identified that each trading outlet is a separate CGU and therefore considers every outlet for an indication of impairment.

Where an indication of impairment is identified, the Group calculates each 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 an appropriate discount rate in order to calculate the net present value of those cash flows. The recoverable amounts of CGUs have been determined based on the higher of value in use and fair value less costs to sell. See note 7 for details of current year impairment, including sensitivities on discount rate and sales growth.

(ii) Provision for onerous leases

A provision is made for the future leasing obligations of the Group'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 the net present value of the obligations require management's judgement. See note 7 for details of exceptional onerous lease provision charges in the period including sensitivity analysis on the discount rate.

(iii) Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience, current trends and are in line with those similar pension schemes. See note 33 for further details of the key pension estimates and the related sensitivities.

(iv) Company fixed asset investments

The Company considers whether fixed asset investments are impaired. Where an indication of impairment is identified, an estimation of recoverable value is prepared for that investment. This requires estimation of the future cash flows from the investment and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

6. Turnover

An analysis of turnover by class of business is as follows:

	2018 £000	2017 £000
UK	1,637,184	1,727,224
USA	100,037	112,185
Rest of world	81,596	66,038
	<u>1,818,817</u>	<u>1,905,447</u>

Substantially, all the turnover above is attributable to the Group's principal activity, that of the retailing of clothing and clothing accessories through stores, the internet and 3rd party businesses.

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

7. Exceptional items and remeasurements

	2018 £000	2017 £000
Exceptional items		
Provision for onerous leases on loss-making stores	142,479	11,087
Impairment of tangible assets	71,857	45,336
Impairment of intangible assets	383	2,210
Provision against debt owed from joint venture	6,938	-
Termination of partner agreement	4,456	-
Restructuring costs	3,147	-
Property revaluations	-	(36,202)
Costs relating to Bhs	-	4,154
Remeasurements		
Unrealised (gain)/loss on derivative contracts	(12,152)	2,415
	217,108	29,000

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

7. Exceptional items and remeasurements (continued)

Provision for onerous leases on loss-making stores

As in the prior year, the Group has reviewed all leasehold stores 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 total charge in the period is £142,479,000 (2017: £11,087,000) and reflects an increase in the provision which was recognised against leases in prior years of £12,659,000 as well as an increase in the provision for new loss-making stores of £129,820,000. The resultant provision has been discounted to net present value at a rate of 3.47%. See note 29 for further details.

Impairment of tangible fixed assets

The Group has recognised an impairment charge of £71,857,000 (2017: £45,336,000) on tangible assets and £383,000 (2017: £2,210,000) on intangible assets during the period.

The Group considers whether separate cash generating units ("CGUs") are identifiable and will test for impairment at the lowest identifiable level. The Group has identified that each trading outlet is a separate CGU and therefore considers every outlet for an indication of impairment annually. The Group calculates each outlet'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 of disposal' and is discounted to net present value at a pre-tax discount rate of 10%. If the recoverable amount is less than the book value, an impairment charge is recognised.

In some circumstances, there is more than one Group trading company occupying the space within an outlet. In such cases the cashflows and book values of the outlet will be aggregated from the Group companies to complete the impairment test at the outlet level. Any resultant impairment will be allocated across the Group companies based on the proportion of the book value that it holds.

At 1 September 2018, the key assumptions to which the 'value-in-use' calculation are most sensitive are the trading cashflow assumptions over the forecast period and the discount rate applied to cashflows. Specific sensitivity analysis with regard to these assumptions show that a decrease in LFL sales of 1% would result in an additional impairment charge of approximately £3.8 million. An increase in the discount rate of 1% would result in an additional impairment charge of approximately £1.3 million. The approval of the CVAs and other group restructuring in June 2019 means there is likely to be a material release of this impairment charge in the period to 31 August 2019 as a result of reduced rent and rates obligations. However, this will be offset by an impairment charge of approximately £25.0 million relating to the closure of the USA retail operations following this business being put into administration in May 2019.

The exceptional charges relating to onerous leases and tangible and intangible asset impairment are recognised within exceptional cost of sales in the profit and loss account. The tax credit arising on these items is £33,386,000 (2017: £6,841,000).

Provision against debt owed from joint venture

During the period the Group has provided a sum of £11,820,000 (2017: £nil) against the intercompany amount owed from joint ventures, offset by a movement in the recognition of joint venture losses of £4,882,000 (2017: £nil). This primarily relates to the amounts owed by Parkwood Topshop Athletic Limited. The tax credit arising on this item is £2,246,000 (2017: £nil).

Termination of partner agreement

On 21 June 2018, the Group terminated its China franchise agreement with a wholesale partner. £4.5 million was paid in order to terminate the agreement and to re-acquire intellectual property rights that had been granted to the partner in China. The tax credit arising on this item is £847,000.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

7. Exceptional items and remeasurements (continued)

Restructuring costs

During the period the group has incurred £3,147,000 (2017: £nil) of restructuring costs. These primarily relate to redundancy costs. The cash outflow relating to these costs was £3,147,000. The tax credit arising on this item is £598,000 (2017: £nil).

Property revaluations

In the prior year 279 Tottenham Court Road, London WC1A and 30-31 Princes Street, Edinburgh were reclassified, following a change of use, from trading stores to investment properties. This reclassification triggered the revaluation required under FRS102 and resulted in upward revaluations of £36,022,000 being recognised on Tottenham Court Road and £180,000 being recognised on 30-31 Princes Street. For further details see note 19.

Costs relating to Bhs

In the period the Group incurred net exceptional administrative costs comprising lease guarantee costs and legal and professional fees totalling £nil (2017: £4,154,000) in relation to the administration of Bhs. The cash outflow associated with these costs was £885,000 (2017: £10,907,000).

Unrealised (gain)/loss on derivative contracts - remeasurements

During the period the Group recognised unrealised gains of £12,152,000 (2017: losses of £2,415,000) due to remeasurement of forward currency contracts and unrealised loss on all derivative contracts. The tax charge arising on this item is £2,309,000 (2017: tax credit of £473,000).

