

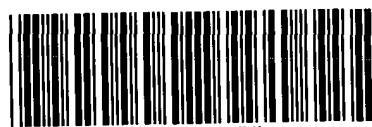
Registered Number: 07279467

# **Victoria's Secret UK Limited**

## **Report and Financial Statements**

For the 52 Weeks Ended 30 January 2016

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# **Victoria's Secret UK Limited**

## **Corporate Information**

### **Directors**

Timothy James Faber  
Todd Gregory Helvie

### **Auditors**

Ernst & Young LLP  
1 More London Place  
London  
SE1 2AF

### **Registered Office**

16 Garrick Street  
London  
WC2E 9BA

# Victoria's Secret UK Limited

## Strategic Report

The directors present their Strategic Report and financial statements of Victoria's Secret UK Limited ("the Company") for the 52 weeks ended 30 January 2016. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

### Fiscal Year

The Company's fiscal year ends on the Saturday nearest to 31 January. As used herein, "2015" and "2014" refers to the 52 weeks ended 30 January 2016 and 31 January 2015, respectively.

### Principal Activities and Review of Business

The Company's financial results are primarily related to the execution of the day-to-day store operations of 14 stores (2014 – ten stores) in the United Kingdom ("UK") for the Victoria's Secret and Victoria's Secret PINK retail brands, which are specialty retailers of women's intimate and other apparel, beauty and personal care products and accessories. The Company licenses the use of trademarks and other intellectual property from a related party, Victoria's Secret International S.a.r.l. (VSIS), owner of the Victoria's Secret and Victoria's Secret PINK intellectual property.

### Key Performance Indicators

The Company's key performance indicators during the period were as follows:

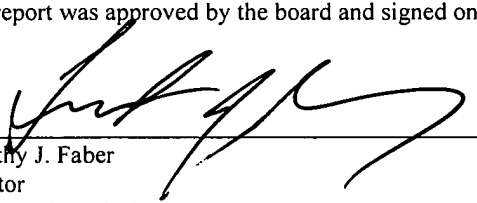
	<b>52 weeks ended 30 January 2016 (£'000)</b>	<b>52 weeks ended 31 January 2015 (£'000)</b>
Revenue	106,363	84,706
Gross Profit	69,418	58,008
Operating Profit	3,038	3,675

The Company's revenue and gross profit increase are attributable to the net sales for the four additional stores that commenced trading in 2015.

### Principal Risks and Uncertainties

The principal risk that the Company faces is the ability to effectively execute day-to-day store operations in accordance with VSIS' instructions to satisfy customer demand. The Company must focus on retaining and developing the best talent to ensure that it effectively supports the business and meets the customer needs. The Company seeks opportunities to maximise sales in the UK.

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

  
Timothy J. Faber  
Director  
27 September 2016

# Victoria's Secret UK Limited

## Directors' Report

**Registered Number: 07279467**

The directors present their report and financial statements of Victoria's Secret UK Limited ("the Company") for the 52 weeks ended 30 January 2016. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

### **Fiscal Year**

The Company's fiscal year ends on the Saturday nearest to 31 January. As used herein, "2015" and "2014" refers to the 52 weeks ended 30 January 2016 and 31 January 2015, respectively.

### **Results and Dividends**

The Company's profit for the year, after taxation, amounted to £1,637,000 (2014 – £1,985,000). No dividend was declared or paid in the period (2014 – nil).

### **Future Developments**

The Company plans to expand retail operations in the United Kingdom ("UK") by opening five additional stores in 2016. In March 2016, one mall-based Victoria's Secret PINK store was opened at Grand Arcade. In July 2016, one mall-based Victoria's Secret store was opened at Liverpool One.

On 23 June 2016, the UK voted to exit from the EU in the EU referendum vote. The impact of this decision is currently unknown, however it is expected to impact the UK and European economies in both the short and long term. We will continue to monitor the impacts of this decision as negotiations progress and determine the impact these are likely to have, if any, on the Company.

### **Financial Instruments**

Details of financial instruments are provided in the Strategic Report on page 3.

### **Employee Investment**

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. Periodically throughout the year, the Company provides updated company performance information on the internal intranet site which all associates have access to and are encouraged to review. Additionally, the Company conducts an annual Associate Opinion Survey ("AOS") in which employees are encouraged to provide feedback on the business performance, their working environment and leaders. From these results, the Company creates, communicates and implements action plans addressing the feedback received from the AOS. The AOS is not made compulsory however the Company strives to achieve 100% employee participation. Finally, the Company holds meetings, named 'Connection Café', at least once a quarter between local management and employees to allow a free flow of information and ideas amongst each other.

