EWM (Topco) Limited

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 2 MARCH 2019

Registered Number: 04542352

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EWM (Topco) Limited
Registered Number: 04542352

DIRECTORY

DIRECTORS
Philip Day
David Houston
Carmel Leigh
John Herring
Stephen Simpson
Lauren Day
Robert Edmonds (Resigned 7 June 2019)

SECRETARY
June Carruthers

AUDITOR
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STRATEGIC REPORT

INTRODUCTION

The directors present their strategic report for the 27-week period ended 2 March 2019.

BUSINESS REVIEW

Financial performance

The Group's profit after tax for the period ended 2 March 2019 was £25,897,000 (*78 weeks to 25 August 2018 £73,269,000*). Group revenue was £296,687,000 (*78 weeks to 25 August 2018 £858,938,000*), and the net asset position was £211,572,000 (*2018 £186,113,000*).

Business objectives and strategies

The challenges in the UK High Street have been widely reported and whilst the EWM Group has not been immune to the market trends of lower footfall and the continually increasing consumer appetite for on-line shopping solutions the board is confident that the business is well placed to make the best of the current trading environment given its diversified portfolio of brands and store formats, covering a wide demographic.

As the consumer looks increasingly for good quality yet affordable clothing the group's Peacocks brand is clearly well positioned. An emphasis on building the product quality, whilst remaining price competitive, has been the management team's strategy now for some time. This will stand the brand in good stead as consumers increasing challenge the concept of disposable fashion on environmental grounds and reject the low quality, 'wear once' culture.

The Edinburgh Woollen Mill brand continues to meet the needs of its traditional and loyal customer base and has seen some success with its strategy of developing ranges attractive to different age groups. This customer group is traditionally less price sensitive and the strategy continues to be to offer great value across the ranges.

The Group has resisted the escalating discount culture that has been seen to be increasingly prevalent in the High Street and continues to believe that its customers understand its "first price, right price" strategy and recognise the value that this delivers.

The Group has continued its focus on its E-commerce capability during the reporting period investing in its customer web sites, technical infrastructure, order fulfilment efficiencies and Click & Collect to the Peacocks estate.

The Group has been focussed on the development of the store estate. Despite the challenging High Street trading environment, the Group has continued to open new stores where the financial justification is compelling and good quality, retail, locations have become available. In parallel the Group's normal practice of tight management over under-performing stores has continued and this has resulted in a number of store closures and recovery plans being implemented at a small number of other stores.

PRINCIPAL RISKS AND UNCERTAINTIES

In the current environment vigilance over all the material areas of potential risk are extremely important. Some of the key risks impacting the business and how they are managed/controlled are as follows:

- **Foreign currency**. The group purchases many products from overseas suppliers in non-sterling denominated currencies giving rise to potential currency movements risk.

  In order to provide a degree of certainty and to allow accurate costing of products, the group hedges a percentage of the forward purchase orders by means of derivatives, being mainly forward foreign exchange contracts and currency options.

- **Major disruptive events**. The Group operates ongoing Business Continuity planning which is reviewed and updated on a regular basis. A formal Business Continuity Plan exists and an external Disaster Recovery contract is in place with a reputable third party provider. These plans are simulated in a 'real' environment at least once a year, in order to ensure that in the case of a disaster to a key area of the business, the systems environment can be re-established within pre-defined timeframes.

- **Impact of legislation/other regulatory requirements.** The group monitors current and forthcoming legislation on a regular basis and operates policies and procedures within the business which are consistent with such requirements. As well as utilising third party professionals, the group employs considerable in house expertise in order that these developments are adequately assessed and policies and procedures developed to ensure that any implications are addressed and that risks arising are minimised.

  Such policies and procedures are incorporated into a Policies & Procedures Manual which is made available to all employees by various means (hard copy, intranet, etc), supported by specific notices drawing key developments to the attention of staff and promoting the importance of adherence.

- **Pension funding risk.** The Group operated a Defined Benefit pension scheme which has been closed to new members for many years and which ceased pension accrual for active members effective 6 April 2011. The scheme had become increasingly mature with the majority of the scheme members either retired or within 10 years of retirement.

  The scheme showed an actuarial deficit in the triennial valuation as at 5 April 2018 which has resulted in the creation of a revised Recovery Plan designed to bring the scheme back into surplus over a 10-year period. In accordance with the recovery plan, the first of these payments will be made in July 2019 and payments will continue annually from December 2020 over that period.

  The scheme trustees and the sponsoring employer, The Edinburgh Woollen Mill Limited, communicate on a regular basis to ensure that the most appropriate investment strategy is adopted, after taking into account the funding position and the level of risk which is acceptable to the employer.

  The group is also subject to funding risk in relation to increased longevity of the members, poor investment performance and reducing interest yields, which could have the effect of reducing the assets while increasing the liabilities of the scheme. These areas are monitored by the company, the trustees and their professional advisers with appropriate actions being undertaken to counter any adverse developments. As at 2 March 2019 the scheme had a deficit on an IAS 19 funding basis of £1,650,000, which is an improved position than the £1,736,000 deficit as at 25 August 2018.

- **Litigation.** The group adopts a strategy of focussed risk management in order to reduce the likelihood of third party actions arising and also utilises various forms of insurance to protect and mitigate the impact of any potential litigation against the group, primarily in the areas of public and employer liability.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- **Brexit.** The Group continues to monitor the UK's exit from the European Union (EU). While it is not exempt from the potential impacts, the Group considers itself well prepared and has taken steps to contain risk.

  As the Group imports the vast majority of its products from outside of the EU it has relatively limited exposure to EU imports. The Group also benefits from a robust, experienced supply chain infrastructure that predominantly routes container traffic through Southampton rather than the busy ferry port of Dover, which is forecast to experience potential disruption and delays.

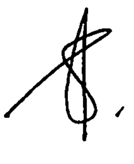
  The key area of tangible risk is the price of sterling, as a significant proportion of its overseas supplies are denominated in US dollars. During the review period the Group has worked closely with its foreign exchange advisors to evaluate opportunities to purchase US dollars at favourable points in the cycle. This strategy has proven to be very successful, and it is one that the Group will continue to follow.

FINANCIAL KEY PERFORMANCE INDICATORS

The Group utilises a number of Key Performance Indicators (KPI's) in order to monitor and assess the performance of the business and compares these with targets which are set at the beginning of each fiscal year. The main KPI's are as follows:

	27 week period to 2 March 2019	*78 week period to 25 August 2018*
Operating Profit % (Operating Profit of continuing operations as a % of turnover)	**11.50%**	*10.28%*
Free Cash Flow % (Cash generated from operating activities before tax less capital expenditure on property, plant and equipment as a % of Operating Profit of continuing operations)	**19.44%**	*139.81%*
Working Capital % (Net current assets as a % of turnover)	**53.99%**	*16.42%*
Return on Capital Employed (Profit before tax as a % of Shareholder's Funds)	**15.23%**	*49.68%*
Operating Profit per employee (Operating Profit/average number of employees)	**£3,285**	*£8,575*

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



Steve Simpson
Director
30 July 2019

DIRECTORS' REPORT

The directors present their annual report and financial statements for the 27-week period to 2 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the group is that of retailing, selling across a number of different market segments with all other activities designed to support this operation.