8. Other operating income

	2018	2017
	£000	£000
Other operating income	17,670	-
Exceptional operating income	-	36,202
	17,670	36,202

Other operating income includes a net surplus on revaluation of investment properties of £12,127,000 (2017: £nil) as well as income from the sale of property of £5,543,000 (2017: £nil).

In the prior year exceptional operating income comprises upwards revaluation of investment property of £36,202,000.

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

9. Operating profit/(loss)

	2018 £000	2017 £000
The operating profit/(loss) is stated after charging/(crediting):		
Depreciation of tangible assets	46,823	50,805
Impairment of tangible assets	71,857	45,336
Impairment of intangible assets	383	2,210
Amortisation of software intangible assets	12,988	12,070
Amortisation of goodwill	15,934	16,029
Stock recognised as an expense	763,640	768,440
Impairment of stock	6,223	8,566
(Profit)/loss on disposal of tangible assets	(5,642)	3,632
Property rentals paid	198,671	190,537
Property rentals received	(13,861)	(13,004)
Unrealised (gains)/losses on derivative financial instruments	(12,152)	2,415
Other operating lease charges	1,671	1,916
Foreign currency exchange (gain)/loss	(2,048)	7,146
	<u> </u>	<u> </u>

10. Auditors' remuneration

	2018 £000	2017 £000
Fees payable to the auditors for the statutory group audit (including Company of £20,000 (2017: £20,000))	424	185
Fees payable to the Group's auditors in respect of:		
Statutory audit of subsidiaries and associates	444	215
Tax compliance and other tax services	300	280
Pension advisory services	-	320
All other non-audit assurance services not included above	161	71
	<u> </u>	<u> </u>

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

11. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	341,237	353,103
Social security costs	23,396	24,109
Other pension costs	5,601	5,728
	<u>370,234</u>	<u>382,940</u>

The average monthly number of employees, including the directors, during the 53 weeks was as follows:

	2018 No.	2017 No.
Retail	18,886	20,510
Head Office	2,730	2,914
	<u>21,616</u>	<u>23,424</u>

The average number of employees above includes 14,979 (2017: 16,201) part-time employees. The equivalent average number of full-time employees was 10,382 (2017: 11,273).

The Company had no employees during the period (2017: none).

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

12. Directors' remuneration

	2018	2017
	£000	£000
Directors' emoluments	6,597	5,139
	6,597	5,139

During the period retirement benefits were accruing to 3 directors (2017: 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £1,901,000 (2017: £1,835,000).

The key management personnel are considered to be the directors of the Company.

13. Interest receivable and similar income

	2018	2017
	£000	£000
Bank deposits	887	949
	887	949

14. Interest payable and similar expenses

	2018	2017
	£000	£000
Bank loans and overdrafts	9,582	8,779
Amortisation of bank loan issue costs	607	561
Loan notes	3,716	5,000
Other interest payable	9	43
Unwind of discount rate on provisions	2,317	2,370
	16,231	16,753

15. Other finance expenses

	2018	2017
	£000	£000
Net interest expense on pension scheme liabilities	7,020	8,612

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

16. Tax on profit/(loss)

	2018	2017
	£000	£000
Corporation tax		
UK corporation tax (credit)/charge on (loss)/profit for the period	(10,416)	13,713
Adjustments in respect of prior periods	(2,058)	(9,578)
Foreign tax		
Foreign tax on income for the period	34	342
	34	342
Total current tax	(12,440)	4,477
Deferred tax		
Origination and reversal of timing differences	2,084	774
Adjustments in respect of prior periods	978	611
Re-measurement of deferred tax - change in UK tax rates	1,248	(1,782)
Total deferred tax	4,310	(397)
Taxation on (loss)/profit on ordinary activities	(8,130)	4,080

A tax charge of £20,560,000 (2017: £23,423,000) arises in the statement of comprehensive income in respect of deferred tax relating to the Group's pension schemes, of which a charge of £nil (2017: £2,268,000) is in respect of changing tax rates.

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

16. Tax on profit/(loss) (continued)

Factors affecting tax charge for the period

The tax (credit)/charge assessed for the period is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19% (2017: 19.6%). The differences are explained below:

	2018 £000	2017 £000
(Loss)/profit before tax	<u>(177,300)</u>	<u>53,508</u>
(Loss)/profit before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.6%)	(33,687)	10,488
Effects of:		
Expenses not deductible for tax purposes	12,582	4,994
Movement on losses not recognised	12,888	-
Adjustments in respect of prior periods	(1,080)	(8,967)
Impact of rate change in respect of loss carry back	(333)	-
Adjustment in respect of foreign tax rates	252	(653)
Re-measurement of deferred tax - change in UK tax rates	1,248	(1,782)
Total tax (credit)/charge for the period	<u>(8,130)</u>	<u>4,080</u>

The current period UK corporation tax credit arises primarily from carrying back losses to the prior period.

The movement on losses not recognised primarily represents UK trading losses carried forward which are available to offset profits in future periods. It is likely that a substantial proportion of the losses would be utilised within 12 months following the completion of the CVAs detailed in note 35.

Expenses not deductible for tax purposes includes goodwill amortisation and impairment charges.

Factors that may affect future tax charges

The Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. Closing deferred tax balances have therefore been valued at 17% or 19% (2017: 17% or 18%) depending on the date they are expected to fully unwind.

Due to the availability of surplus UK tax losses, the Group anticipates that future tax charges will be lower than the standard rate of UK corporation tax.

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

17. Intangible assets

Group

	Software £000	Goodwill £000	Total £000
Cost			
At 27 August 2017	146,070	334,295	480,365
Additions	22,385	-	22,385
Disposals	(12,623)	-	(12,623)
Cost transfer	392	-	392
At 1 September 2018	156,224	334,295	490,519
Accumulated amortisation			
At 27 August 2017	69,650	251,280	320,930
Charge for the period	12,988	15,934	28,922
On disposals	(12,623)	-	(12,623)
Amortisation transfer	392	-	392
Impairment charge	-	383	383
At 1 September 2018	70,407	267,597	338,004
Net book value			
At 1 September 2018	85,817	66,698	152,515
At 26 August 2017	76,420	83,015	159,435

Goodwill is amortised over the period during which the value of the underlying business acquired is expected to exceed the value of the underlying net assets. This period is assessed for each acquisition on its individual merits.

