

Registered number: 04250825

Wallis Retail Limited

Annual report and financial statements

for the 53 weeks ended 1 September 2018



Wallis Retail Limited

Company Information

Directors

I Grabiner
G Hague

Company secretary

R Flaherty

Registered number

04250825

Registered office

Colegrave House
70 Berners Street
London
England
W1T 3NL

Independent auditors

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

Wallis Retail Limited

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Wallis Retail Limited

Strategic report for the 53 weeks ended 1 September 2018

Introduction

The directors present their Strategic report of Wallis Retail Limited ("the Company") 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).

Principal activities

The principal activity of the Company is the retailing, franchising and wholesaling of clothing and clothing accessories in the United Kingdom and internationally. The Company trades under the brand name Wallis.

Results for the period

The loss for the financial period amounted to £2,418,000 (2017: profit of £10,354,000).

The Company incurred exceptional charges in the period of £4,395,000 (2017: credit of £3,794,000) principally in relation to tangible asset impairment and provisions for onerous leases. These exceptional cost of sales were non-cash in nature. Further details are set out in note 6.

As at 1 September 2018 the Company had net assets of £152,740,000 (2017: £155,158,000).

Business review

During the period the Company was a wholly-owned subsidiary of Taveta Investments Limited. A review of Taveta Investments Limited (the "Group") and its subsidiaries business during the period, its future outlook and its position on 1 September 2018 is given on pages 1 to 6 of the financial statements of that company.

Group restructure

The Company is part of a Group which launched 7 individual entity Company Voluntary Arrangement ("CVA") proposals on 22 May 2019 relating to 5 property companies, Arcadia Group Limited and Top Shop/Top Man Limited.

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) was received on 2 September 2019. 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.

Future developments

Following the launch of the CVAs referred to above, the Company is now expected to remain in its current form.

Wallis Retail Limited

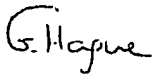
**Strategic report (continued)
for the 53 weeks ended 1 September 2018**

Management and reporting of risks and Key Performance Indicators (KPIs)

Due to the close intra-group relationships between the active companies of the Taveta Investments Limited Group the risks disclosed within Taveta Investments Limited's financial statements in pages 6 and 7 apply across the Group due to the interdependency of these companies.

The directors of the Company manage the Company's risks at a group level. The risks of Taveta Investments Limited and all of its group companies are managed centrally as the risks this Company faces are dependent on the Group as a whole. Key business risks are monitored on an ongoing basis by the directors of the Company and the Group, and strategies are developed to mitigate such risks and minimise their impact.

This report was approved by the board and authorised for issue and was signed on its behalf on 13 September 2019.



G Hague
Director
Date: 13 September 2019

Wallis Retail Limited

Directors' report for the 53 weeks ended 1 September 2018

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

Directors' responsibilities statement

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

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

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

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

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

Directors

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

R Burchill (resigned 5 December 2018)
R de Dombal (resigned 5 December 2018)
M Gammon (resigned 5 December 2018)
I Grabiner (appointed 5 December 2018)
G Hague
D Shepherd (appointed 5 December 2018, resigned 30 August 2019)
S Wightman (resigned 5 December 2018)

Dividends

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

Wallis Retail Limited

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 Wallis brand charitable activities was £7,000 (2017: £16,000).

Employees and equal opportunities

All staff are informed about matters concerning their interests as employees and the financial position of the Company through a number of communication channels including face-to-face briefings and an intranet site supplemented by e-mail announcements. The Company 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 Company's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in the part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service.

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

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company's ultimate parent company (Taveta) also purchased and maintained throughout the 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, financial risk management, KPIs and future developments are discussed in the strategic report on pages 1 and 2.

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'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's auditors are aware of that information.

Independent auditors

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

Wallis Retail Limited

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

Going concern

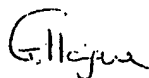
In the opinion of the directors it is appropriate to prepare the financial statements of the Company on the going concern basis as its parent company, Arcadia Group Limited ("AGL"), has confirmed its intention to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements were signed. The directors believe this financial support to be required due to the close inter-dependant nature of the active companies within the Group.

The financial statements of AGL for the period ended 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. They also make reference to material uncertainties which could impact the going concern position of the group and therefore AGL's ability to provide continued financial support to the Company.