RESULTS AND DIVIDENDS

The Group's profit after tax for the period ended 2 March 2019 was £25,897,000 *(78 weeks to 25 August 2018 £73,269,000).*

Dividends of £Nil *(2018: £156,600,000 of which £116,600,000 was paid)* were declared, approved and paid in the period. The balance of the dividend declared and approved in the prior period was paid in the current financial period.

DIRECTORS

The directors who held office during the period and to the date of this report were as follows:

Philip Day
David Houston
Carmel Leigh
John Herring
Stephen Simpson
Lauren Day
Robert Edmonds (resigned 7 June 2019)

Certain directors benefited from qualifying third party indemnity provisions in place and qualifying pension scheme indemnity provisions during the financial period and at the date of this report.

FINANCIAL INSTRUMENTS

The primary financial instruments of the group comprise cash and items arising from trading, such as trade debtors, trade creditors and accruals. The group also uses a number of derivatives such as financial currency contracts to mitigate exchange rate risk.

EMPLOYEES

The directors are committed to ensuring genuine and effective employee involvement in the Group's activities. It is recognised that training and development of employees is an essential investment. The Group believes that by providing regular updates to all staff as to the Group's progress, taking cognisance of staff feedback and by involving staff where possible in decisions, the overall effectiveness of the business through this team work is enhanced and further, the morale of the work force is positively impacted.

Considerable emphasis is placed on employee development and in particular improving their awareness of the importance of the customer whether internal or external to the Group.

DISABLED EMPLOYEES

The Group gives full and fair consideration to all applications for employment having regard to each applicant's aptitude and ability for the position available. Physical disability is not a bar to the provision of training for career development, or to promotion which is encouraged wherever possible.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware and each director has taken all the necessary steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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

J Carruthers
Secretary

30 July 2019

Global House
5 Castle Street
Carlisle
Cumbria
CA3 8SY

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EWM (TOPCO) LIMITED

Opinion

We have audited the financial statements of EWM (Topco) Limited ("the company") for the 27-week period ended 2 March 2019 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 2 March 2019 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the impairment of inventories, estimates in respect of provisions, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EWM (TOPCO) LIMITED

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the group and parent 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 they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Paul Moran (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

2 August 2019

EWM (Topco) Limited
Registered Number: 04542352

CONSOLIDATED INCOME STATEMENT
For the 27-week period ended 2 March 2019

	Note	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Revenue	4	**296,687**	*858,938*
Cost of sales (including a credit of £2,287,000 (2018: charge of £6,435,000) relating to movement in the onerous lease provision and a credit of £2,689,000 (2018: charge of £5,835,000) relating to stock obsolescence and net realisable value)	5	**(245,420)**	*(717,943)*
GROSS PROFIT		**51,267**	*140,995*
Distribution expenses		**(11,474)**	*(30,527)*
Administrative expenses		**(5,664)**	*(22,142)*
OPERATING PROFIT	5	**34,129**	*88,326*
Finance income	7	**947**	*4,253*
Finance expense	7	**(2,858)**	*(127)*
PROFIT BEFORE TAXATION		**32,218**	*92,452*
Taxation	10	**(6,321)**	*(19,183)*
PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**25,897**	*73,269*

All amounts relate to continuing operations.

EWM (Topco) Limited
Registered Number: 04542352

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 27-week period ended 2 March 2019

	Note	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
PROFIT FOR THE PERIOD		**25,897**	*73,269*
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial (loss)/gain related to pension scheme	28	**(541)**	*1,196*
Deferred tax arising on movement in the pension scheme	10	**103**	*(227)*
Other comprehensive (expense)/income for the period		**(438)**	*969*
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**25,459**	*74,238*

EWM (Topco) Limited
Registered Number: 04542352

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 27-week period ended 2 March 2019

	Called up Share Capital £000	Share Premium £000	Retained Earnings £000	Non Controlling Interest £000	Total £000
BALANCE AT 26 FEBRUARY 2017	**10**	**4,743**	**263,572**	**150**	**268,475**
COMPREHENSIVE INCOME FOR THE PERIOD					
Profit for the period	-	-	73,269	-	**73,269**
Other comprehensive Income	-	-	969	-	**969**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	**74,238**	-	**74,238**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY					
Dividends	-	-	(156,600)	-	**(156,600)**
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS	-	-	**(156,600)**	-	**(156,600)**
BALANCE AT 25 AUGUST 2018	**10**	**4,743**	**181,210**	**150**	**186,113**
COMPREHENSIVE INCOME FOR THE PERIOD					
Profit for the period	-	-	25,897	-	**25,897**
Other comprehensive expense	-	-	(438)	-	**(438)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-	-	**25,459**	-	**25,459**
BALANCE AT 2 MARCH 2019	**10**	**4,743**	**206,669**	**150**	**211,572**

EWM (Topco) Limited
Registered Number: 04542352

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 2 March 2019

	Note	2 March 2019 £000	*25 August 2018 £000*
FIXED ASSETS			
Goodwill	12	**19,584**	*19,584*
Other intangible assets	12	**2,588**	*2,559*
Property, plant and equipment	13	**45,912**	*39,548*
		68,084	*61,691*
CURRENT ASSETS			
Stock	15	**67,793**	*61,938*
Debtors: amounts falling due within one year	16	**63,570**	*57,479*
Derivative financial instruments	18,29	**17**	*2,857*
Deferred tax asset	23	**1,666**	*1,422*
Cash and cash equivalents	17	**114,805**	*150,809*
TOTAL CURRENT ASSETS		**247,851**	*274,505*
TOTAL ASSETS		**315,935**	*336,196*
CURRENT LIABILITIES			
Trade and other payables	19	**(71,126)**	*(120,012)*
Loans and borrowings	21	**(223)**	-
Provision for liabilities and charges	22	**(6,440)**	*(6,818)*
Corporation tax	19	**(9,867)**	*(6,652)*
		(87,656)	*(133,482)*
NON-CURRENT LIABILITIES			
Other payables	19	**(8,807)**	*(7,061)*
Loans and borrowings	20	**(334)**	-
Provision for liabilities and charges	22	**(5,723)**	*(7,454)*
Net pension liability	28	**(1,650)**	*(1,736)*
Deferred tax liability	23	**(193)**	*(350)*
		(16,707)	*(16,601)*
TOTAL LIABILITIES		**(104,363)**	*(150,083)*
NET ASSETS		**211,572**	*186,113*
CAPITAL AND RESERVES			
Called up share capital	24	**10**	*10*
Share premium account		**4,743**	*4,743*
Retained earnings		**206,669**	*181,210*
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**211,422**	*185,963*
Non-controlling interest	25	**150**	*150*
TOTAL EQUITY		**211,572**	*186,113*