### **Directors**

Timothy James Faber  
Todd Gregory Helvie

# Victoria's Secret UK Limited

## Directors' Report (continued)

### Going Concern

The Company's business activities and principal risks and uncertainties are described in the Strategic Report on page 3. The Company is expected to continue to be profitable and has a strong net asset and cash position for the foreseeable future. Further, the Company has a Sublicense Agreement with the U.S. Branch of Victoria's Secret International S.á.r.l., a wholly-owned subsidiary of L (Overseas) Holdings LP ("LOHLP"), the Company's intermediate parent company, that guarantees that the Company's operating income equals approximately 3% of net sales. Additionally, the directors have received assurances from LOHLP, a wholly-owned subsidiary of L Brands, Inc., the ultimate parent company, that if the Company does not have sufficient funds to settle any liabilities as and when they fall due, then monies will be made available for a period of at least twelve months from the date of approval of these financial statements. The directors have ascertained that LOHLP has the ability to continue its financial support to the Company (either directly or through another LOHLP company). LOHLP is expected to continue to be profitable and has a strong net asset and cash position for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

### Events Since the Balance Sheet Date

Since the balance sheet date, the Company has opened one freestanding Victoria's Secret PINK store at Grand Arcade and one mall-based Victoria's Secret store at Liverpool One. Further the Company entered into a loan agreement with L Brands Service Company, LLC whereby the Company loaned L Brands Service Company, LLC £30 million. L Brands Service Company, LLC repaid £8 million of this outstanding loan.

### Disclosure of Information to Auditors

Each of the Company's directors at the date of the approval of this report confirms:

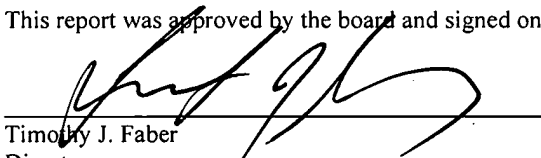
- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that ought to have been taken as directors in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

### Auditors

A resolution to reappoint Ernst & Young LLP as the auditors will be put to the members at the annual general meeting.

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

  
\_\_\_\_\_  
Timothy J. Faber  
Director

27 September 2016

# **Victoria's Secret UK Limited**

## **Directors' Responsibilities Statement**

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

Company law requires the directors to prepare Company financial statements for each financial year. Under that law, the directors have elected to prepare the Company financial statements under International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Company law states the directors must not approve the Company's financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Company financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Company financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditor's Report to the Members of Victoria's Secret UK Limited**

We have audited the financial statements of Victoria's Secret UK Limited for the 52 weeks ended 30 January 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the Statement of Cash Flow and the related notes 1 to 18.. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 January 2016 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent Auditor's Report to the Members of Victoria's Secret UK Limited (continued)**

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

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

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

*Ernst & Young LLP*

Christine Chua (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

*27/9/16*



# Victoria's Secret UK Limited

Registered Number: 07279467

## STATEMENT OF COMPREHENSIVE INCOME For the 52 weeks ended 30 January 2016

	Notes	52 weeks ended 30 January 2016 (£'000)	52 weeks ended 31 January 2015 (£'000)
Revenue		106,363	84,706
Cost of Sales		(36,945)	(26,698)
<b>Gross Profit</b>		69,418	58,008
Operating Expenses	3	(66,380)	(54,333)
<b>Operating Profit</b>		3,038	3,675
Finance Costs	5	-	(87)
Finance Income	5	113	35
<b>Profit Before Tax</b>		3,151	3,623
Income tax expense	6	(1,514)	(1,638)
<b>Profit After Tax</b>		1,637	1,985

All transactions are derived entirely from continuing operations.

The Notes on pages 13 to 26 form part of these financial statements.