The company has no intangible assets.

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

18. Tangible assets

Group

	Land and buildings £000	Fit out, fixtures and equipment £000	Total £000
Cost			
At 27 August 2017	721,488	412,663	1,134,151
Additions	42,395	16,244	58,639
Disposals	(33,053)	(35,383)	(68,436)
Transfers between classes	1,379	(5,533)	(4,154)
At 1 September 2018	<u>732,209</u>	<u>387,991</u>	<u>1,120,200</u>
Accumulated depreciation			
At 27 August 2017	255,935	309,713	565,648
Charge for the 53 weeks on owned assets	15,554	31,269	46,823
Disposals	(26,168)	(35,293)	(61,461)
Transfers between classes	1,272	(5,426)	(4,154)
Impairment charge	40,385	31,472	71,857
At 1 September 2018	<u>286,978</u>	<u>331,735</u>	<u>618,713</u>
Net book value			
At 1 September 2018	<u>445,231</u>	<u>56,256</u>	<u>501,487</u>
At 26 August 2017	<u>465,553</u>	<u>102,950</u>	<u>568,503</u>

The Company has no tangible assets.

The Group and Company have no assets held under finance leases or hire purchase contracts (2017: £nil).

The Group has agreed the sale of 15 freehold properties for a combined value of £3,300,000 which are expected to complete in the financial period ending 31 August 2019. The net book value of the assets is £3,500,000 realising a loss on disposal of £200,000 less any incidental costs of disposal.

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

18. Tangible assets (continued)

The net book value of land and buildings may be further analysed as follows:

	2018 £000	2017 £000
Freehold property	111,811	110,000
Long leasehold	255,269	226,619
Short lease improvements	78,152	128,934
	<u>445,232</u>	<u>465,553</u>

19. Investments

Company

	Shares in subsidiary undertakings £000
Cost	
At 27 August 2017 and 1 September 2018	866,395
Net book value	
At 26 August 2017 and 1 September 2018	<u>866,395</u>

The directors believe that the carrying value of the investments is supported by the realisable value of their net assets.

For a full list of the Company's related undertakings see note 37.

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

20. Investment property

Group

	Long leasehold £000
Valuation	
At 27 August 2017	96,330
Additions at cost	33,185
Net surplus on revaluation	12,127
	<hr/>
At 1 September 2018	141,642
	<hr/>

The Group's investment properties are: 7-15 Gresse Street & 12-13 Rathbone Place, London, W1T 1QL, 279 Tottenham Court Road, London WC1A 1HL and 30/31 Princes Street, Edinburgh, EH2 2BY.

279 Tottenham Court Road was valued by Cushman & Wakefield, Chartered Surveyors, as at 22 January 2018, 30/31 Princes Street was valued by C B Richard Ellis Limited, Chartered Surveyors, as at 22 January 2018 and 7-15 Gresse Street was valued by C B Richard Ellis Limited, Chartered Surveyors, as at 1 September 2018. All valuations were made on an open market value for existing use basis.

The addition in the period represents the amount paid to acquire the freehold at the above investment property on Tottenham Court Road.

The Company has no investment properties (2017: none).

21. Stock

	Group	Group
	2018 £000	2017 £000
Goods for resale	186,797	183,119
	<hr/>	<hr/>

The difference between purchase price or production costs of stock and their replacement cost is not material.

Stock is stated after provision for impairment of £7,778,000 (2017: £7,453,000).

The Company has no stock (2017: none).

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

22. Debtors

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Amounts falling due after more than one year				
Deferred tax asset	-	17,242	-	-
	<u>-</u>	<u>17,242</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>17,242</u>	<u>-</u>	<u>-</u>
			Group 2018 £000	Group 2017 £000
Amounts falling due within one year				
Trade debtors			65,719	75,162
Other debtors			4,337	3,494
Amounts owed from joint ventures			7,100	13,772
Tax recoverable			11,719	6,305
Deferred tax asset			-	4,574
Derivative financial assets			9,737	6,765
Prepayments and accrued income			43,770	47,954
			<u>142,382</u>	<u>158,026</u>

Trade debtors are stated after provisions for impairment of £5,481,000 (2017: £5,488,000).

Amounts owed from joint ventures (Parkwood Topshop Athletic Limited) are stated after provisions for impairment of £11,820,000 (2017: £nil). On 12 November 2018 Parkwood Topshop Athletic Limited (PTAL) signed an asset sale agreement in which it sold its intellectual property in the Ivy Park brand to the previous joint venture partner, Parkwood Athletic LLC for \$7.0 million (see note 35 for further details).

23. Cash and cash equivalents

	Group 2018 £000	Group 2017 £000
Cash at bank and in hand	132,187	235,391
Less: bank overdrafts	(57,685)	(75,261)
	<u>74,502</u>	<u>160,130</u>

The Company has no cash and cash equivalents (2017: £nil).

The bank overdrafts are secured on a number of properties across various entities within the Group.

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

24. Creditors: amounts falling due within one year

	Group 2018 £000	Group 2017 £000
Subordinated loan notes	23,376	24,995
Bank overdrafts	57,685	75,261
Property mortgages	311,105	1,143
Trade creditors	202,534	232,654
Other taxation and social security	27,999	21,058
Other creditors	57,042	56,892
Derivative financial liabilities	-	9,180
Accruals and deferred income	107,937	129,214
	787,678	550,397

The Company has no creditors with amounts falling due within one year (2017: none).

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

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Subordinated loan notes	20,000	39,995	-	-
Property mortgages	54,511	309,534	-	-
Amounts owed to group undertakings	-	-	1,030,805	1,010,533
Other creditors	8,755	13,283	-	-
Accruals and deferred income	115,896	130,113	-	-
	199,162	492,925	1,030,805	1,010,533

The amounts owed to group undertakings are unsecured and have no fixed repayment terms. Interest was charged at a rate of 2.25% (2017: 2.14%) which is approximate to a market rate of interest.