The directors of the Company have reviewed the basis on which the AGL directors have concluded it is appropriate to prepare the AGL accounts on a going concern basis, and are satisfied with this conclusion.

The factors referred to above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company 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 13 September 2019.



**G Hague
Director**

Date: 13 September 2019

Wallis Retail Limited

Independent auditors' report to the members of Wallis Retail Limited

Report on audit of the financial statements

Opinion

In our opinion, Wallis Retail Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 1 September 2018 and of its 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 balance sheet as at 1 September 2018; the profit and loss account, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for Opinion

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

Independence

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

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3.20 to the financial statements concerning the Company's ability to continue as a going concern.

As the Company relies closely on the inter-dependent relationships with Group companies to continue trading, it has been given an undertaking from Arcadia Group Limited (AGL) its parent company. AGL will provide it with continued financial support for a period of at least 12 months from the date on which the financial statements are signed. The financial statements of AGL for the period ended 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. They also make reference to a number of material uncertainties including ongoing trading and the availability of financing which could impact the going concern position of the Group and therefore AGL's ability to provide continued financial support to the Company.

These conditions, together with other matters explained in note 3.20 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Wallis Retail Limited

Independent auditors' report to the members of Wallis Retail 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 period 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 Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report 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 set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Wallis Retail Limited

Independent auditors' report to the members of Wallis Retail Limited

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 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: 13 September 2019

Wallis Retail Limited

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

	Note	2018 £000	2017 £000
Turnover	5	129,695	138,323
Cost of sales		(110,772)	(113,152)
Exceptional cost of sales	6	(4,395)	3,794
Gross profit		14,528	28,965
Administrative expenses		(11,880)	(11,062)
Operating profit before goodwill amortisation	7	2,648	17,903
Goodwill amortisation		(3,692)	(3,692)
Total operating (loss)/profit		(1,044)	14,211
Interest payable and similar expenses	9	(109)	(345)
(Loss)/profit before tax		(1,153)	13,866
Tax on (loss)/profit	10	(1,265)	(3,512)
(Loss)/profit for the financial period		(2,418)	10,354

All amounts relate to continuing operations.

There were no other comprehensive income transactions in 2018 or 2017 and therefore a statement of comprehensive income has not been presented.

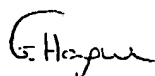
The notes on pages 12 to 32 form part of these financial statements.

Wallis Retail Limited
Registered number: 04250825

Balance sheet
as at 1 September 2018

	Note	2018 £000	2017 £000
Fixed assets			
Intangible assets	11	11,076	14,768
Tangible assets	12	1,217	2,691
Investments	13	12,822	12,822
		<u>25,115</u>	<u>30,281</u>
Current assets			
Stock	14	11,353	10,705
Debtors	15	140,381	138,168
Cash and cash equivalents		111	144
		<u>151,845</u>	<u>149,017</u>
Creditors: amounts falling due within one year	16	(18,485)	(21,407)
Net current assets		<u>133,360</u>	<u>127,610</u>
Total assets less current liabilities		<u>158,475</u>	<u>157,891</u>
Other provisions	18	(5,735)	(2,733)
Net assets		<u>152,740</u>	<u>155,158</u>
Capital and reserves			
Called up share capital	20	7	7
Share premium account		87,760	87,760
Retained earnings		64,973	67,391
Total equity		<u>152,740</u>	<u>155,158</u>

The financial statements were approved by the board and authorised for issue and were signed on its behalf on 13 September 2019.



G Hague
Director
Date: 13 September 2019

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

Wallis Retail Limited

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

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 28 August 2016	7	87,760	57,037	144,804
Profit for the financial period	-	-	10,354	10,354
At 26 August 2017 and 27 August 2017	7	87,760	67,391	155,158
Loss for the financial period	-	-	(2,418)	(2,418)
At 1 September 2018	7	87,760	64,973	152,740

Wallis Retail Limited

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

1. General information

Wallis Retail Limited ("the Company") operates a number of retailing stores, internet sites, wholesale and franchise arrangements throughout the UK and internationally, selling clothing and clothing accessories under the Wallis brand name. The Company is a wholly-owned subsidiary of Taveta Investments Limited ("Taveta").

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

2. Statement of compliance

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

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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).