# Victoria's Secret UK Limited

Registered Number: 07279467

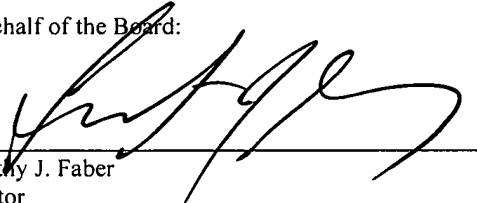
## STATEMENT OF FINANCIAL POSITION

As at 30 January 2016

	Notes	30 January 2016 (£'000)	31 January 2015 (£'000)
<b>Assets</b>			
<b>Non-current Assets:</b>			
Property, Plant and Equipment	7	50,930	57,824
Intangible Assets	8	12,697	12,586
Long-term Deposits	9	4,673	7,797
		<u>68,300</u>	<u>78,207</u>
<b>Current Assets:</b>			
Inventories	10	8,010	6,074
Other Current Assets	11	11,928	16,364
Cash and Cash Equivalents		35,330	17,817
		<u>55,268</u>	<u>40,255</u>
<b>Total Assets</b>		<u>123,568</u>	<u>118,462</u>
<b>Liabilities</b>			
Current Liabilities	12	18,958	17,824
Non-current Liabilities	13	13,682	11,347
<b>Total Liabilities</b>		<u>32,640</u>	<u>29,171</u>
<b>Equity</b>			
Issued Capital	14	86,134	86,134
Retained Earnings		4,794	3,157
<b>Total Equity</b>		<u>90,928</u>	<u>89,291</u>
<b>Total Equity and Liabilities</b>		<u>123,568</u>	<u>118,462</u>

The Notes on pages 13 to 26 form part of these financial statements.

On behalf of the Board:

  
 Timothy J. Faber  
 Director

27 September 2016

# Victoria's Secret UK Limited

Registered Number: 07279467

## STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 30 January 2016

	<u>Issued Capital</u> (£'000)	<u>Retained Earnings</u> (£'000)	<u>Total Equity</u> (£'000)
As at 2 February 2014	58,562	1,172	59,734
Contributed Capital	27,572	-	27,572
Profit for the Period	-	1,985	1,985
As at 31 January 2015	<u>86,134</u>	<u>3,157</u>	<u>89,291</u>
As at 1 February 2015	86,134	3,157	89,291
Profit for the Period	-	1,637	1,637
As at 30 January 2016	<u>86,134</u>	<u>4,794</u>	<u>90,928</u>

The Notes on pages 13 to 26 form part of these financial statements.

# Victoria's Secret UK Limited

Registered Number: 07279467

## STATEMENT OF CASH FLOWS For the 52 weeks ended 30 January 2016

	Notes	52 weeks ended 30 January 2016 (£'000)	52 weeks ended 31 January 2015 (£'000)
<b>Operating Activities</b>			
Profit before tax		3,151	3,623
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of property, plant and equipment	7	8,574	9,497
Loss on long-lived asset disposal	7	1,131	5
Amortisation of intangible assets	8	497	437
Working capital adjustments:			
Increase in Inventories	10	(1,936)	(1,582)
Decrease/(Increase) in Other Current Assets	11	4,423	(8,434)
Increase in Current Liabilities	12	1,714	6,244
Increase in Noncurrent Liabilities	13	4,160	1,794
Income tax paid	6	(2,213)	(1,423)
Net Cash flows from Operating Activities		<u>19,501</u>	<u>10,161</u>
<b>Investing Activities</b>			
Purchase of Property, Plant, and Equipment	7	(2,811)	(15,676)
Purchase of Intangible Assets	8	(385)	(3,429)
Receipt/(Payment) of Long-term Deposits	9	<u>3,124</u>	<u>(1,510)</u>
Net Cash flows from Investing Activities		<u>(72)</u>	<u>(20,615)</u>
<b>Financing Activities</b>			
Proceeds from issue of share capital	14	-	27,572
Repayment of Short-term Loan	12	<u>(1,916)</u>	<u>(5,956)</u>
Net Cash flows from Financing Activities		<u>(1,916)</u>	<u>21,616</u>
Net Increase in Cash and Cash Equivalents		17,513	11,161
Cash and Cash Equivalents at Beginning of Period		<u>17,817</u>	<u>6,656</u>
Cash and Cash Equivalents at End of Period		<u><u>35,330</u></u>	<u><u>17,817</u></u>

The Notes on pages 13 to 26 form part of these financial statements.

# Victoria's Secret UK Limited

Registered Number: 07279467

## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 1. Corporate Information

The financial statements of Victoria's Secret UK Limited ("the Company") for the 52 weeks ended 30 January 2016 were authorised for issue in accordance with the resolution of the directors. The Company is a limited company incorporated and domiciled in the United Kingdom ("UK").