Notes to the financial statements
for the 53 weeks ended 1 September 2018

26. Loans

	Group 2018 £000	Group 2017 £000
Amounts falling due within one year		
Property mortgages	311,105	1,143
Subordinated loan notes	23,376	24,995
	<hr/> 334,481	<hr/> 26,138
Amounts falling due between one and two years		
Property mortgages	(119)	309,534
Subordinated loan notes	20,000	19,997
	<hr/> 19,881	<hr/> 329,531
Amounts falling due between two and five years		
Property mortgages	54,629	-
Subordinated loan notes	-	19,998
	<hr/> 54,629	<hr/> 19,998

The Company has no loans (2017: none).

Property mortgages

The Group's property mortgages are stated net of unamortised issue costs of £760,000 (2017: £1,018,000), which are amortised over the life of the loan. The amounts included within 'Amounts falling due between one and two years' above relate to a proportion of these unamortised issue costs.

The property mortgages are secured by legal mortgage or fixed charge over certain of the Group's long leasehold and freehold instruments.

Subordinated loan notes

The subordinated loan notes above are listed on the Channel Islands Stock Exchange, are unsecured and are redeemable in ten equal instalments. Interest on the loan notes accrues at the rate of 8% per annum, and is paid annually in arrears.

The subordinated loan notes disclosure above is stated net of unamortised issue costs of £4,000 (2017: £5,000).

On 20 August 2019 the holder of the subordinated loan notes formally released the Group of all outstanding liabilities (see note 35 for further details).

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

27. Financial instruments

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Financial assets				
Financial assets measured at fair value through profit and loss	9,737	6,765	-	-
Financial assets that are debt instruments measured at amortised cost	77,155	92,428	-	-
	86,892	99,193	-	-
Financial liabilities				
Financial liabilities measured at fair value through profit and loss	-	(9,180)	-	-
Financial liabilities measured at amortised cost	(958,841)	(998,638)	(1,030,805)	(1,010,533)
	(958,841)	(1,007,818)	(1,030,805)	(1,010,533)

The Group enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency payables. At 1 September 2018, the outstanding contracts all mature within 12 months (2017: 12 months) from the period end. At 1 September 2018, the Group was committed to sell €nil and buy \$231,000,000 (2017: committed to sell €65,000,000, buy \$200,000,000).

Financial assets and liabilities measured at fair value through profit and loss comprise derivative financial instruments that are initially measured at fair value on the date on which the contract is entered into and are subsequently measured at fair value through the profit and loss account. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of the forward currency contract is calculated by reference to current forward exchange contracts with similar maturity profiles. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD and GBP:EUR.

The Company has no derivative financial instruments (2017: none).

Taveta Investments Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

28. Deferred taxation

Group

	2018 £000
At 27 August 2017	21,816
Charged to the profit and loss account	(4,310)
Charged to other comprehensive income	(20,558)
At 1 September 2018	<u>(3,052)</u>

At end of year

The deferred taxation balance is made up as follows:

	Group 2018 £000	Group 2017 £000
Capital allowances	18,469	12,610
Tangible assets acquired in business combinations	(34,935)	(39,441)
Post-employment benefits	26,512	50,726
Other timing differences	(13,098)	(2,079)
	<u>(3,052)</u>	<u>21,816</u>

The net deferred tax liability is expected to fully unwind within one period. This primarily relates to the reversal of timing differences on post-employment benefits and capital allowances offset by timing differences arising from business combinations.

The Group has an unprovided deferred tax asset of £28.5 million (2017: £20.4 million) primarily relating to UK trading losses and capital losses, which may be used to offset profits in future periods. It is likely that a substantial proportion of this unprovided asset will be recognised within 12 months following completion of successful CVAs.

Notes to the financial statements
for the 53 weeks ended 1 September 2018

29. Other provisions

Group

	Onerous leases £000	Property provisions £000	Joint ventures £000	Total £000
At 27 August 2017	55,924	18,820	4,882	79,626
Charged/(credited) to the profit and loss account	142,479	1,487	(4,882)	139,084
Discount unwind	2,317	-	-	2,317
Utilised in period	(15,186)	(3,367)	-	(18,553)
At 1 September 2018	185,534	16,940	-	202,474

Onerous leases

The onerous lease provision relating to loss-making stores is discounted at a rate of return of 3.47% (2017: 4.00%). The key assumptions to which the 'value-in-use' calculation are most sensitive to are the trading cashflow assumptions over the forecast period and the discount rate applied to the cashflows. Specific sensitivity analysis with regard to these assumptions shows that a decrease in LFL sales of 1% would result in an increase in the provision of £20,339,000. A decrease in the discount rate of 1% would result in an increase in the provision of approximately £11,200,000 (2017: £3,672,000). Provision has been made for the remaining period of the leases, which on average is 5.0 years (2017: 6.3 years).

The exceptional charge of £145,367,000 reflects an increase in the provision on properties for which a provision was recognised in prior periods of £12,659,000, as well as an increase in the provisions for new loss-making stores of £129,820,000.

The approval of the CVAs and the other group restructuring in June 2019 means there is likely to be a material release of the onerous lease provision in the period to 31 August 2019 as a result of reduced rent and rates obligations.

Property provisions

The Group 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 to the end of the lease period. The Group also provides for dilapidations where there is an obligation to repair damages which occur during the life of the lease such as wear and tear. The cost is charged to the profit and loss account as the obligation arises.

Joint ventures

The Group owns 50% of the issued ordinary share capital of Muse Retail Limited ('Muse'), a joint venture of the Group. Muse was engaged in the retailing of fashion accessories and operates in the United Kingdom.

The Group owns 50% of the issued ordinary share capital of Parkwood Topshop Athletic Limited ('Parkwood'), an associate of the Group. Parkwood is engaged in the retailing of athletic wear.

The Company has no provisions (2017: £nil).