These financial statements were approved by the board of directors and were signed on its behalf by:

Steve Simpson
Director

30 July 2019

EWM (Topco) Limited
Registered Number: 04542352

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 2 March 2019

	Note	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Cash flows from operating activities			
Profit for the period		**25,897**	*73,269*
Adjustments for:			
Depreciation of property, plant and equipment	13	**5,099**	*12,815*
Amortisation of intangible assets	12	**268**	*837*
Finance income	7	**(947)**	*(4,253)*
Finance expense	7	**2,858**	*127*
Loss on disposal of property, plant and equipment	5	**246**	*817*
Fixed asset impairments	13	**518**	*6,196*
Intangible asset impairments	12	**(70)**	*282*
Income tax expense	10	**6,321**	*19,183*
		40,190	*109,273*
(Increase)/Decrease in receivables		**(6,189)**	*19,268*
(Increase)/Decrease in inventories		**(5,855)**	*3,596*
(Decrease)/Increase in payables		**(7,140)**	*1,636*
(Decrease)/Increase in provisions and employee benefits		**(2,754)**	*6,249*
Cash generated from operations		**18,252**	*140,022*
Income taxes paid		**(3,306)**	*(23,159)*
Net cashflows from operating activities		**14,946**	*116,863*
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11,617)**	*(16,535)*
Purchase of intangible assets		**(169)**	*(1,022)*
Interest received		**947**	*1,399*
Net cash used in investing activities		**(10,839)**	*(16,158)*
Cash flows from financing activities			
Repayment of loans		**-**	*(147)*
Payment to finance lease creditors		**(111)**	*(58)*
Dividends paid	11	**(40,000)**	*(116,600)*
Net cash from financing activities		**(40,111)**	*(116,805)*
Net decrease in cash and cash equivalents in period		**(36,004)**	*(16,100)*
Cash and cash equivalents at beginning of the period		**150,809**	*166,909*
Cash and cash equivalents at end of the period	17	**114,805**	*150,809*

1. BASIS OF PREPARATION

Financial period

These financial statements of EWM (Topco) Limited and its subsidiaries (the 'Group') are drawn up for the 27-week period ended 2 March 2019. The comparative figures are for the 78-week period ended 25 August 2018.

The company is incorporated and domiciled in the UK. The parent company financial statements present information about the company as a separate entity and not about its group.

Basis of preparation of accounts

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union ('IFRS'), and interpretations issued by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC'), and in accordance with the Companies Act 2006 applicable to companies reporting under IFRS. The company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 57 to 68.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires Group management to exercise judgment in applying the Group's accounting policies.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. 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 3.

The Group applies for the first time IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments". Refer to note 2 for details of the impact on transition to these standards.

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following items (refer to individual accounting policies for details):

- Derivative financial instruments – fair value through profit or loss;
- Net defined benefit pension asset or liability.

Going concern basis

The directors have considered trading forecasts based on estimated future market conditions, the availability of ongoing funding and the underlying operational performance of the business in the context of its principal business activities and the risks and uncertainties which are applicable. The group has recorded an operating profit of £34,129,000 *(78 weeks ended 25 August 2018: £88,326,000)* and at the period end has cash of £114,805,000 *(2018: £150,809,000)* with no bank borrowings. The Group has renewed its banking facilities and has approved but undrawn committed bank facilities of £100,000,000. After making suitable enquiries and on the basis of their assessment of the group and company's financial position, the directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern assertion in the preparation of these financial statements.

1. BASIS OF PREPARATION (continued)

Basis *of consolidation*

Where the company has control over an investee it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to the various returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be change in any of these elements of control. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions, balances and profit between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Group Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Group income statement from the date on which control is obtained. They are deconsolidated from the date on which control ceases. Acquisition costs are expensed as incurred.

No income statement is presented for the parent company as provided by S408 of the Companies Act 2006.

New accounting standards

New standards, interpretations and amendments not yet effective

The Group has not yet early adopted the following new standards, interpretations and amendments that have been issued but are not yet effective. Of these new standards, the only one that is expected to have a material impact is IFRS 16. This is further discussed in note 2.

- IFRS 16 Leases (effective date 1 January 2019)
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement (effective date 1 January 2019)
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective date 1 January 2019)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective date 1 January 2019)

The accounting policies in note 2 have been applied consistently in dealing with items which are considered material in relation to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue represents the fair value of amounts received or receivable for goods and services sold in the period, stated net of discounts, returns and value added tax. Revenue is shown net of returns and vouchers. Revenue is recognised when the significant risks and rewards of goods and services have been passed to the customer and can be measured reliably. The risk and rewards are considered to have been passed to the customer at the point of sale in a shop. Sale of goods on-line are recognised when the customer has accepted delivery.

The Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. A separate right of return asset is recognised on the face of the Statement of Financial Position which represents the right to recover product from the customer. The refund liability due to customers on return of their goods is recognised either as a component of trade payables and other liabilities (for cash payments) or as a deduction from customer receivables. In both the current and prior periods, the right of return asset and the refund liability are not material.

Concessions

The commission earned on concessionaires' sales is included in Revenue and Gross Profit.

Cost of sales

Cost of sales consists of all direct costs to the point of sale including warehouse and transportation costs. Supplier incentives, rebates and discounts are recognised as a credit to cost of sales in the period in which the relevant stock is sold.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on consolidation represents the excess of the value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill is recognised as an asset on the Group's Statement of Financial Position in the year in which it arises. Goodwill is not amortised but is tested for impairment annually and again whenever indicators of impairment are detected and is carried at cost less any provision for impairment. Any impairment is recognised in the income statement.

Intangible Assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition.

Intellectual Property

Intellectual property rights are amortised on a straight line basis over the Directors' estimate of their useful economic life of a maximum of 10 years.

Computer software

Computer software is carried at cost less accumulated amortisation and any provision for impairment. Externally acquired computer software and software licences are capitalised and amortised on a straight-line basis over their useful economic lives of 5 years. Costs relating to development of computer software for internal use which do not meet the recognition criteria of IAS 38 'Intangible Assets' are recognised as an expense as incurred.