The Company's financial results for the 52 weeks ended 30 January 2016 primarily relate to the execution of day-to-day store operations for the 14 stores (2014 – ten stores) operating in the UK under the Victoria's Secret and Victoria's Secret PINK retail brands.

### 2. Accounting Policies

#### *Fiscal Year*

The Company's fiscal year ends on the Saturday nearest to 31 January. As used herein, "2015" and "2014" refers to the 52 weeks ended 30 January 2016 and 31 January 2015, respectively.

#### *Basis of Preparation*

The Company's financial statements have been prepared on a historical cost basis and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union as they apply to the financial statements of the Company for the 52 weeks ended 30 January 2016.

The Company's financial statements are presented in British pounds and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The British pound is regarded as the Company's functional currency.

#### *Going Concern*

The Company's business activities and principal risks and uncertainties are described in the Strategic Report on page 3. The Company is expected to continue to be profitable and has a strong net asset and cash position for the foreseeable future. Further, the Company has a Sublicense Agreement with the U.S. Branch of Victoria's Secret International S.á.r.l., a wholly-owned subsidiary of L (Overseas) Holdings LP ("LOHLP"), the Company's intermediate parent company, that guarantees that the Company's operating income equals approximately 3% of net sales. Additionally, the directors have received assurances from LOHLP, a wholly-owned subsidiary of L Brands, Inc., the ultimate parent company, that if the Company does not have sufficient funds to settle any liabilities as and when they fall due, then monies will be made available for a period of at least twelve months from the date of approval of these financial statements. The directors have ascertained that LOHLP has the ability to continue its financial support to the Company (either directly or through another LOHLP company). LOHLP is expected to continue to be profitable and has a strong net asset and cash position for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

#### *Significant Accounting Judgments and Estimates*

##### *Derivative financial instruments*

The Company uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

# Victoria's Secret UK Limited

Registered Number: 07279467

## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 2. Accounting Policies (continued)

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

#### *Intangible Assets*

Intangible assets, which represent key money payments, are stated at cost net of amortisation and any provisions for impairment. Amortisation is provided on key money payments to write off the cost, less the estimated residual value, evenly over the life of the lease.

Key money is reviewed for impairment annually. If events or changes in circumstances indicate that the carrying value may not be recoverable and this is written down immediately to its recoverable amount.

#### *Impairment of Non-financial Assets*

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value, being a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Statement of Comprehensive Income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss is recognised immediately in the Statement of Comprehensive Income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

#### *Significant Accounting policies*

##### *Financial Instruments*

###### Financial assets

Amounts owed by group undertakings and other trade receivables are initially recognised at fair value and subsequently carried at amortised cost, reduced by any appropriate allowances for irrecoverable amounts.

Cash and short-term deposits comprise cash held by the Company and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

###### Financial liabilities

The Company's financial liabilities consist of amounts owed to group undertakings, accruals and trade and other payables. All of which, are initially recognised at fair value and subsequently carried at amortised cost.

# Victoria's Secret UK Limited

Registered Number: 07279467

## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 2. Accounting Policies (continued)

#### Derivative financial instruments

The Company uses derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. Further details of derivative financial instruments are disclosed in note 16.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. All derivatives are presented as current assets or current liabilities as the remaining maturity of the instruments are less than 12 months.

#### *Inventories*

Inventories are stated at the lower of cost or net realisable value. The Company records valuation adjustments to its inventories if the cost of specific inventory items on hand exceeds the amount it expects to realise from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

#### *Long-term Deposits*

The long-term deposits are recognised at the transactional value, with an impairment review taking place at the reporting date.

#### *Property, Plant and Equipment*

Property, plant and equipment are recorded at cost, net of depreciation and any provision for impairment. Depreciation is provided on all plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life.

<u>Category of Property and Equipment</u>	<u>Depreciable Life Range</u>
Furniture, fixtures and equipment	3 – 10 years
Leasehold improvements	Shorter of lease term or 10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Property, plant and equipment are reviewed for impairment annually when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### *Construction in Process*

Construction in process include all costs incurred in the development of the store and is stated at the lower of cost and net realisable value. Costs include all costs which are directly related to the property, incurred up to the earlier of practical completion and the date that the store is opened. On the opening of the store, all costs are transferred to leasehold improvements.

