

Wallis Retail Limited

**Annual report and financial statements
for the year ended 26 August 2017**

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Wallis Retail Limited

Company Information

Directors

RL Burchill
R de Dombal
M Gammon
G Hague
S Wightman

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 year ended 26 August 2017

Introduction

The directors present their report and the audited financial statements of Wallis Retail Limited ("the Company") for the year ended 26 August 2017.

Business review

During the year, the Company was a wholly-owned subsidiary of Taveta Investments Limited. A review of Taveta Investments Limited's and its subsidiaries' ("the Group") businesses during the year, its future outlook and its position at 26 August 2017 is given on pages 1 to 3 of the financial statements of the Group.

Principal activity and future developments

The principal activity of the Company is the retailing and wholesaling of clothing and clothing accessories, under the Wallis brand name. The Company is expected to continue to operate on the same basis for the foreseeable future.

Results for the year

The profit for the financial year amounted to £10,354,000 (2016: profit of £766,000).

During the year the Company incurred exceptional credits of £3,794,000 (2016: charge of £4,032,000). These related to the movement on the provision against the future leasing obligations of the Company's loss-making stores and the impairment of fixed assets. Further details are set out in note 6.

As at 26 August 2017 the Company had net assets of £155,158,000 (2016: £144,804,000).

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

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

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

The KPIs used by the Group in 2017 and the principal business risks it faces are discussed in the strategic report on pages 1 to 5 of Taveta Investments Limited's 2017 Annual report which does not form part of this report.

Financial risk management

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

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

The principal risks faced by the Group, and the strategy it employs to manage those risks, are discussed in the strategic report on pages 1 to 5 of Taveta Investments Limited's 2017 Annual report which does not form part of this report.

Wallis Retail Limited

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

This report was approved by the board on 21 December 2017 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'G. Hague'.

G Hague
Director
Date: 21 December 2017

Wallis Retail Limited

Directors' report for the year ended 26 August 2017

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

Matters covered in the strategic report

The principal activities, business review, financial risk management, KPI's and future developments are discussed in the strategic report on pages 1 to 2.

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

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

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

Dividends

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

Directors

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

RL Burchill
R de Dombal
G Hague
M Gammon
S Wightman

Wallis Retail Limited

Directors' report (continued) for the year ended 26 August 2017

Employees and equal opportunities

All service contracts are held by Arcadia Group Limited. Employment costs are recharged to the Company in full.

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

The Company 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 that part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service.

The 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 who become disabled during their employment.

Charitable donations

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

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

During the year, the funds raised through the Wallis brand charitable activities was £16,000 (2016: £16,000).

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 Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company's ultimate parent company (Taveta Investments Limited) also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Disclosure of information to auditors

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

- so far as 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 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 year ended 26 August 2017**

This report was approved by the board on 21 December 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'G. Hague', with a stylized, cursive script.

G Hague
Director

Date: 21 December 2017

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 26 August 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Basis for Opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

Independent auditors' report to the members of Wallis Retail Limited

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, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic report and directors' report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 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/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Wallis Retail Limited

Independent auditors' report to the members of Wallis Retail Limited

Other required reporting

Companies Act 2006 Exception reporting

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Paul Cragg'.

Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date: 21 December 2017

Wallis Retail Limited

Profit and loss account for the year ended 26 August 2017

	Note	2017 £000	2016 £000
Turnover	5	138,323	156,279
Cost of sales		(116,844)	(138,139)
Exceptional cost of sales	6	3,794	(4,032)
Gross profit		25,273	14,108
Administrative expenses		(11,062)	(11,452)
Operating profit	7	14,211	2,656
Interest payable and similar expenses	9	(345)	(667)
Profit before taxation		13,866	1,989
Tax on profit	10	(3,512)	(1,223)
Profit for the financial year		10,354	766

All amounts relate to continuing operations.

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

The notes on pages 12 to 30 form part of these financial statements.