The Company's financial statements are prepared on a going concern basis, under the historical cost convention.

The 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

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

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

3. Accounting policies (continued)

3.2 Exemptions for qualifying entities under FRS 102

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

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

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

In addition, the Company 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 from disclosing related party transactions with entities that are part of the Taveta group. The Company discloses transactions with related parties which are not wholly-owned within the Taveta group.

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

3. Accounting policies (continued)

3.3 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 Company 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 Company's sales channels have been met, as described below.

(i) Sale of goods - retail

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

(ii) Sale of goods - internet-based transactions

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

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

(iii) Income from concession arrangements

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

(iv) Income from franchise fees

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

(v) Income from wholesale arrangements

The Company 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.

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

3. Accounting policies (continued)

3.4 Exceptional cost of sales

The Company classifies certain one-off charges or credits that have a significant impact, either by their nature or value, on the Company's financial results as 'exceptional cost of sales'. These are disclosed separately to provide further understanding of the financial performance of the Company. Due to the inherent atypical nature of the movement on the onerous lease provision and impairments to tangible assets, the Company consistently classifies these transactions as exceptional cost of sales. For further details see note 6.

3.5 Leased assets

The Company trades from outlets which have external leases held by fellow group property companies. The property company recharges rent, rates and service charge on an arm's length basis to this trading company based on both the amount and quality of space occupied within the outlet. This intra-group arrangement does not form an agreement with the landlord.

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

Where the Company has 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.

3.6 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.

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

3. Accounting policies (continued)

3.7 Tax

Tax credit for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account.

(i) Current tax

Current tax is the amount of corporation tax payable in respect of the taxable profit for the period or prior periods. 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.

3.8 Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities recorded in foreign currencies are at the rates ruling at the balance sheet date.

3.9 Goodwill and business combinations

Business combinations are accounted for by applying the purchase method.

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

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

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

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

3. Accounting policies (continued)

3.10 Impairment of intangible assets

The Company 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 Company 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.

3.11 Tangible assets and depreciation

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

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

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

Depreciation is provided on the following basis:

Fit out, fixtures and equipment - 3 to 15 years

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

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

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

3. Accounting policies (continued)

3.12 Impairment of tangible assets

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

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

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

Impairment losses recognised in prior years 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 periods. A reversal of an impairment loss is recognised immediately in the income statement.

3.13 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.

3.14 Stock valuation

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

3.15 Cash and cash equivalents

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

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

3. Accounting policies (continued)

3.16 Amounts owed by group undertakings

Amounts owed by group undertakings are stated at cost, less any provision for impairment. Provision is made where in the opinion of the directors there has been a reduction of the amount recoverable by the Company. When assessing impairment of amounts due from group undertakings, management considers factors including the current financial position of the associated undertaking and historical experience.

Impairment provisions 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. Impairment is recognised as an exceptional item in the profit and loss account.

3.17 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 the future receipts discounted at market rate of interest. Some assets are subsequently measured at amortised cost using the effective interest method.

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

(ii) Financial liabilities

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

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

(iii) Offsetting

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

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable.

3.18 Other provisions

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

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

3. Accounting policies (continued)

3.19 Pensions

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

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

3.20 Going concern

In the opinion of the directors it is appropriate to prepare the financial statements of the Company on the going concern basis as its parent company, Arcadia Group Limited ("AGL"), has confirmed its intention to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements are signed. The directors believe this financial support to be required due to the close inter-dependant nature of the active companies within the Group.

The financial statements of AGL for the period ended 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. They also make reference to material uncertainties which could impact the going concern position of the group and therefore AGL's ability to provide continued financial support to the Company.

The directors of the Company have reviewed the basis on which the AGL directors have concluded it is appropriate to prepare the AGL accounts on a going concern basis, and are satisfied with this conclusion.

The factors referred to above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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

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 Company 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 estimates and assumptions

(i) Impairment of trading outlet tangible fixed assets

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

Where an indication of impairment is identified, the Company calculates each cash generating unit's ("CGUs") recoverable amount and compares this amount to its book value. This requires estimation of the future cash flows from the CGUs and also selection of an appropriate discount rate in order to calculate the net present value of those cash flows. The recoverable amounts of cash-generating units have been determined based on the higher of value in use or fair value less costs to sell. See note 6 for details of the current period impairment, including sensitivities on discount rate and sales growth.