# Victoria's Secret UK Limited

Registered Number: 07279467

## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 2. Accounting Policies (continued)

#### *Operating Leases*

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

#### *Income Taxes*

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities.

Deferred income tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax.

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the Statement of Comprehensive Income.

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of future tax planning strategies.

#### *Foreign Currencies*

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). The results and financial position of the company are expressed in British pounds, which is the functional currency for the Company.

Transactions in foreign currencies are translated into British pounds at the rate ruling on the date of the transaction. Exchange differences are recognised in the Statement of Comprehensive Income in the period in which they arise.

#### *Revenue Recognition*

The Company recognises sales upon customer receipt of the merchandise. Revenues are comprised by the sale of goods, primarily apparel within its retail stores. All revenues relate to sales within the UK. The Company also provides a reserve for projected merchandise returns based on prior experience. Revenue excludes value added tax collected from customers.

The Company also sells gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognises income from gift cards when they are redeemed by the customer. In addition, the Company recognises income on unredeemed gift cards when it can determine that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). The Company determines the gift card breakage rate based on historical redemption patterns. To date, the Company has not recognised gift card breakage income.



# Victoria's Secret UK Limited

Registered Number: 07279467

## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 2. Accounting Policies (continued)

#### *Pensions*

The Company operates a defined contribution pension scheme. Contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme.

### 3. Operating Profit

This is stated after charging:

	52 weeks ended 30 January 2016	52 weeks ended 31 January 2015
	(£'000)	(£'000)
Operating lease charges	23,158	19,350
Depreciation	8,574	9,497
Loss on long-lived asset disposal	1,131	5
Amortisation	497	437
Auditor's remuneration – audit of the financial statements	59	50

### 4. Employees

	52 weeks ended 30 January 2016	52 weeks ended 31 January 2015
	(£'000)	(£'000)
Staff costs during the year, excluding directors		
Wages and salaries	14,174	11,892
Social security costs / Other	1,500	1,161
	<u>15,674</u>	<u>13,053</u>

The average number of employees (excluding directors) in the year was:

	52 weeks ended 30 January 2016	52 weeks ended 31 January 2015
	(No.)	(No.)
Store employees	885	652
	<u>885</u>	<u>652</u>

Directors' remuneration is paid by L Brands, Inc., the ultimate parent company of Luxembourg (Overseas) Holdings S.à.r.l. The company was not recharged the cost as it is negligible (2014 – nil).

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 5. Finance Costs / (Income)

	52 weeks ended 30 January 2016 (£'000)	52 weeks ended 31 January 2015 (£'000)
Interest Expense on Related Party Loans	-	87
Interest Income	(113)	(35)
	<u>(113)</u>	<u>52</u>

### 6. Income Taxes

	52 weeks ended 30 January 2016 (£'000)	52 weeks ended 31 January 2015 (£'000)
<b>Current Tax Expense</b>		
Current tax on profits for the year	1,418	1,868
Adjustment for under (over) provision in prior periods	16	(11)
Total Current Tax Expense	<u>1,434</u>	<u>1,857</u>
<b>Deferred Tax Expense</b>		
Origination and reversal of temporary differences	80	(219)
Total Deferred Tax Expense (Benefit)	<u>80</u>	<u>(219)</u>
<b>Total Tax Expense</b>	<u>1,514</u>	<u>1,638</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	52 weeks ended 30 January 2016 (£'000)	52 weeks ended 31 January 2015 (£'000)
Profit before tax	3,151	3,623
Expected tax charge based on the standard rate of UK corporation tax at the domestic rate of 20% (2014: 21%)	636	773
Expenses not deductible for tax purposes	870	957
Adjustment for under provision in previous periods	10	(88)
Change in deferred rates	(2)	(4)
<b>Total Tax Expense</b>	<u>1,514</u>	<u>1,638</u>

The UK rate of corporation tax reduced to 20% from 1 April 2015. Further changes to the UK corporation tax system were announced in the Summer 2015 Budget Statement. The 2015 Finance Act includes legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017, and then to reduce the corporation tax rate further from 19% to 18% from 1 April 2020. The reduction in tax rates was substantively enacted on 26 October 2015 and, therefore a tax rate of 18% has been used in these financial statements to measure the deferred tax assets and liabilities.

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 6. Income Taxes (continued)

On 16 March 2016, a further reduction in the UK corporation tax rate to 17% from 1 April 2020 was announced in the Chancellor's Budget. At the balance sheet date, this reduction had not been substantively enacted.