Property, plant and equipment

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs incurred attributable to bringing the asset to its working condition for intended use. Depreciation is provided so as to write off the cost of tangible fixed assets, other than land, less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. Principal rates used for this purpose are:

Freehold and long leasehold buildings	2% per annum
Short leasehold buildings	10% per annum or over the lease term if shorter
Building improvements	5% or 12.5% per annum
Plant and machinery	4% to 12.5% per annum
Motor vehicles - commercial vehicles	12.5% per annum
- cars	25% per annum
Tenants improvements and shop fittings	5% or 25% per annum
Information technology equipment	20% or 25% per annum

Gains and losses on disposal are determined by comparing proceeds with the asset's carrying amount and are recognised within operating profit.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Fixed asset impairments

At each reporting date, the directors review the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the directors estimate the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Goodwill is tested for impairment annually. Any resulting impairment is charged to administrative expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases. For property leases, the land and building elements are treated separately to determine the appropriate lease classification.

Finance leases / hire purchase contracts

Assets funded through finance leases or hire purchase contracts are capitalised as property, plant and equipment and depreciated over their estimated useful lives or the lease term, whichever is shorter. The amount capitalised is the lower of the fair value of the asset or the present value of the minimum lease payments during the lease term at the inception of the lease. The resulting lease obligations are included in liabilities net of finance charges. Finance costs on finance leases are charged directly to the income statement so as to produce a constant periodic rate of interest.

Operating leases

Operating lease rentals payable are charged to the income statement on a straight line basis over the period of the lease.

Lease incentives

Capital sums (capital contributions or reverse premiums) received from landlords as inducements to enter into lease agreements are credited to deferred income and amortised to the income statement over the lease term. Where a lease has predetermined fixed rental increases, these rental increases are accounted for on a straight-line basis over the term of the lease. Current and non-current deferred income arises from capital sum incentives received on property leases which are held on the Statement of Financial Position and released to the Income Statement on a straight line basis over the lease term.
Lease incentives primarily include rent free periods. Lease incentives are deferred and spread over the period of the lease term.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises the invoice price of goods purchased. Net realisable value is based on estimated selling price less all costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

Provisions

The Group recognises provisions for liabilities of uncertain timing or amount including those for onerous leases, leasehold dilapidations and environmental costs. Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the best estimate of expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are discounted when material.

Onerous contracts / leases

Provisions for onerous leases, measured net of expected sub-let rental income, are recognised when the leased property becomes vacant and is no longer used in the operations of the business.

Dilapidations

Provisions for dilapidations and similar contractual property costs are recognised on a lease-by-lease basis when the need for expenditure has been identified, being the point at which the likely expenditure can be reliably estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The classification is based on two criteria:

- the Group's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

A summary of the Group's financial assets is as follows:

Financial assets Classification under IFRS 9

Derivatives not designated as hedging instruments	Fair value through profit or loss
Customer and other receivables	Amortised cost – hold to collect business model and SPPI met
Cash and short term deposits	Amortised cost

Under IFRS 9 the Group initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transactional costs of financial assets carried at FVPL are expensed in the Income Statement.

Investments

Investments in subsidiary undertakings are held at cost less provision for impairment where the directors consider that an impairment in the value has occurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Subsequent measurement

A summary of the subsequent measurement of financial assets.is set out below.

Financial assets at FVPL - Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - Subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.

Derecognition

A financial asset is derecognised primarily when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either a) the Group has transferred substantially all the risks and rewards of the asset, or b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Impairment – financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The most significant financial assets of the Group are its trade receivables, which are referred to as "customer and other receivables". ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Financial liabilities and equity

Initial recognition and measurement

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Financial liabilities Classification under IFRS 9

Derivatives not designated as hedging instruments	Fair value through profit or loss
Interest-bearing loans and borrowings:	
Bank loans and overdrafts	Amortised cost
Trade and other payables	Amortised cost

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Intra-group financial instruments

Where the Group enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Group considers these to be insurance arrangements and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee.

Subsequent measurement

A summary of the subsequent measurement of financial liabilities is set out below.

Financial liabilities at FVPL - Subsequently measured at fair value. Gains and losses are recognised in the Income Statement.

Loans and borrowings - Subsequently measured at amortised cost using the EIR method. The EIR amortisation is included in finance costs in the Income Statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Customer and Other Receivables

Customer receivables represent outstanding customer balances less an allowance for impairment. Customer receivables are recognised when the Group becomes party to the contract which happens when the goods are despatched. They are derecognised when the rights to receive the cash flows have expired e.g. due to the settlement of the outstanding amount or where the Group has transferred substantially all the risks and rewards associated with that contract. Other trade receivables are stated at invoice value less an allowance for impairment. Customer and other receivables are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the Solely Payment of Principal and Interest (SPPI) criterion.

In accordance with the accounting policy for impairment –financial assets, the company recognises an allowance for Expected Credit Losses (ECLs) for customer and other receivables. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL.

Impairments excluding stock and deferred tax assets

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Ordinary shares are included in shareholder's funds and classified as equity. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the Income Statement in respect of the raising of capital instruments other than equity shares, is allocated to periods over the term of each individual instrument on a basis consistent with the level of the carrying amount.

Current taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax is charged or credited to the income statement, except when it relates to items charged to equity or other comprehensive income, in which case the current tax is also dealt with in equity or other comprehensive income respectively.

Deferred taxation

Deferred tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting base of assets and liabilities.

Deferred tax is recognised for all temporary differences, except to the extent where it arises from the initial recognition of goodwill or from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. It is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that the directors consider that, on the basis of all available evidence, it is probable that there will be suitable future taxable profits from which the future reversal of the underlying differences can be deducted.

Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income respectively.

Functional currency

The financial statements are presented in sterling, the Group's functional currency.

Assets and liabilities denominated in foreign currencies are translated into sterling at exchange rates ruling at the Statement of Financial Position date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Gains or losses on exchange are taken to Income Statement.

The group utilises forward currency contracts in order to reduce exposure to fluctuations in foreign exchange rates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

The Group operates a Group Personal Pension Plan which is available to all employee's subject to certain qualifying conditions. This is a defined contribution scheme and the assets of the scheme are held separately than those of the Group in an independently administered fund. The amount charged to the Income Statement represents the contributions payable to the scheme in respect of the accounting period.

The Group also operated a defined benefit pension scheme until 5 April 2011, when it was closed to future accrual with members also given the option to transfer to the Group Personal Pension Plan.

Defined benefit scheme surpluses and deficits are measured at:

- the fair value of plan assets at the reporting date; less
- plan liabilities calculated using the projected unit method discounted to its present value using yields on the iBoxx Sterling Corporate 15 years +AA Index; plus
- unrecognised past service costs; less
- the effect of the minimum funding requirements agreed with scheme trustees.

A surplus is recognised where the group has an unconditional right to the economic benefits in the form of future contribution reductions or refunds.