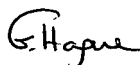
Wallis Retail Limited
Registered number: 04250825

Balance sheet
as at 26 August 2017

	Note	2017 £000	Restated 2016 £000
Fixed assets			
Intangible assets	11	14,768	18,459
Tangible assets	12	2,691	1,402
Investments	13	12,822	12,822
		<u>30,281</u>	<u>32,683</u>
Current assets			
Stocks	14	10,705	9,648
Debtors	15	138,168	131,434
Cash at bank and in hand		144	144
		<u>149,017</u>	<u>141,226</u>
Creditors: amounts falling due within one year	16	(21,407)	(20,421)
Net current assets		<u>127,610</u>	<u>120,805</u>
Total assets less current liabilities		<u>157,891</u>	<u>153,488</u>
Other provisions	18	(2,733)	(8,684)
Net assets		<u>155,158</u>	<u>144,804</u>
Capital and reserves			
Called up share capital	20	7	7
Share premium account		87,760	87,760
Retained earnings		67,391	57,037
Total equity		<u>155,158</u>	<u>144,804</u>

The restatement in 2016 is disclosed in note 24.

The financial statements on pages 9 to 30 were approved and authorised for issue by the board and were signed on its behalf on 21 December 2017.



G Hague
Director
Date: 21 December 2017

The notes on pages 12 to 30 form part of these financial statements.

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

	Called up share capital £000	Share premium account £000	Retained earnings £000	Total equity £000
At 30 August 2015	7	87,760	56,271	144,038
Profit for the financial year	-	-	766	766
At 28 August 2016	7	87,760	57,037	144,804
Profit for the financial year	-	-	10,354	10,354
At 26 August 2017	7	87,760	67,391	155,158

Wallis Retail Limited

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

1. General information

Wallis Retail Limited ("the Company") operates a number of retailing stores and wholesaling operations, selling clothing and clothing accessories under the Wallis brand name. The Company is a wholly-owned subsidiary of Taveta Investments Limited.

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

3. Accounting policies

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

3.1 Basis of preparation of financial statements

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

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

These financial statements are prepared on a going concern basis and under the historical cost convention.

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 Investments Limited which are publicly available. Therefore the Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

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

3. Accounting policies (continued)

3.2 Exemptions for qualifying entities under FRS 102

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

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

The Company has 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 disclosures of Taveta.

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

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.

3.3 Related party transactions

The Company has taken advantage of the exemption under FRS 102 from disclosing related party transactions with entities that are part of the Taveta Investments Limited group.

The Company discloses transactions with related parties which are not wholly-owned within the Taveta Investments Limited group.

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

3. Accounting policies (continued)

3.4 Revenue

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

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

(i) Sale of goods - retail

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

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

(ii) Sale of goods - internet-based transactions

The Company sells goods via its websites for delivery to the customer or collection from one of its retail stores. Revenue is recognised when the risks and rewards of the stock 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' revenue. The revenue is recognised on an accruals basis.

(iv) Income from franchise fees

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

(v) Income from wholesale arrangements

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

3.5 Exceptional items

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

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

3. Accounting policies (continued)

3.6 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.

3.7 Tangible assets and depreciation

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

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

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

Depreciation is provided on the following basis:

Fit out, fixtures and equipment - 3 to 10 years

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

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

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

3. Accounting policies (continued)

3.8 Impairment of fixed assets

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

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

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

3.9 Pensions

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

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

3.10 Investments

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

3.11 Stock valuation

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

3.12 Cash and cash equivalents

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

3.13 Financial instruments

(i) Financial assets

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

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

3. Accounting policies (continued)

3.13 Financial instruments (continued)

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 no intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

3.14 Provisions for liabilities

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

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

3. Accounting policies (continued)

3.15 Taxation

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

(i) Current tax

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

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

(ii) Deferred tax

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

3.16 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 translated either at the rates ruling at the balance sheet date or the rates fixed by forward contracts. Exchange differences are dealt with in the profit and loss account.

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

4. Critical accounting judgements and estimation uncertainty

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

(i) Impairment of tangible assets

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

See note 6 for details of the current year impairment.