Taveta Investments Limited

**Notes to the financial statements
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30. Called up share capital

	2018	2017
	£000	£000
Allotted and fully paid		
103,092,000 (2017: 103,092,000) ordinary shares of £0.10 each	10,309	10,309
	<u><u>10,309</u></u>	<u><u>10,309</u></u>

31. Capital commitments

At 1 September 2018 the Group had capital commitments as follows:

	Group	Group
	2018	2017
	£000	£000
Contracted for but not provided in these financial statements	38,421	36,738
	<u><u>38,421</u></u>	<u><u>36,738</u></u>

The Company has no capital commitments (2017: none).

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

32. Operating lease commitments

The Group's commitments under operating leases relate to land and buildings. At 1 September 2018 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £000	Group 2017 £000
Land and buildings		
Within 1 year	167,670	183,107
Between 2 and 5 years	448,591	441,747
After more than 5 years	420,354	664,809
Total	<u>1,036,615</u>	<u>1,289,663</u>

**Notes to the financial statements
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33. Pension commitments

The Group operates four funded defined benefit schemes, for the benefit of eligible current and former employees. All of these schemes provide retirement benefits based on members' final salary and are closed to new entrants and future accruals. Their assets are held in separate trustee administered funds.

Two of the schemes provide benefits for different categories of United Kingdom employees, the Arcadia Group Pension Scheme ('AGPS') and the Arcadia Group Senior Executives Pension Scheme ('AGSEPS'). Hereafter, these schemes are referred to as 'the schemes'.

The third scheme caters specifically for employees based in Ireland.

The final scheme has been closed for a number of years and now only provides benefits for deferred and pensioner members.

All above employees, and those qualifying employees who weren't previously eligible for membership of the above schemes, are able to join the defined contributions scheme.

The Group also operates a hybrid pension scheme, which has both a defined benefit and a defined contribution section, for the benefit of the former United Kingdom employees of Matte plc. There are no active members of the defined benefit section of this scheme and the liability in this regard is not material for the purposes of disclosure under FRS 102.

In January 2017, the Group completed its triennial actuarial valuation as at 31 March 2016 with the Group's pension schemes trustees and a Schedule of Contributions was agreed at £50.0 million per year (previously £24.3 million) for the next three years, with the intention of removing the deficit over ten years. Since then, as part of the Group restructuring, an agreement has been reached with the trustees of the Group's 2 UK pension schemes to revise the schedule of contributions to £25.0 million per year for the next 3 years (with the potential for this to be increased by up to £5.0 million per annum if EBITDA exceeds the Business and Recovery Plan by more than a certain amount). Certain security (totalling £185.0 million, plus up to a further £25.0 million) has been given to the pension trustees in return for agreeing the revised schedule of contributions. In addition, the majority shareholder has committed to pay £100.0 million to the pension schemes over the next 3 years. The March 2019 triennial actuarial valuation is underway, but is not expected to lead to any change in the agreed contributions over the next 3 years.

A reconciliation of the present value of the schemes' liabilities is set out below:

	2018	2017
	£000	£000
Opening present value	1,205,104	1,274,776
Pension administration costs	2,400	1,723
Interest cost	29,842	25,519
Actuarial gains	(105,539)	(47,549)
Net benefits paid out	(61,824)	(49,821)
Foreign exchange movements	-	456
At the end of the year	1,069,983	1,205,104

Taveta Investments Limited

**Notes to the financial statements
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33. Pension commitments (continued)

A reconciliation of the fair value of the schemes' assets is set out below:

	2018 £000	2017 £000
Opening fair value	905,095	847,951
Return on plan assets (excluding interest income)	15,446	67,529
Employer contributions	50,076	22,312
Administrative expenses paid out	(16)	(9)
Net benefits paid out	(61,824)	(49,821)
Foreign exchange movements	-	226
Interest income	22,822	16,907
At the end of the year	931,599	905,095

Composition of plan assets:

	2018 £000	2017 £000
Equities	2,672	2,378
Bonds	1,113,499	861,240
Hedge funds	-	896
Property	287	246
Cash	13,039	88,802
Other (including interest rate swaps and repurchase agreements)	(197,898)	(48,467)
Total plan assets	931,599	905,095

Other plan assets include interest rate swaps which are used to generate a return from the gilt swap spread. The value of these derivatives varies with the market conditions through changes in the government bond and swap yields.

	2018 £000	2017 £000
Fair value of plan assets	931,599	905,095
Present value of plan liabilities	(1,069,983)	(1,205,104)
Net pension scheme liability	(138,384)	(300,009)

Taveta Investments Limited

**Notes to the financial statements
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33. Pension commitments (continued)

The amounts recognised in the profit and loss account are as follows:

	2018 £000	2017 £000
Pension administration costs	2,400	1,730
Total operating charge	2,400	1,730
The other finance expense is analysed below:		
Net interest on net defined benefit liability	7,020	8,612
Net expense	7,020	8,612

The pension administration costs are included within administrative expenses.

The return on plan assets was:

	2018 £000	2017 £000
Interest income	22,822	16,907
Actuarial gains	15,446	67,529
Closing defined benefit obligation	38,268	84,436

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2018 %	2017 %
Discount rate	2.9	2.5
RPI inflation	3.3	3.4
CPI inflation	2.3	2.4
Mortality rates		
- for a male aged 65 now	86.6	86.7
- at 65 for a male aged 45 now	87.9	88.1
- for a female aged 65 now	88.5	90.4
- at 65 for a female member aged 45 now	90.0	91.9

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

33. Pension commitments (continued)

Sensitivities

The schemes' liabilities at 1 September 2018 are subject to sensitivity in the assumptions as follows:

- A 0.5% increase in discount rates would result in a decrease in liabilities of £105 million;
- A 0.5% decrease in discount rates would result in an increase in liabilities of £120 million;
- A 0.5% increase in inflation would result in an increase in liabilities of £95 million;
- A 0.5% decrease in inflation would result in a decrease in liabilities of £85 million; and
- If life expectancies were to increase by 1 year for a member currently aged 65 as of the valuation date, we would expect to see an increase in liabilities of around £40 million.

Sensitivities are calculated in isolation and a combination of sensitivities would not necessarily result in the sum of the liabilities movements stated above.