Any difference between the expected return on assets and that actually achieved, and any changes in the liabilities over the year due to changes in assumptions or experience within the scheme, are recognised in other comprehensive income in the period in which they arise.

Costs are recognised separately as operating and finance costs in the income statement. Operating costs comprise the current service cost, any income or expense on settlements or curtailments and past service costs where the benefits have vested.

Past service costs are recognised directly in income unless the changes to the pension scheme are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortised on a straight-line basis over the vesting period. Finance items comprise the interest on scheme liabilities and the expected return on scheme assets.

Employee Benefit Trusts

Trusts have been established for the benefit of company employees and some of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the Income Statement in the period to which they relate.

Exceptional Items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure on the face of the Income Statement.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards, interpretations and amendments

For the financial period ended 2 March 2019 the Group has adopted IFRS 15 "*Revenue from contracts with customers*" and IFRS 9 "*Financial instruments*" for the first time. The nature and effect of these changes are disclosed below. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Group. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not effective.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 supersedes IAS 11 "*Construction contracts*", IAS 18 "*Revenue*" and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group has adopted IFRS 15 using the fully retrospective method of adoption, thereby restating comparatives, and did not apply any optional practical expedients. The key considerations along with the impact of adopting IFRS 15 are described below. There was no impact on profit after tax or retained earnings on the adoption of IFRS 15.

Sale of goods

The Group's contracts with customers for the sale of product generally include one performance obligation. The Group has concluded that revenue from the sale of product should be recognised at the point in time when control of the asset is transferred to the customer i.e. on the delivery of the product. This does not represent a material change to the Group's accounting policy and therefore, the adoption of IFRS 15 does not have an impact on the timing of revenue recognition.

Sales of services

The Group's contracts with customers for the provision of services generally includes one performance obligation. The Group has concluded that revenue from the provision of logistics services should be recognised at the point in time when the performance obligation is satisfied and the service is complete. This does not represent a change to the Group's accounting policy and therefore the adoption of IFRS 15 does not have an impact on the timing of revenue recognition.

Variable consideration

Product sales provide customers with a right of return within a specified period and are therefore deemed to be variable under IFRS 15.

Under IFRS 15, the Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. Under the old standard, IAS 18, expected returns were estimated using a similar approach and therefore no adjustment to the value of variable consideration was required on transition to IFRS 15.

IFRS 9 "Financial instruments"

IFRS 9 replaces IAS 39 "*Financial instruments: recognition and measurement*" for annual periods beginning on or after 1 January 2018, which covers the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group applied IFRS 9 retrospectively. The impact of the application of IFRS 9 was not material to the net assets or profit for the period or prior period. Prior period balances have not been restated for IFRS 9. Revised accounting policies for IFRS 9 are detailed below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards, interpretations and amendments (continued)

Classification and measurement

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and liabilities as at 25 August 2018. There were no changes to the carrying amounts of these assets and liabilities on transition to IFRS 9.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 and IFRS 9 £'000
Derivatives not designated as hedging instruments	Fair value through profit or loss	Fair value through profit or loss	2,857
Customer and other receivables*	Loans and receivables	Amortised cost	53,484
Cash and short term deposits	Loans and receivables	Amortised cost	150,809

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 and IFRS 9 £000
Derivatives not designated as hedging instruments	Fair value through profit or loss	Fair value through profit or loss	-
Interest-bearing loans and borrowings:			
Bank loans and overdrafts	Loans and borrowings	Amortised cost	-
Trade and other payables at amortised cost**	Other financial liabilities	Amortised cost	(107,460)

* Prepayments and other debtors do not meet the definition of a financial instrument.

** Other taxation and social security payables, deferred income, property lease incentives and other creditors do not meet the definition of a financial instrument.

Further information is included in note 29.

IFRS 16 "Leases"

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For the Group, the first reported accounting period under IFRS 16 will be the 2019/20 financial year.

On the adoption of IFRS 16, lease agreements will give rise to both a right of use asset and a lease liability for future lease payables. The right of use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Income Statement over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases.

The Group has a large portfolio of leased properties and other equipment, including stores and warehouses. The minimum lease commitment on these at the financial period end is disclosed in note 27: £234,399,000 (2018: £225,518,000).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of new accounting standards, interpretations and amendments (continued)

The adoption of IFRS 16 has no effect on how the business is run, nor on the overall cash flows for the Group, but will have a significant impact on the Group financial statements as disclosed below.

Transition

As previously disclosed, the Group has decided to adopt the fully retrospective transition approach, restating prior period comparatives. The Group will apply the practical expedient to grandfather the definition of a lease on transition and apply the recognition exemption for both short term and low value assets.

The Group has established a working group to ensure we take all necessary steps to comply with the requirements of IFRS 16. Work in this respect is ongoing, including the collection of relevant data, changes to IT systems and processes, and the determination of relevant accounting policies and discount rate to be used.

Impact to financial statements

At this stage it is not therefore feasible to provide a reliable estimate of the impact on the financial statements other than as follows:

- The most significant lease liabilities relate to property. It is estimated that the liability will be lower than that shown in the current Note 27 due to discounting the future payments.
- The opening right of use asset is lower than the opening lease liability as it includes lease incentives received and reflects the higher depreciation of the right of use asset compared to the reduction on the lease liability and accrued interest over the same period of time.
- We do not expect the adoption of IFRS 16 to have a material impact on the Group's effective tax rate.

There will be no impact on cash flows, although the presentation of the consolidated Cash Flow Statement will change significantly, with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities (interest paid).

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes certain estimates and assumptions regarding the future that affect the application of accounting policies and reported amounts. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The key judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are as follows:

Impairment of assets
Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value.

Recoverable amount is based on the higher of the value in use and fair value less costs to sell. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance as disclosed in note 12.

Post-employment benefits
The costs, assets and liabilities of the defined benefit pension schemes operated by the Group are determined using methods relying on actuarial estimates and assumptions, including rates of increase in pensionable salaries and pensions, expected returns on scheme assets, life expectancies and discount rates. Details of the key assumptions are set out in note 28. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions and the recognition of any surplus. To the extent a surplus has been calculated, it is not currently realisable as no steps have been taken to initiate a refund. Changes in the assumptions used may have a significant effect on the Group Statement of Other Comprehensive Income and the Group Statement of Financial Position.

Provisions
Provisions have been made for environmental costs, onerous leases and dilapidations. These provisions are estimates, in particular the assumptions relating to market rents and vacant periods, and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of provisions are set out in note 22.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Income taxes

The Group recognises expected liabilities for tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual liability arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax provisions in the period when such determination is made. Detail of the tax charge and deferred tax are set out in notes 10 and 23 respectively.