(ii) Provision for onerous leases

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

5. Turnover

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

	2018 £000	2017 £000
United Kingdom and Ireland	128,603	137,117
Rest of the World	1,092	1,206
	<u>129,695</u>	<u>138,323</u>

All the turnover above is attributable to the Company's principle activities, that of the retailing, franchising and wholesaling of clothing and clothing accessories.

Wallis Retail Limited

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

6. Exceptional cost of sales

	2018 £000	2017 £000
Charge/(release) of provision for onerous leases on loss-making stores	3,585	(3,479)
Charge/(release) of impairment of tangible assets	810	(315)
	<u>4,395</u>	<u>(3,794)</u>

Provision for onerous leases on loss-making stores

The Company trades from outlets which have external leases held by fellow group property companies. The property company recharges rent, rates and service charge on an arm's length basis to this trading company based on both the amount and quality of space occupied within the outlet. This intra-group arrangement does not form an agreement with the landlord.

As in the prior period, the Company 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.

In some circumstances there is more than one group trading company occupying the space within an outlet. In such cases the rental and other property cost obligations, which are used as part of the above test, relate specifically to the Company's share of the costs.

Where the other Group trading company has an excess of operating cashflows over its own share of the property cost obligations, this surplus has been used to limit the provision required in this Company, such that the provision is also appropriately assessed at an outlet level.

The figure above reflects an increase in the provision which was recognised against leases in the prior periods of £3,585,000. The resultant provision has been discounted to net present value at a rate of 3.47%. See note 18.

The key assumptions to which the 'value-in-use' calculation are most sensitive are trading cash flow assumptions over the forecast period and the discount rate applied to the cashflows. Specific sensitivity analysis with regard to these assumptions show that a decrease in LFL sales of 1% would result in an increase in the provision of £180,000. A decrease in the discount rate of 1% would result in an increase in the provision of £324,000. Provision has been made for the remaining period of the leases, which on average is 3.9 years (2017: 4.4 years).

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

Exceptional cost of sales (continued)

Impairment of tangible assets

The Company has recognised an impairment charge of £810,000 (2017: credit £315,000) during the period. For further details see note 4(i).

The Company considers whether separate cash generating units ("CGUs") are identifiable and will test for impairment at the lowest identifiable level. The Company has identified that each trading outlet is a separate CGU and therefore considers every outlet for an indication of impairment annually. The Company 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 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 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 assumption over the forecast period and the discount rate applied to the 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 £208,000. An increase in the discount rate of 1% would result in an additional impairment charge of £10,000.

The exceptional charges relating to onerous leases and tangible asset impairment are all recognised within exceptional cost of sales in the profit and loss account. The tax credit arising on onerous leases is £681,000. The tax credit arising on tangible asset impairment is £131,000.

7. Operating (loss)/profit

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

	2018 £000	2017 £000
Depreciation of tangible assets	1,258	845
Impairment/(Reversal of impairment) of tangible assets	810	(315)
Amortisation of goodwill	3,692	3,691
Shared services charge from Arcadia Group Limited	11,880	11,062
Property rentals paid	5,193	5,986
Stock recognised as an expense	57,060	58,107
Impairment of stock	215	481
Occupancy charged from Outfit Retail Limited	5,278	6,386

Auditors' remuneration of £54,000 (2017: £5,000) has been borne by Arcadia Group Limited, a fellow group undertaking. There were no non-audit services provided by the auditors to the Company in the period (2017: £nil).

The property rental charge above represents a recharge from the other group companies in relation to operating lease obligations that are borne by those group companies.

Wallis Retail Limited

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

8. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	16,253	17,834
Social security costs	1,247	1,224
Other pension costs (note 21)	330	305
	<u>17,830</u>	<u>19,363</u>

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

	2018 No.	2017 No.
Retailing activities	<u>1,401</u>	<u>1,467</u>

The average number of full-time equivalent employees was 566 (2017: 595).

The Directors of the Company were paid for their services to the Company by a fellow group undertaking, Arcadia Group Limited, which makes no specific director recharge to the Company. Their services as directors of the Company are incidental to their other services within the Group and it is not possible to make an accurate apportionment of their emoluments in respect of their services to the Company.