Amounts for the current period and previous four years are as follows:

	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Fair value of the schemes' assets	931,599	905,095	847,951	757,510	1,339,943
Present value of the schemes' liabilities	(1,069,983)	(1,205,104)	(1,274,776)	(947,116)	(1,603,468)
	<u>(138,384)</u>	<u>(300,009)</u>	<u>(426,825)</u>	<u>(189,606)</u>	<u>(263,525)</u>

Defined contribution schemes

Employer contributions to the Group's defined contribution scheme were £5,601,000 (2017: £5,325,000).

The pension cost under the defined contribution section of the Matte plc pension scheme, referred to earlier, was £nil (2017: £nil). The Group also operates a personal pension plan for the benefit of Matte plc's former employees, to which it contributed £38,000 (2017: £42,000) during the period.

Total pension charge

The Group's net pension charge for its defined benefit schemes, including other finance costs, for the period ended 1 September 2018 was £9,416,000 (2017: £10,344,000).

The Company does not operate a pension scheme.

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

34. Related party transactions

During 2009 the Group acquired Bhs Group Limited, the consideration for which was satisfied by the issue of subordinated loan notes to companies ultimately controlled by Lady Cristina Green and her immediate family. During the current period, the Group redeemed £20,000,000 (2017: £20,000,000) of these loan notes and paid the loan note holders accrued interest of £3,378,000 (2017: £5,000,000). At the period end, the total amount outstanding on the loan notes, including accrued interest, was £43,376,000 (2017: £64,990,000). As disclosed in note 35, the Group has now been released of all outstanding liabilities in relation to these loan notes.

Muse Retail Limited ('Muse') is a joint venture between Arcadia Group Limited and DCK Concessions Limited. At the period end Muse owed the Group £1,547,000 (2017: £1,547,000), which has been provided against by the amount of £773,000 (2017: £1,547,000) on the basis that it is not deemed recoverable.

Parkwood Topshop Athletic Limited ('Parkwood') is an associate investment held by Top Shop/Top Man Limited ('TSTM') and Parkwood Athletic LLC to develop a brand for athletic wear. During the period, TSTM provided funding of £5,148,000 (2017: £7,662,000) to Parkwood. At the period end Parkwood owed the Group £18,916,000 (2017: £13,772,000), which has been provided against by the amount of £11,820,000 (2017: £nil) on the basis that it is not deemed recoverable.

A subsidiary of the Company is a member of Fashion Retail Academy ('FRA'), a private training provider delivering a range of higher and further education courses with an emphasis on retailing. FRA is a company limited by guarantee. During the period, the Group invoiced FRA £2,356,000 (2017: £2,356,000), mainly in respect of property and marketing expenditure, and made a donation to FRA of £1,982,000 (2017: £1,980,000). The Group also provided FRA with other services on a gratis basis. At the period end FRA owed the Group £74,000 (2017: £61,000).

On 10 March 2017, a wholly-owned subsidiary of the Company entered into a redevelopment agreement with Thackeray Estates Group Limited ('Thackeray') in the ordinary course of business. Thackeray is a company controlled by a close family member of the Group's principal shareholder who is also a director of the Company. Thackeray has been appointed by the subsidiary company to manage a property redevelopment project. During the period fees amounting to £nil (2017: £871,000) were paid to Thackeray. There were no balances outstanding at the period end.

On 10 November 2017, a wholly-owned subsidiary of the Group exchanged contracts with Fame Capital Limited to sell a long leasehold property and a freehold property in exchange for consideration of £2,950,000 and £570,000 respectively. The ultimate controlling party of Fame Capital Limited is also a director of Thackeray. The contracts were entered into on an arm's length basis on the advice of a third party valuer and following a period of external marketing.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

35. Post balance sheet events

Company Voluntary Arrangement

On 12 June 2019, the Group announced the approval of 7 Company Voluntary Arrangements (CVAs) aimed at addressing the over-rented position of the UK estate and right-sizing the UK store portfolio in order to allow the business to implement a 3 year Business and Recovery Plan. The CVAs have been approved for the following companies:

Top Shop/Top Man Limited
Arcadia Group Limited
Burton/Dorothy Perkins Properties Limited
Outfit Retail Properties Limited
Redcastle Limited
Top Shop/Top Man Properties Limited
Wallis Retail Properties Limited

An in-depth review of the property portfolio was performed with the assistance of a number of advisors, including property, legal and financial specialists. The CVAs are effective for a period of 3 years. As a result the Group is expected to benefit by around £47 million per annum through a combination of earlier closure of loss-making stores and reduced rents and will also benefit from savings in business rates of around £23 million through to April 2020.

The CVAs have been achieved with on-going financial support from the majority shareholder both for the Group and for the UK pension schemes (see below).

The CVA rent savings have been achieved with the assistance of a rent subsidy which has been provided by the majority shareholder, which in the first 12 months will be to the value of around £9.1 million. In the subsequent 24 months the majority shareholder will continue to provide support in the form of a rent subsidy, to a maximum value of circa £9.1 million per annum.

The majority shareholder has provided a £50.0 million interest-free loan secured on the new distribution centre (DC) in Daventry (the Aldsworth Equity loan) and has also committed £50.0 million of equity funding to provide £10.0 million of working capital for the business and to fund the £40.0 million Creditors Compensation Fund required to carry out the CVAs. £10.0 million of this equity has been provided since the year end, with the balance of £40.0 million committed by way of a Deed which falls due 14 days after the CVAs became challenge free.

On 15 July the CVA challenge periods ended with the Group receiving challenges from 3 legal entities representing 2 USA landlords. These challenges were subsequently withdrawn meaning that the CVAs are now challenge free.

Pension deficit repair contributions

As a result of a separate agreement with the trustees of the UK pension schemes signed on 4 June 2019, with effect from August 2019, the Group's annual pension deficit repair contributions have been reduced from £50.0 million to a base of £25.0 million (before fees and PPF levy) for 3 years (with the potential for this to be increased by up to £5.0 million per annum if EBITDA exceeds the Business and Recovery Plan by more than a certain amount, thereafter the contributions increase in line with an agreed schedule). As part of the agreement with the pension trustees and the Pension Protection Fund the majority shareholder has committed to pay £100.0 million cash into the pension schemes over a 3 year period.