#### Deferred Income Taxes

The movement on the deferred tax account is as shown below:

	52 weeks ended 30 January 2016 (£'000)	52 weeks ended 31 January 2015 (£'000)
At beginning of period	100	319
Recognised in profits and loss tax expense (benefit)	80	(219)
At end of period	180	100

The movements in deferred tax assets / (liabilities) during the period are shown below:

	2015 recognised (£'000)	2014 recognised (£'000)	2015 not recognised (£'000)	2014 not recognised (£'000)
Movement in capital allowances	(92)	230	-	-
Other temporary and deductible differences	12	(11)	-	-
Net movement	(80)	219	-	-

A deferred tax asset of £36,000 (2014 – £23,000) is disclosed in Current Assets on the Statement of Financial Position. A deferred tax liability of £216,000 (2014 – £124,000) is disclosed in Non-current Liabilities on the Statement of Financial Position.

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 7. Property, Plant and Equipment

	<b>Furniture, Fixtures and Equipment (£'000)</b>	<b>Leasehold Improvements (£'000)</b>	<b>Construction in Process (£'000)</b>	<b>Total (£'000)</b>
<b>Cost:</b>				
At 1 February 2014	18,036	35,937	4,323	58,296
Additions	-	-	15,676	15,676
Disposals	(679)	(1,336)	-	(2,015)
Transfers	9,265	765	(10,030)	-
At 31 January 2015	26,622	35,366	9,969	71,957
Additions	-	-	2,811	2,811
Disposals	(1,288)	(2,529)	(7)	(3,824)
Transfers	10,053	1,190	(11,243)	-
At 30 January 2016	<u>35,387</u>	<u>34,027</u>	<u>1,530</u>	<u>70,944</u>
<b>Accumulated Depreciation:</b>				
At 1 February 2014	2,490	4,156	-	6,646
Charge for the year	3,790	5,707	-	9,497
Disposals	(679)	(1,331)	-	(2,010)
Transfers	(16)	16	-	-
At 31 January 2015	5,585	8,548	-	14,133
Charge for the year	4,241	4,333	-	8,574
Disposals	(806)	(1,887)	-	(2,693)
Transfers	-	-	-	-
At 30 January 2016	<u>9,020</u>	<u>10,994</u>	<u>-</u>	<u>20,014</u>
<b>Carrying Amount:</b>				
At 30 January 2016	<u>26,367</u>	<u>23,033</u>	<u>1,530</u>	<u>50,930</u>
At 31 January 2015	<u>21,037</u>	<u>26,818</u>	<u>9,969</u>	<u>57,824</u>

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 8. Intangible Assets

Key money payments to landlords are capitalised and amortised as rent expense over the term of the lease agreements to 30 June 2045.

	<u>(£'000)</u>
<b>Cost:</b>	
At 1 February 2014	10,520
Additions	<u>3,429</u>
At 31 January 2015	13,949
Additions	<u>608</u>
At 30 January 2016	<u>14,557</u>
<b>Accumulated Amortisation:</b>	
At 1 February 2014	926
Charge for the year	<u>437</u>
At 31 January 2015	1,363
Charge for the year	<u>497</u>
At 30 January 2016	<u>1,860</u>
<b>Carrying Amount:</b>	
At 30 January 2016	<u>12,697</u>
At 31 January 2015	<u>12,586</u>

### 9. Long-term Deposits

The Company's long-term deposits are related to property leases which are repayable at lease expiration.

	<u>(£'000)</u>
At 1 February 2014	6,287
Additions	<u>1,510</u>
At 31 January 2015	7,797
Additions	250
Reductions	<u>(3,374)</u>
At 30 January 2016	<u>4,673</u>

### 10. Inventories

	<u>30 January 2016 (£'000)</u>	<u>31 January 2015 (£'000)</u>
Finished Goods	<u>8,010</u>	<u>6,074</u>
	<u>8,010</u>	<u>6,074</u>

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 11. Other Current Assets

	30 January 2016	31 January 2015
	(£'000)	(£'000)
VAT receivable	4,763	2,785
Prepayments	3,378	2,573
Amounts owed by group undertakings	2,456	10,504
Forward foreign currency contracts (see note 12)	613	475
Construction allowance receivable	576	-
Deferred tax asset	36	23
Other receivables	106	4
	<u>11,928</u>	<u>16,364</u>

### 12. Current Liabilities

	30 January 2016	31 January 2015
	(£'000)	(£'000)
Amounts owed to group undertakings	5,411	6,018
VAT payable	5,630	4,399
Accruals	6,377	4,425
Trade payables	1,307	1,969
Corporation tax creditor	233	1,013
	<u>18,958</u>	<u>17,824</u>

In November 2013, a US\$3,000,000 variable rate loan bearing interest at LIBOR + 2.0% was entered with Victoria's Secret International S.á.r.l. It was repaid on 27 November 2015. The carrying value of the loan at 30 January 2016 was nil (2014 - £1,992,030).