(ii) Provision for onerous leases

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

5. Turnover

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

An analysis of turnover by geographical destination (to the Company's customer, not necessarily the end consumer) is as follows:

	2017	2016
	£000	£000
United Kingdom	137,117	155,478
Rest of the World	1,206	801
	138,323	156,279

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

6. Exceptional cost of sales

	2017 £000	2016 £000
Reversal of provision for onerous leases on loss-making stores	(3,479)	2,913
Reversal of impairment of tangible assets	(315)	1,119
	<u>(3,794)</u>	<u>4,032</u>

As in the prior year, the Company has reviewed all leasehold stores currently making a loss to assess whether their future operating cash flows are projected to meet their rental and other property cost obligations. Where appropriate, the projected shortfall between the operating cash flows and the property costs for the period of the lease or, if earlier, to the expected date of disposal, has been provided for. The figure above reflects a decrease in the provision which was recognised against leases in the prior years of £3,479,000. The resultant provision has been discounted to net present value at a rate of 4%.

The Company considers that each trading property is a separate cash generating unit ("CGU") and therefore considers every property for an indication of impairment annually. The Company calculates each property's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value in use' and 'fair value less costs of disposal' and is discounted to net present value at a pre-tax discount rate of 9.4%. If the recoverable amount is less than the book value, an impairment charge is recognised. Having applied the above methodology, the Company has recognised an impairment reversal of £315,000 (2016: charge of £1,119,000) during the year. For further details see note 4(i).

The exceptional reversals relating to onerous leases and tangible asset impairment are all recognised within exceptional cost of sales in the profit and loss account. The tax charge arising on these items is £734,000 (2016: £806,000).

Wallis Retail Limited

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

7. Operating profit

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

	2017 £000	2016 £000
Depreciation of tangible assets	845	1,387
Reversal of impairment of tangible assets	(315)	1,119
Amortisation of goodwill	3,691	3,692
Agency costs	-	411
Charge for shared services from Arcadia Group Limited	11,062	11,452
Property rentals paid	5,986	8,636
Stock recognised as an expense	58,107	63,585
Impairment of stock	481	473
Occupancy charged from Outfit Retail Limited	6,386	5,658

Arcadia Group Limited, a fellow group undertaking, incurs distribution costs and administration expenses (including auditors' remuneration of £5,000 (2016: £5,000)) on behalf of the Company.

There were no non-audit services provided by the Company's auditor during the year (2016: none).

The property rental charge above represents a recharge from fellow group undertakings in relation to operating lease obligations that are borne by these fellow group undertakings.

8. Staff costs

Staff costs were as follows:

	2017 £000	2016 £000
Wages and salaries	17,834	21,112
Social security costs	1,224	1,335
Other pension costs (note 21)	305	381
	<u>19,363</u>	<u>22,828</u>

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

	2017 No.	2016 No.
Retailing activities	<u>1,467</u>	<u>1,976</u>

The average number of full-time equivalent employees was 595 (2016: 763).

Service contracts are held by Arcadia Group Limited. Employment costs are recharged to the Company in full.

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

Wallis Retail Limited

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

9. Interest payable and similar expenses

	2017	2016
	£000	£000
Unwind of discount rate on provisions (note 18)	345	667

10. Tax on profit

	2017	2016
	£000	£000
Current tax		
Current tax on profits for the year	3,308	1,137
Adjustments in respect of prior years	18	-
Total current tax	3,326	1,137
Deferred tax		
Origination and reversal of timing differences	141	24
Re-measurement of deferred tax - change in UK tax rates	23	90
Adjustment in respect of prior years	22	(28)
Total deferred tax	186	86
Taxation on profit	3,512	1,223

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

10. Tax on profit (continued)

Factors affecting tax charge for the year

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

	2017 £000	2016 £000
Profit before taxation	13,866	1,989
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.6% (2016: 20.0%)	2,718	398
Effects of:		
Expenses not deductible for tax purposes	731	763
Adjustment in respect of prior years	40	(28)
Re-measurement of deferred tax - change in UK tax rates	23	90
Taxation on profit on ordinary activities	3,512	1,223

The Company has entered into a group payment arrangement whereby Arcadia Group Limited undertakes to make corporation tax payments on behalf of all companies within the Arcadia group. Accordingly, at the year end the Company's corporation tax creditor has been offset against amounts owed by group undertakings (note 15).