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

35. Post balance sheet events (continued)

Security given to the Pension Schemes on the property at 214 Oxford Street, the Vendor Loan Note and Tottenham Court Road

In order to reach an agreement with the UK pension schemes to reschedule the pension deficit repair contributions, security has been given to the pension schemes to a maximum value of £185.0 million as follows: On 12 June 2019, a second charge was granted by Redcastle (214 Oxford Street) Limited, the company that owns the property at 214 Oxford Street, to Arcadia Group Pension Trust Limited. This second charge on the property, together with a charge over the Vendor Loan Note which is due from Top Shop/Top Man Limited to Arcadia Group Limited provides security for the pension schemes to a maximum secured amount of £185.0 million.

In addition, Redcastle (TCR) Limited has provided security to the pension schemes of up to £25.0 million as a second charge over the property at Tottenham Court Road.

Aldsworth Equity Limited loan

On 22 March 2019 the Group entered into a 3 year loan agreement between Aldsworth Equity Limited as lender and Top Shop/Top Man (Trinity) Limited as borrower. The borrower immediately advanced the facility to Top Shop/Top Man Limited via an intra-group loan. The loan agreement was for £50.0 million at 0% interest and was secured on the new DC at Daventry. Aldsworth Equity Limited is a related party (whose ultimate owner is Lady Cristina Green).

214 mortgage

The mortgage of £310 million on the 214 Oxford Street property was due for repayment in June 2019, this facility has been extended on the same financial terms until December 2019.

HBOS loan facility

On 8 May 2019 the HBOS loan facility of £120.0 million was reduced to £72.9 million. This revised facility has been extended beyond its original maturity date of 11 October 2019 to 31 July 2021 with some relaxation of the covenants.

AG USA - Appointment of administrators

On 22 May 2019, Arcadia Group (USA) Limited ("AG USA") was placed into administration. At 1 September 2018 the carrying value of the net liabilities related to AG USA operating was £84.2 million and AG USA continued to make operating losses in the period before it was placed into administration. AG USA had been responsible for operating the 11 Topshop/Topman retail stand-alone stores in the USA which have now closed. Other USA sales of the Topshop and Topman brands through the wholesale relationship with Nordstrom and digital sales made from the UK are not impacted by the closure of AG USA.

Taveta Investments Limited share buyback

On 22 May 2019, the Company performed a buyback of 8,000,000 ordinary shares with a nominal value of £0.10 each in the capital of the Company relating to 7.8% of the shareholding for an aggregate purchase price of £1. The seller retained the right to receive a proportion of the economic cash benefits that they would have accrued should there be any cash distributions made to shareholders of Taveta Investments Limited for a period of up to 3 years.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

35. Post balance sheet events (continued)

LGP buy back

On 22 March 2019 it was agreed that Arcadia Group Limited would buy back its shares in Arcadia Group Brands Limited, the holding company of the Topshop/Topman sub-group, from Leonard Green and Partners (LGP), who owned the minority interest at a nominal value. LGP have retained an option on the minority interest to buy back the shares at the same value as the consideration paid for an indefinite period, unless a qualifying event occurs. Such qualifying event would include the sale of all, or substantially all, of the shares of Arcadia Group Brands Limited.

Release of subordinated loan notes

On 20 August 2019 the holder of the subordinated loan notes formally released Taveta Investments (No. 2) Limited of all outstanding liabilities (principal plus accrued interest). An amount of £46.0 million will be credited to the profit and loss account in the period to 31 August 2019.

Marylebone House Sale

On 11 March 2019 the sale of the property at 129-137 Marylebone Road, London was completed. At 1 September 2018 the carrying value of the property was £51.4 million. The loss on disposal of the property was £4.9 million.

GMP Equalisation

A landmark pensions case has been handed down by the High Court relating to defined benefit schemes. The case relates to guaranteed minimum pensions (GMP) which were provided by schemes which were contracted out of the State Earnings Related pension up until 5 April 1997. These benefits were inherently unequal between males and females because of their different state pension retirement ages.

Given the ruling, pension schemes will be required to recalculate their obligations. The methodology and calculation of this has yet to be agreed with the pension trustees; however, it will be reflected as a charge to the profit and loss account when it arises. The charge has not yet been determined, but has been estimated at around £14 million.

Parkwood

On 12 November 2018 Parkwood Topshop Athletic Limited (PTAL) signed an asset sale agreement in which it sold its intellectual property in the Ivy Park brand to the previous joint venture partner, Parkwood Athletic LLC for \$7.0 million. As part of the transaction, Parkwood Athletic LLC transferred all of its shares in PTAL to Top Shop/Top Man Limited. PTAL has fulfilled all of the orders that it had at that date and has liquidated all of its stock. This entity has now been renamed as Acleves Limited. Once all of its affairs are settled it is intended to conduct a solvent liquidation of Acleves Limited, which is about to begin. The financial impact to the accounts for the period ended 31 August 2019 is unknown.

36. Controlling party

The Company's beneficial owner and controlling party is Lady Cristina Green.

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

37. Related undertakings

With the exception of Gresse Street Limited (53%), Muse Retail Limited (50%), Parkwood Topshop Athletic Limited (50%) and the Top Shop/Top Man (Holdings) Limited group (denoted *) (75%), the Group owns the whole of the issued share capital of the group undertakings listed below. Other than Taveta Investments (No. 2) Limited, all of the companies are indirect subsidiaries of the Company.

The registered office for companies registered in Ireland is: DWF, 5 George's Dock, IFSC, Dublin.

The registered office for AG Insurance Company Limited is: 4th Floor, The Albany, South Esplanade, St Peter Port, Guernsey GY1 4NF.

The registered office for GE Investors Jersey (No. 2) Limited is: Ogier House, The Esplanade, St Helier, Jersey, JE4 9WG.