Legal proceedings

The Group reviews outstanding legal cases following developments in the legal proceedings and at each reporting date, in order to assess the need for provisions and disclosures in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience of similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

Financial derivative instruments

Estimates around future interest and exchange rates, has determined by market conditions, have been made in relation to the valuation of financial derivative instruments.

Valuation of Inventory

An assessment of the ability to recover the value of inventory is made at each period end. A provision is made for any amounts that are not considered to be recoverable either due to the net realisable value being less than cost or due to the level of stock resulting in a rate of obsolescence. Due to the nature of this provision, an estimate is made as to the recoverable amount which includes judgement based on the knowledge of the inventory held and the market demand. Details of the inventory impairment are included in note 15.

4. SEGMENTAL ANALYSIS

Revenue arises from sales of goods of £296,456,000 (*78 weeks ended 25 August 2018: £858,027,000*) and services of £231,000 (*78 weeks ended 25 August 2018: £911,000)* in the UK.

The group does not fall within the scope of IFRS 8 'Operating Segments'.

5. OPERATING PROFIT

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

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Amortisation - intangible fixed assets	**268**	*837*
Depreciation of tangible fixed assets:		
- owned by the group	**5,022**	*12,713*
- held under finance leases	**77**	*102*
Impairment of tangible fixed assets	**518**	*6,196*
(Release)/Impairment of intangible fixed assets	**(70)**	*282*
Operating lease rentals:		
- plant and machinery	**662**	*2,037*
- other operating leases	**35,455**	*97,414*
Loss on sale of tangible fixed assets	**246**	*817*
Movement in onerous lease provision (note 22)	**(2,287)**	*6,435*
Net realisable value and inventory obsolescence provision (note 15)	**(2,689)**	*5,835*
Rent receivable - operating leases	**(1,792)**	*(3,344)*

In the period ended 25 August 2018, the UK retail sector experienced extremely challenging trading conditions. As a consequence, the directors believed that the retail sector as a whole would experience a greater than normal level of inventory obsolescence and sale activity where the net realisable value of some individual units of inventory will be less than cost. Lower sales and the resulting reduction in store profitability would also mean the sector would have to consider carefully the carrying value of fixed assets and the burden of future lease costs in stores that may no longer be able to deliver sufficient cash flows to recover these costs.

The directors increased the level of inventory provision in recognition of market conditions during the period ended 25 August 2018. In calculating the recoverable amounts, the directors considered the following factors: stock levels; stock aging; rate of sale; general market demand; and competitor promotional activity.

The directors also conducted a full review of all stores to consider whether future store cash flows would be sufficient to cover both minimum occupancy costs and recover the carrying value of fixed assets used within each store. Where stores were forecast to be loss making, a provision was recorded in the balance sheet representing the onerous lease costs. Where cash flows would not recover the carrying value of fixed assets an impairment was calculated and recorded within fixed assets.

These uncertain conditions continued in the period ended 2 March 2019. Further movements on these provisions in 2019 are disclosed above.

In 2018, the increase in the inventory and onerous lease provisions were classified as exceptional.

6. AUDITOR'S REMUNERATION

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Fees payable to the company's auditor for the audit of the company's annual accounts	1	*1*
Fees payable to the company's auditor in respect of:		
- The auditing of accounts of subsidiaries of the company	93	*112*
- Other services relating to taxation	3	*3*

7. FINANCE INCOME AND EXPENSES

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Finance expenses		
Net interest on defined benefit pension scheme (see note 28)	18	*127*
Loss on fair value movement on forward exchange contracts	2,840	*-*
	2,858	*127*
Finance income		
Interest receivable	502	*957*
Interest on loans to related undertakings	279	*701*
Net gain on foreign exchange	166	*-*
Gain on fair value movement on forward exchange contracts	-	*2,595*
	947	*4,253*

8. DIRECTORS' EMOLUMENTS

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Directors' emoluments	282	*867*
Company contributions to pension schemes	13	*34*
	295	*901*

During the period retirement benefits were accruing to 3 directors *(2018 - 3)* in respect of defined contribution pension schemes.

During the period retirement benefits were accruing to 2 directors *(2018 - 2)* in respect of defined benefit pension schemes.

The highest paid director received remuneration of £126,000 during the period *(2018 - £332,000)* and defined contribution pension scheme contributions during the period of £13,000 *(2018: £33,000)*.

Executive bonuses are dependent on the achievement of financial targets and the performance of individual directors. Payments are made according to the rules of the Group's senior management bonus scheme, or in exceptional circumstances at the discretion of the Remuneration Committee.

8. DIRECTORS' EMOLUMENTS (continued)

Key Management Personnel

Key management personnel remuneration comprised the following:

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Short-term employee benefits	434	*1,325*
Post-employment benefits	22	*61*
	456	*1,386*

Key management personnel, as disclosed under IAS 24 'Related Party Disclosures' comprises the directors and other senior operational management.

9. EMPLOYEE BENEFITS

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Wages and salaries	52,271	*147,648*
Social security costs	2,696	*7,616*
Other pension costs (Note 28)	814	*1,302*
	55,781	*156,566*

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

	Period ended 2 March 2019 No.	*78 weeks ended 25 August 2018 No.*
Retail	9,247	*9,215*
Office and management	1,141	*1,086*
	10,388	*10,301*

The average monthly number of full time equivalent employees, based on contracted hours, during the period was 5,266 *(2018 – 5,157)*.

10. TAXATION

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Income statement		
Current tax		
Current tax on income for the period	**5,524**	*20,152*
Adjustments in respect of prior periods	**995**	*(309)*
	6,519	*19,843*
Foreign tax on income for the period	**100**	*125*
Total current tax	**6,619**	*19,968*
Deferred tax		
Origination and reversal of timing differences	**796**	*(1,026)*
Adjustments in respect of previous periods	**(1,213)**	*68*
	(417)	*(958)*
Current period pension scheme movements	**119**	*173*
Total deferred tax	**(298)**	*(785)*
Income tax expense for the period	**6,321**	*19,183*
Income tax recognised in other comprehensive income		
Deferred tax on remeasurement of defined benefit obligation	**103**	*(227)*

10. TAXATION (continued)

The tax charge for the period can be reconciled to accounting profit as follows:

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Profit for the period	**25,897**	*73,269*
Total tax expense	**6,321**	*19,183*
Profit before tax	**32,218**	*92,452*
Profit multiplied by standard rate of corporation tax in the UK of 19% *(2018 – 19.06%)*	**6,122**	*17,622*
Effects of:		
Utilisation of tax losses	**(17)**	*(55)*
Capital allowances in excess of depreciation	**-**	*(1)*
Adjustments to tax charge in respect of prior periods	**(218)**	*(241)*
Pension scheme movements	**119**	*173*
Overseas PE exemption	**(118)**	*(210)*
Non-taxable income and disallowable expenses	**378**	*1,751*
Transfer pricing adjustments	**55**	*144*
Total tax expense (see note above)	**6,321**	*19,183*

Factors affecting future tax charges:

The subsidiary Proquip Limited has an unrecognised deferred tax asset of £523,000 (2018: £542,000). The asset is mainly comprised of trading losses carried forward and is not recognised as it is not certain that the asset will reverse in the foreseeable future.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax at the balance sheet date has been calculated based on these rates.