9. Interest payable and similar expenses

	2018 £000	2017 £000
Unwind of discount rate on provisions (note 18)	<u>109</u>	<u>345</u>

Wallis Retail Limited

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

10. Tax on (loss)/profit

	2018 £000	2017 £000
Corporation tax		
UK corporation tax charge on (loss)/profit for the period	676	3,308
Adjustments in respect of prior periods	-	18
Total current tax	<u>676</u>	<u>3,326</u>
Deferred tax		
Origination and reversal of timing differences	662	141
Re-measurement of deferred tax - change in UK tax rates	(70)	23
Adjustment in respect of prior periods	(3)	22
Total deferred tax	<u>589</u>	<u>186</u>
Taxation on (loss)/profit on ordinary activities	<u>1,265</u>	<u>3,512</u>

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2017: higher 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 on ordinary activities before tax	<u>(1,153)</u>	<u>13,866</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.6%)	(219)	2,718
Effects of:		
Expenses not deductible for tax purposes	759	731
Adjustment in respect of prior periods	(3)	40
Re-measurement of deferred tax - change in UK tax rates	(70)	23
Deferred tax not provided	798	-
Total tax charge for the period	<u>1,265</u>	<u>3,512</u>

The Company has entered into a group payment arrangement whereby Arcadia Group Limited undertakes to make corporation tax payments on behalf of all companies within the Taveta Investments Group. Accordingly, at the period end the Company's corporation tax balance has been included within amounts owed by group undertakings.

Wallis Retail Limited

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

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

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.

11. Intangible assets

	Goodwill £000
Cost	
At 27 August 2017 and 1 September 2018	73,838
	<hr/>
Accumulated amortisation	
At 27 August 2017	59,070
Charge for the period	3,692
	<hr/>
At 1 September 2018	62,762
	<hr/>
Net book value	
At 1 September 2018	11,076
	<hr/> <hr/>
At 26 August 2017	14,768
	<hr/> <hr/>

Goodwill is amortised on a straight line basis over 20 years, being the directors' estimate of 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 the acquisition on its individual merit.

Wallis Retail Limited

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

12. Tangible assets

	Fit out, fixtures and equipment £000
Cost	
At 27 August 2017	8,918
Additions	594
Disposals	(1,757)
At 1 September 2018	<u>7,755</u>
Accumulated depreciation	
At 27 August 2017	6,227
Charge for the 53 weeks	1,258
Disposals	(1,757)
Impairment charge	810
At 1 September 2018	<u>6,538</u>
Net book value	
At 1 September 2018	<u><u>1,217</u></u>
At 26 August 2017	<u><u>2,691</u></u>

The cost of disposal and depreciation on disposals of retail fixtures and fittings includes the removal of £670,000 (2017: £5,560,000) of fully depreciated assets no longer in use in the business.

Wallis Retail Limited

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

13. Investments

Shares in
subsidiary
undertakings
£000

Cost and net book value

At 27 August 2017 and 1 September 2018

12,822

Subsidiary undertakings

At 1 September 2018, the Company owned the whole of the issued ordinary share capital of the subsidiary undertakings listed below:

Name	Country of operation	Country of registration	Principal activity
Wallis Retail (Ireland) Limited	Ireland	Ireland	Fashion Retailing
Wallis Retail Properties Limited	United Kingdom	United Kingdom	Property Investment
Wallis (London) Limited	United Kingdom	United Kingdom	Dormant

The registered office for companies registration in Ireland is: 2 Grand Canal Square, Dublin 2, Republic of Ireland.

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

14. Stock

	2018 £000	2017 £000
Goods for resale	<u>11,353</u>	<u>10,705</u>

Stock is stated after provision for impairment of £264,000 (2017: £110,000).

Wallis Retail Limited

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

15. Debtors

	2018 £000	2017 £000
Trade debtors	5,141	6,455
Amounts owed by group undertakings	134,430	130,407
Other debtors	-	60
Deferred tax (note 17)	-	589
Prepayments and accrued income	810	657
	<u>140,381</u>	<u>138,168</u>

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

Trade debtors are stated after provisions for impairment of £377,000 (2017: £nil).

16. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Trade creditors	12,594	12,615
Other tax and social security	2,251	4,167
Other creditors	964	975
Accruals and deferred income	2,676	3,650
	<u>18,485</u>	<u>21,407</u>

17. Deferred tax

	£000
At 27 August 2017	589
Charged to the profit and loss account	(589)
At 1 September 2018	<u>-</u>

Wallis Retail Limited

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

17. Deferred tax (continued)

The deferred tax asset is made up as follows:

	2018 £000	2017 £000
Capital allowances	-	589

The Company has an unprovided deferred tax asset of £714,000 (2017: £nil) relating to the UK trading losses primarily, 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.

18. Other provisions

	Onerous leases £000
At 27 August 2017	2,733
Charged to the profit and loss account (note 6)	3,585
Discount unwind	109
Utilised in period	(692)
At 1 September 2018	5,735

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 are trading cash flow assumptions over the forecast period and the discount rate applied to the cashflows. Specific sensitivity analysis with regard to these assumptions show that a decrease in LFL sales of 1% would result in an increase in the provision of £180,000. A decrease in the discount rate of 1% would result in an increase in the provision of £324,000. Provision has been made for the remaining period of the leases, which on average is 3.9 years (2017: 4.4 years).

The exceptional charge of £3,585,000 (2017: credit £3,479,000) reflects an increase in the provision for which a provision was recognised against leases in prior periods of £1,121,000 (2017: credit £3,479,000) and also an increase in the provision for new loss-making stores of £2,464,000 (2017: £nil).

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.

19. Contingent liabilities

The Company considers the potential obligations which may arise as a result of past events and the uncertainty of the impact on the Company. Where the Company identifies an obligation for which payment is probable and the amount can be reliably estimated, a provision is recognised. As at 1 September 2018 no contingent liabilities were identified that required disclosure or a provision (2017: none).

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

20. Called up share capital

	2018 £000	2017 £000
Allotted and fully paid		
4,958 (2017: 4,958) ordinary shares of £1.00 each	5	5
1,742 (2017: 1,742) cumulative participating preference shares of £1.00 each	2	2
	<u>7</u>	<u>7</u>

The holders of the cumulative participating preference shares are entitled to but have not requested an initial dividend at the annual rate of LIBOR plus 1.75% and, in the event that the Company's profits for the year exceed £50,000,000, a further dividend of 0.01%. Dividends payable to the cumulative participating preference shareholders take priority over those payable on the ordinary shares. The preference shares also confer on their holders priority to a return of capital in the event of a winding up and rank pari passu with the ordinary shares with regards to the right to attend and vote at general meetings.

Non-equity interests in the Company represent the paid up amount on the cumulative participating preference shares, together with any accrued dividends.

21. Pension commitments

The Company's eligible employees participate in two defined benefit schemes operated by Arcadia Group Limited. These schemes are financed through separate trustee administered funds. Contributions to the schemes are based on actuarial advice following the most recent valuations of the funds. During the period, the Company contributed £nil (2017: £nil) to the above schemes.

An actuarial valuation of the defined benefit schemes referred to above, and carried out as at 1 September 2018 for the purposes of FRS 102 Section 28, identified that the present value of their liabilities exceeded the market value of the schemes' assets by £138,384,000 (2017: £299,662,000). The detailed disclosures required by FRS 102 are provided for the Group as a whole in the consolidated financial statements of the Company's ultimate parent undertaking, Tavea.

The defined benefit schemes above are now closed to future accrual and eligible employees were offered the opportunity to join the Group's defined contribution scheme, to which the Company contributed £330,000 (2017: £305,000) in the financial period.

22. Related party transactions

The Company incurs recharges from a fellow subsidiary Top Shop/Top Man Properties Limited for property related costs. The charge from Top Shop/Top Man Properties Limited was £206,000 (2017: £201,000) during the period. The Company had an intercompany balance with Top Shop/Top Man Properties Limited of £nil at 1 September 2018 (2017: £nil).

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

23. Ultimate parent undertaking and controlling party

The Company's immediate parent company is Arcadia Group Limited, a company incorporated in England.

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

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

24. Post balance sheet events

Company Voluntary Arrangement

The Company is part of a Group who on 12 June 2019 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.

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 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 was received on 25 June 2019, with the balance being received on 2 September 2019.

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.