The registered office for Top Shop/Top Man (Netherlands) B.V. is: 48/52 Kalverstraat, 1012PE, Amsterdam, The Netherlands.

The registered office for Arcadia Group (Hong Kong) Limited is: Room 3508, 35/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong.

The registered office for Wilton Equity Limited is: PO Box 3175, Road Town, Tortola, British Virgin Islands.

The registered office for all other companies is: Colegrave House, 70 Berners Street, London W1T 3NL, United Kingdom.

Name	Country of registration	Principal activity
Arcadia Group Limited	England	Holding company
Arcadia Group Brands Limited *	England	Holding company
Arcadia Group Design & Development Limited	England	Store design and fit-out
Arcadia Group Fashion Holdings Limited	England	Holding company
Arcadia Group Holdings Limited	England	Non-trading
Arcadia Group (Hong Kong) Limited	Hong Kong	Fashion procurement
Arcadia Group Pension Trust Limited (now left the Group)	England	Corporate trustee
Arcadia Group Retail Limited	England	Dormant
Arcadia Group (USA) Limited (in administration)*	England	Fashion retailing
Arcadia Retail Group Limited	England	Dormant
Arcadia Stancepower Holdings Limited	England	Holding company
Arcadia (401k) Trustee Limited	England	Dormant
AG Clothing Limited	England	Brand management
AG Clothing (Holdings) Limited	England	Holding company
AG Fashion Limited	England	Dormant
AG Insurance Company Limited	Guernsey	Captive insurer
AG Retail Holdings (Ireland) Limited	Ireland	Holding company
AG Senior Executives Pension Trustee Limited (now left the Group)	England	Corporate trustee

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

37. Related undertakings (continued)

Arcadia Group Multiples (Ireland) Limited	Ireland	Fashion retailing
BE Leasing Limited	England	Dormant
Boothouse Limited	England	Dormant
Burton/Dorothy Perkins Properties Limited	England	Property investment
Burton Property Trust Limited	England	Dormant
Burton Retail Limited	England	Fashion retailing
Burton Trading Limited	England	Fashion retailing
Caraway Group Limited	England	Dormant
Castle Trustee Limited	England	Corporate trustee
Collier Finance Limited	England	Non-trading
Dorothy Perkins Limited	England	Property investment
Dorothy Perkins Retail Limited	England	Fashion retailing
Dorothy Perkins Trading Limited	England	Fashion retailing
Evans Limited	England	Fashion retailing
Evans Retail Limited	England	Fashion retailing
Evans Retail Properties Limited	England	Property investment
GE Investors Jersey (No.2) Limited *	Jersey	Dormant
Gresse Street Limited	England	Property investment
Hudson Accounting (No 1) Limited	England	Dormant
Hudson Accounting (No 2) Limited	England	Dormant
Matte Card Services Limited	England	Dormant
Miss Selfridge Retail Limited	England	Fashion retailing
Miss Selfridge Retail (Ireland) Limited	Ireland	Fashion retailing
Miss Selfridge Properties Limited	England	Property investment
Montague Burton Employees Savings Trustee Limited	England	Dormant
Montague Burton Properties Limited	England	Dormant
Montague Burton Property Investments Limited	England	Dormant
Muse Retail Limited	England	Fashion retailing
Outfit Retail Limited	England	Fashion retailing
Outfit Retail Properties Limited	England	Property investment
Parkwood Topshop Athletic Limited (in administration)	England	Fashion retailing
Redcastle Limited	England	Property investment
Redcastle (214 Oxford Street) Limited	England	Property investment
Redcastle Finance Limited	England	Holding company
Redcastle (Holdings) Limited	England	Holding company
Redcastle Investments Limited	England	Dormant
Redcastle Properties Limited	England	Dormant
Redcastle Property Mortgage Limited	England	Property investment
Redcastle (Freeholds) Limited	England	Property investment
Redcastle (Leaseholds) Limited	England	Property investment
Redcastle (TCR) Limited	England	Property investment

Taveta Investments Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

37. Related undertakings (continued)

Redcastle (TS/TM) Limited	England	Property investment
Richards Investment Limited	England	Holding company
Stancepower	England	Dormant
SVML Limited	England	Dormant
Tammy (Girlswear) Limited	England	Dormant
Taveta Investments (No. 2) Limited	England	Holding company
Top Shop/Top Man Limited *	England	Fashion retailing
Top Shop/Top Man (Germany) Limited *	England	Dormant
Top Shop/Top Man (Holdings) Limited *	England	Holding company
Top Shop/Top Man (Ireland) Limited *	Ireland	Fashion retailing
Top Shop/Top Man Properties Limited *	England	Property investment
Top Shop/Top Man (Australia) Limited *	England	Fashion retailing
Top Shop/Top Man (Trinity) Limited *	England	Dormant
Top Shop/Top Man (Wholesale) Limited *	England	Fashion retailing
Top Shop/Top Man (Netherlands) B.V. *	Netherlands	Property holding
Wallis (London) Limited	England	Dormant
Wallis Retail Limited	England	Fashion retailing
Wallis Retail (Ireland) Limited	Ireland	Fashion retailing
Wallis Retail Properties Limited	England	Property investment
Wilton Equity Limited	British Virgin Islands	Property investment
Zoom.co.uk Limited	England	E-commerce

38. Prior year restatement

Non-controlling interest

During the period, the Group reviewed and recalculated the amount of equity attributable to the non-controlling interest and, having noted an error, has restated the prior period profit and loss account, balance sheet and statement of changes in equity accordingly.

The effect of the restatement has been to increase the prior year brought forward equity attributable to non-controlling interests by £44,222,000 and to increase the current year brought forward equity attributable to non-controlling interests by £11,793,000. Equity attributable to the owners of the parent have been decreased by the above amounts in the respective years.

USA stepped rent

During the period, the Group reviewed the application of its leased asset accounting policy and it was found there was a misstatement relating to a number of leases with future fixed rental increases. The effect of the restatement was to increase accruals and deferred income due within one year by £738,452 and to increase accruals and deferred income due after one year by £10,765,950. Reserves brought forward in the prior year have decreased by £11,504,402.