The U.S. dollar denominated intercompany loan described above expose the Company to market risk associated with foreign currency exchange rate fluctuations. To mitigate the exposure to fluctuations in the U.S. dollar-British pound exchange rate, the Company entered into a series of month-to-month forward foreign currency contracts, which matured at the time the loan was repaid. Hedge accounting is not used.

### 13. Non-current Liabilities

	30 January 2016	31 January 2015
	(£'000)	(£'000)
Operating lease accruals	13,466	11,223
Deferred-tax liability	216	124
	<u>13,682</u>	<u>11,347</u>

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 14. Share Capital

	30 January 2016	31 January 2015
	(£'000)	(£'000)
<b>Authorised:</b>		
2015 – 58,562,347 (2014 - 58,562,347) Shares at par value £1 each	58,562	58,562
<b>Issued and fully paid:</b>	86,134	86,134

L (Overseas) Holdings LP contributed capital on 12 June 2014 of £14,927,334 and again on 17 November 2014 of £12,644,223 to Victoria's Secret UK Limited.

### 15. Operating Lease Arrangements

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	30 January 2016	31 January 2015
	(£'000)	(£'000)
Not later than one year	14,581	13,025
Later than one year and not later than five years	60,418	59,929
Later than five years	183,404	199,005
	<u>258,403</u>	<u>271,959</u>

The Company had no subtenant income for the 52 weeks ended 30 January 2016 and 31 January 2015. Minimum rent expense for the 52 weeks ended 30 January 2016 and 31 January 2015 was £14,107,704 and £11,798,444, respectively.

In 2014, the Company entered into an agreement with the U.S. Branch of Victoria's Secret International S.á.r.l. ("VSIS"), a wholly owned subsidiary of L (Overseas) Holdings LP, whereby VSIS will reimburse the Company for certain leasehold improvement additions placed in service beginning on 2 February 2014. In order to utilize these assets, the Company also entered into a lease agreement with VSIS whereby the Company will pay VSIS contingent rent set at 1% of net sales. Leasehold improvement additions reimbursed by VSIS in the period amounts to £26,915,073 (2014: £6,956,348). Contingent rent expense related to this lease in the period amounts to £361,641 (2014: £122,138).

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 16. Financial Instruments and Financial Risks

The Group is exposed to certain risks arising from its use of financial instruments. IFRS 7 requires that the Group provides the following disclosures on its financial assets and liabilities as set out on the following pages. The Company's financial assets and liabilities are shown in the table below:

	30 January 2016 (£'000)	31 January 2015 (£'000)
<b>Financial assets</b>		
Amounts owed by group undertakings	2,456	10,504
Forward foreign currency contracts	613	475
Cash and short-term deposits	35,330	17,817
	<u>38,399</u>	<u>28,796</u>
<b>Financial liabilities</b>		
Amounts owed to group undertakings	5,411	6,018
Trade payables	1,307	1,969
	<u>6,718</u>	<u>7,987</u>

In the Directors' opinion there is no material difference between the book value and the fair value of any of the financial instruments. As noted in note 12, hedge accounting is not used for the derivative financial instruments. Therefore, the derivative financial instruments are measured at fair value with the gains or losses on the instrument recognized in current earnings.

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk, liquidity risk and interest rate risk. Financial risk management is carried out by management in accordance with established policies and guidelines reviewed and agreed by the Board of Directors of the ultimate parent company. These guidelines set out the overall business strategies, tolerance for risk and general risk management philosophy and processes.

#### Currency risk

The Company is subject to market risk associated with foreign currency exchange rate as substantially all of the Company's merchandise is sourced through U.S. dollar transactions. To mitigate the exposure to fluctuations in the U.S. dollar-British pound exchange rate, the Company has entered into a series of month-to-month forward foreign currency contracts. Hedge accounting is not used.