11. DIVIDENDS

Dividends of £Nil were declared, approved and paid in the period (2018: £156,600,000 of which, £116,600,000 was paid). The balance of the dividend declared and approved in the previous period of £40,000,000 was paid in the current financial period.

12. INTANGIBLE ASSETS

	Goodwill	*Intellectual Property*	*Computer Software*	*Total*
	£000	*£000*	*£000*	*£000*
Cost:				
At 26 February 2017	**19,796**	**626**	**5,024**	**25,446**
Additions	-	-	1,022	**1,022**
Reclassification from tangible assets	-	-	235	**235**
At 26 August 2018	**19,796**	**626**	**6,281**	**26,703**
Additions	-	-	169	**169**
Reclassification from tangible assets	-	-	82	**82**
At 2 March 2019	**19,796**	**626**	**6,532**	**26,954**
Amortisation:				
At 26 February 2017	-	**362**	**3,079**	**3,441**
Amortisation	-	76	761	**837**
Impairment	212	-	70	**282**
At 26 August 2018	**212**	**438**	**3,910**	**4,560**
Amortisation	-	24	244	**268**
Reclassification from tangible assets	-	-	24	**24**
Impairment	-	-	(70)	**(70)**
At 2 March 2019	**212**	**462**	**4,108**	**4,782**
Net book value:				
As of 2 March 2019	**19,584**	**164**	**2,424**	**22,172**
As of 25 August 2018	*19,584*	*188*	*2,371*	*22,143*
As at 25 February 2017	*19,796*	*264*	*1,945*	*22,005*

Intangible assets other than goodwill are tested for impairment in accordance with IAS 36 'Impairment of Assets' when a triggering event, such as on-going losses, is identified. The goodwill is considered to have an indefinite useful economic life and the recoverable amount is determined based on value-in-use calculations, which use post-tax cash flow projections.

For the purposes of impairment testing, goodwill has been allocated to the group cash generating units (CGU's) as follows:

	2 March 2019	*25 August 2018*
	£'000	£'000
The Edinburgh Woollen Mill Limited	**19,584**	19,584
Duvetco Limited	-	-

The goodwill arising on Duvetco Limited was impaired in the previous period based upon value in use calculations.

12. INTANGIBLE ASSETS (continued)

Goodwill is tested annually for impairment and the recoverable amount has been calculated with reference to its value in use. The key assumptions used in this calculation are as follows:

	2 March 2019	*25 August 2018*
Period on which management approved forecasts are based (years)	**1**	*3*
Growth rate applied beyond approved forecast period	**2%**	*2%*
Discount rate (pre-tax)	**10%**	*10%*

The key assumptions in the business plan are like-for-like sales growth, gross and operating profit margins. The projections are based on all available information and growth rates do not exceed those achieved in prior periods. A different set of assumptions may be more appropriate in the future depending on changes in the macro-economic environment.

The discount rate was estimated based on past experience and industry average weighted average cost of capital. The directors have assumed a growth rate projection beyond the three-year period based on inflationary increases.

The total recoverable amount in respect of the Edinburgh Woollen Mill CGU as assessed by the directors using the above assumptions is greater than the carrying amount and therefore no impairment charge has been recorded.

A number of sensitivities have been applied to the assumptions in reaching this conclusion including:

- Reduction in revenue by 20%
- Increasing the discount rate by 5%

Neither of the above would result in an impairment. The Edinburgh Woollen Mill CGU has significant headroom under the annual impairment review. The carrying value of the goodwill represents less than one year of forecast operating cash flows of the CGU.

13. TANGIBLE FIXED ASSETS

	Land and Buildings	*Plant and Machinery*	*Motor Vehicles*	*Fixtures and Fittings*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*
Cost					
At 26 February 2017	**7,446**	**15,769**	**1,519**	**89,064**	**113,798**
Additions	1,186	1,307	215	13,827	**16,535**
Disposals	(326)	-	-	(1,645)	**(1,971)**
Reclassification to intangible assets	-	-	-	(235)	**(235)**
At 26 August 2018	**8,306**	**17,076**	**1,734**	**101,011**	**128,127**
Additions	273	7,862	-	4,150	**12,285**
Disposals	(128)	-	-	(1,533)	**(1,661)**
Reclassification to intangible assets	-	-	-	(82)	**(82)**
At 2 March 2019	**8,451**	**24,938**	**1,734**	**103,546**	**138,669**
Depreciation					
At 26 February 2017	**5,780**	**3,312**	**1,495**	**60,135**	**70,722**
Charge for the period	909	1,081	72	10,753	**12,815**
Disposals	(224)	-	-	(930)	**(1,154)**
Impairment	314	146	-	5,736	**6,196**
At 26 August 2018	**6,779**	**4,539**	**1,567**	**75,694**	**88,579**
Charge for the period	263	450	32	4,354	**5,099**
Disposals	(116)	-	-	(1,299)	**(1,415)**
Impairment	(115)	-	-	633	**518**
Reclassification to intangible assets	-	-	-	(24)	**(24)**
At 2 March 2019	**6,811**	**4,989**	**1,599**	**79,358**	**92,757**
Net book value					
As of 2 March 2019	**1,640**	**19,949**	**135**	**24,188**	**45,912**
As of 25 August 2018	*1,527*	*12,537*	*167*	*25,317*	*39,548*
As of 25 February 2017	*1,666*	*12,457*	*24*	*28,929*	*43,076*

The net book value of land and buildings consists entirely of short leasehold assets.

The net book value of fixed assets above includes amounts in respect of assets held under finance leases of:

	2 March 2019	25 August 2018
	£000	*£000*
Furniture, fittings and equipment	**601**	*54*

See note 2 for details of when an impairment review is completed.