Factors that may affect future tax charges

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

Wallis Retail Limited

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

11. Intangible assets

	Goodwill £000
Cost	
At 28 August 2016 and 26 August 2017	73,838
	<hr/>
Accumulated Amortisation	
At 28 August 2016	55,379
Charge for the year	3,691
	<hr/>
At 26 August 2017	59,070
	<hr/>
Net book value	
At 26 August 2017	14,768
	<hr/> <hr/>
At 27 August 2016	18,459
	<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 year ended 26 August 2017

12. Tangible assets

	Fit out, fixtures and equipment £000
Cost	
At 28 August 2016	14,172
Additions	1,818
Disposals	(7,072)
	<hr/>
At 26 August 2017	8,918
	<hr/>
Accumulated Depreciation and impairment	
At 28 August 2016	12,769
Charge for the year	845
Disposals	(7,072)
Reversal of impairment	(315)
	<hr/>
At 26 August 2017	6,227
	<hr/>
Net book value	
At 26 August 2017	2,691
	<hr/>
At 27 August 2016	1,402
	<hr/>

The cost of disposals and depreciation on disposals of retail fixtures and fittings reflects the removal of £5,560,000 of fully depreciated assets no longer in use in the business.

Wallis Retail Limited

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

13. Investments

	Investments in subsidiary companies £000
Cost and net book value	
At 28 August 2016 and 26 August 2017	12,822

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

Subsidiary undertakings

At 26 August 2017, the Company owned the whole of the issued ordinary share capital of the subsidiary undertakings listed below:

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

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

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

14. Stocks

	2017 £000	Restated 2016 £000
Goods for resale	10,705	9,648

Stocks are stated after provision for impairment of £110,000 (2016: £484,000).

The restatement in 2016 is disclosed in note 24.

Wallis Retail Limited

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

15. Debtors

	2017 £000	2016 £000
Trade debtors	6,455	4,238
Amounts owed by group undertakings	130,407	126,175
Other debtors	60	63
Deferred taxation (note 17)	589	775
Prepayments and accrued income	657	183
	<u>138,168</u>	<u>131,434</u>

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

16. Creditors: amounts falling due within one year

	2017 £000	Restated 2016 £000
Trade creditors	12,615	12,411
Other taxation and social security	4,167	2,016
Other creditors	975	2,258
Accruals and deferred income	3,650	3,736
	<u>21,407</u>	<u>20,421</u>

The restatement in 2016 is disclosed in note 24.

17. Deferred taxation

	£000
At 28 August 2016	775
Charged to the profit and loss account	(186)
At 26 August 2017	<u>589</u>

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

17. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Capital allowances	589	775

18. Provisions

	Onerous leases £000
At 28 August 2016	8,684
Credited to the profit and loss account (note 6)	(3,479)
Discount unwind	345
Utilised in period	(2,817)
At 26 August 2017	2,733

The onerous lease provision relating to loss-making stores is discounted at a rate of return of 4%. A decrease in the discount rate of 1% would result in an increase in the provision of approximately £203,000 (2016: £339,000). Provision has been made for the remaining period of the leases, which on average is 4.4 years (2016: 5.0 years).

The exceptional credit of £3,479,000 reflects a decrease in the provision on properties for which a provision was recognised in prior years of £3,479,000, and no movement in the provisions for new loss-making stores.

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 26 August 2017 no contingent liabilities were identified that required a provision (2016: none).

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

20. Called up share capital

	2017 £000	2016 £000
Allotted and fully paid		
4,958 (2016: 4,958) ordinary shares of £1 each	5	5
1,742 (2016: 1,742) cumulative participating preference shares of £1 each	2	2
	<hr/>	<hr/>
	7	7
	<hr/>	<hr/>

The holders of the cumulative participating preference shares are entitled but not requested to 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 year, the Company contributed £nil (2016: £nil) to the above schemes.

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

The defined benefit schemes above are now closed to future accrual and eligible employees were offered the opportunity to join the Group's defined contribution scheme, to which the company contributed £305,000 (2016: £381,000) in the financial year.

22. 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 controlling party is Lady Cristina Green.

Wallis Retail Limited

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

23. 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 £201,000 (2016: £196,000) during the year. The Company had an intercompany balance with Top Shop/Top Man Properties Limited of £nil at 26 August 2017 (2016: £nil).

24. Prior year adjustment

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

The effect of the restatement has been to increase stock by £1,326,000 and to increase trade creditors by the same amount.

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