These foreign currency contracts mature in the next 12 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months. In the Directors' opinion, the possible change in the British pound against the U.S. dollar exchange rate with all other variables held constant, of the Company's profit before tax (due to foreign exchange translation of monetary assets and liabilities) is not material. Management has not performed a detailed sensitivity analysis given these factors.

#### Liquidity risk

Liquidity risk arises from the Company's management of working capital, including cash and cash equivalents and short term deposits. The Company's policy is to manage its working capital flows such that it will always have sufficient cash to allow it to meet its liabilities as and when they become due.

Budgeted cashflow forecasts are prepared setting out anticipated working capital flows together with future obligations from capital projects in progress and the resulting impact on its cash balances.



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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 16. Financial Instruments and Financial Risks (continued)

#### Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the balance sheet date. The Company's maximum exposure to credit risk by type of financial asset equals the carrying value of financial assets shown in 2015 and 2014.

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market, with the exception of the forward foreign currency contracts (as discussed above). As such, the Company has limited exposure to credit risk as the receivables on the balance sheet are from related parties and are current. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the risk of default is considered to be low. As a result, there are no material debts which are past due, and no provision for doubtful debts has been made in the financial statements. Management has not performed a detailed sensitivity analysis given these factors.

#### Interest rate risk

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The Company's income and operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Surplus funds are invested in short-term accounts such that the Company is not unduly exposed to market interest rate fluctuations.

Interest income received on the short-term bank deposits in the period amounts to £112,681 (2014: £34,839) and represented 3% (2014: 1%) of profit before taxation adjusted for interest receivable. Interest expense paid on related party loans in the period amounts to £319 (2014: £86,615) and represented 0% (2014: 2%) of profit before taxation adjusted for interest receivable. Management has not performed a detailed sensitivity analysis given the interest income and interest expense is not material.

#### Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support and expand its business. The Company manages its capital structure utilizing issued capital, loans from related parties and the Sublicense Agreement in place with VSIS which guarantees that the Company's operating income equals approximately 3% of net sales. No changes were made in the objectives, policies or processes during 2015 and 2014.

### 17. Related Party Transactions

During the period, the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 30 January 2016 with related parties, are as follows:

	Purchases from Related Party	Amounts owed by Related Party	Amounts owed to Related Party
	(£'000)	(£'000)	(£'000)
Fellow group subsidiaries			
2015	36,945	2,456	5,411
2014	26,698	10,504	6,018

#### *Entities with significant influence over the Group*

Luxembourg (Overseas) Holdings S.à.r.l. owns 100% of the ordinary shares in the Company.

# Victoria's Secret UK Limited

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## NOTES TO THE FINANCIAL STATEMENTS

As of 30 January 2016

### 17. Related Party Transactions (continued)

#### *Terms and conditions of transactions with related parties*

Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 30 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the period ended 30 January 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2014: nil).

#### *Purchases from related party*

These transactions are related to merchandise purchased from Victoria's Secret Stores Brand Management, Inc.

#### *Amounts owed by related party*

This balance relates to the leasehold improvement additions reimbursed by VSIS as well as payments related to the Sublicense Agreement. Under the Sublicense Agreement, the Company's operating income equals approximately 3% of net sales. The amount owed to the Company related to the reimbursement of the leasehold improvement additions is partially offset by royalties owed by the Company to VSIS under the Sublicense Agreement. This balance is also related to payroll and other shared service charges due from the Company's parent company or its associates.

#### *Amounts owed to related party*

This balance is primarily due to transactions related to merchandise payables owed to Victoria's Secret Stores Brand Management, Inc. and payables owed to L Brands Store Design & Construction. In 2014, this balance is also related to a loan from VSIS with an outstanding amount of £1,992,030. See note 12 for further detail.

### 18. Ultimate Parent Company

The Company's immediate parent company is Luxembourg (Overseas) Holdings S.à.r.l., a wholly-owned subsidiary of L Brands, Inc. The immediate parent company of Luxembourg (Overseas) Holdings S.à.r.l. is L (Overseas) Holdings LP. L Brands, Inc., the ultimate parent company, controlling entity of the group and the only company to prepare consolidated financial statements, is incorporated and registered in the United States of America. The financial statements of the ultimate parent company may be obtained by writing to L Brands, Inc., Investor Relations, Three Limited Parkway, Columbus, OH 43230 USA.