14. SUBSIDIARIES

Details of the investments in operating companies in which the group and the company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as follows:

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
The Edinburgh Woollen Mill Ltd	Scotland	100%	Retailer
Peacocks Stores Ltd	Scotland	100%	Retailer
Duvetco Limited	Scotland	100%	Retailer
*Proquip Limited	Scotland	100%	Wholesaler
EWM Holdings Limited	England	100%	Holding Company
EWM (Financial Services) Limited	Scotland	100%	Financial Services Company
EWM (EBT) Trustees Limited	England	100%	Employee Benefit Company
The Gibson Group (Scotland) Ltd	Scotland	100%	Property Investment
Sky Border Logistics Limited	Scotland	100%	Logistics
*EWM Dormant Limited	England	100%	Holding Company
****Proquip Holdings Limited	Scotland	100%	Holding Company
*Proquip IP Limited	Scotland	100%	Dormant
*The Woollen Mill (Edinburgh) Ltd	Scotland	100%	Administrative Services
*EWM Group Training Limited	England	100%	Training Company
*Antartex Ltd	Scotland	100%	Dormant
*Clan Centre Ltd	Scotland	100%	Dormant
*The Country Trader Ltd	Scotland	100%	Dormant
*Craftcentre Cymru Cyf	England	100%	Dormant
*Craftcentre Cymru Group Cyf	England	100%	Dormant
*Craftcentre Cymru (Manufacturing) Cyf	England	100%	Dormant
*The Edinburgh Sweater Company Ltd	Scotland	100%	Dormant
*Edinglen Ltd	Scotland	100%	Dormant
*Equorian Ltd	Scotland	100%	Dormant
*Gleneagles Of Scotland (Woollens) Limited	Scotland	100%	Dormant
*Gleneagles Cashmere Limited	Scotland	100%	Dormant
*Gleneagles Woollen Mills Limited	Scotland	100%	Dormant
*The Golf Shop Ltd	Scotland	100%	Dormant
*Grampian Woollen Mills Ltd	Scotland	100%	Dormant
*House Of Gleneagles Limited	Scotland	100%	Dormant
*James Pringle Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Weavers Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Textiles Limited	Scotland	100%	Dormant
*Llanfair P.G. Woollen Mill Ltd	Scotland	100%	Dormant
*Langco Limited	Scotland	100%	Dormant
*Macdonalds Of Oban Ltd	Scotland	100%	Dormant
****Mairi Macintyre (Scottish Sportswear) Ltd	England	100%	Dormant
*The Millshop Ltd	Scotland	100%	Dormant
*Pitlochry Knitwear Co. Ltd	Scotland	100%	Dormant
*The Sweater Co. Ltd	Scotland	100%	Dormant
*Scottish Woollens Group Ltd	Scotland	100%	Dormant
*The Sweater Shop Ltd	Scotland	100%	Dormant
*Tartan Centre Ltd	Scotland	100%	Dormant
*The Woollen Mill Ltd	Scotland	100%	Dormant
*James Pringle Ltd	Scotland	100%	Dormant

14. SUBSIDIARIES (continued)

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
*Clan Tartan Centre Ltd	Scotland	100%	Dormant
*James Pringle Llanfair P.G.Woollen Mill Ltd	England	100%	Dormant
*James Pringle Woollen Mill Ltd	Scotland	100%	Dormant
*Skye Woollen Mill Ltd	Scotland	100%	Dormant
*Clan Royal Of Scotland Ltd	England	100%	Dormant
*Highland Home Industries Ltd	Scotland	100%	Dormant
***Gibson & Lumgair (Scotland) Limited	Scotland	100%	Dormant
*The Golf Company (St Andrews) Limited	Scotland	100%	Dormant
*Priory Knitwear Limited	England	100%	Dormant
*Randotte Place Limited	Scotland	100%	Dormant
*Romanes And Paterson Limited	Scotland	100%	Dormant
*St Andrews Sportswear Company Limited	Scotland	100%	Dormant
*The Cashmere Company Limited	Scotland	100%	Dormant
**MMO UK Ltd	England	50%	Lloyds of London CCV

* owned by a subsidiary

**The group owns a 50% interest in MMO UK Limited, a Lloyds of London CCV. The group does not control the operation of this business and has no directors on the board and therefore it is not included within the consolidated financial statements. Further, there is no investment carrying value in the company.

*** Minority interest of 100% of the company's preference shares is controlled by a party external to the group.

**** Ordinary and preference shares owned

All of the companies listed above which are incorporated in Scotland, have their registered office address at Waverley Mills, Langholm, Dumfriesshire, DG13 0EB.

All of the companies listed above which are incorporated in England, have their registered office address at Global House, 5 Castle Street, Carlisle, Cumbria, CA3 8SY

15. INVENTORIES

	2 March 2019 £000	*25 August 2018 £000*
Finished goods and goods for resale	**67,793**	*61,938*
Finished goods and goods for resale recognised in cost of sales for the period	**123,427**	*275,427*
(Reversal)/write down of inventories to net realisable value	**(2,689)**	*5,835*

16. TRADE AND OTHER RECEIVABLES

	2 March 2019 £000	25 August 2018 £000
Trade receivables	2,575	2,760
Prepayments and accrued income	14,484	3,059
Tax recoverable within one year	953	936
Amounts owed by related undertakings (note 30)	45,558	50,724
	63,570	57,479

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Provisions against debtors have been made where there is no reasonable prospect of the amount due being recovered. There are no customers with default history in the debtors that are neither past due nor impaired. Related undertakings are either the ultimate parent undertaking or its subsidiaries.

17. CASH AND CASH EQUIVALENTS

	2 March 2019 £000	25 August 2018 £000
Cash and cash equivalents per balance sheet and cash flow statement	114,805	150,809

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2 March 2019 £000	25 August 2018 £000
Derivative financial assets		
Derivatives not designated as hedging instruments:		
Forward foreign exchange contacts	17	2,857

19. TRADE AND OTHER PAYABLES AND CORPORATION TAX

Current	2 March 2019 £000	25 August 2018 £000
Trade creditors	25,530	34,840
Trade creditors – reverse factoring	4,770	4,727
Amounts owed to related undertakings	-	40,000
Taxation and social security	11,812	12,552
Other creditors and accruals	29,014	27,893
	71,126	120,012
Corporation tax	9,867	6,652
	80,993	126,664

Non-current	2 March 2019 £000	25 August 2018 £000
Other creditors and accruals	8,807	7,061

Other creditors and accruals represent rent free and lease incentives, the balances of which unwind over the term of the lease.

The company's standard payment terms with trade suppliers are 60 to 90 days. The company encourages its suppliers to take advantage of the early payments terms available under an arrangement with Tradewind GmbH. Under this arrangement, suppliers sell their receivables due from the company to Tradewind and the company in turn pays Tradewind direct in settlement of these liabilities. These amounts have therefore been separately disclosed as trade payables under reverse factoring arrangements as above.

20. LOANS AND BORROWINGS – NON CURRENT

	2 March 2019 £000	25 August 2018 £000
Obligations under finance leases	334	-

21. LOANS AND BORROWINGS

	2 March 2019 £000	25 August 2018 £000
Current		
Finance leases	223	-
Non – Current		
Finance leases (note 20)	334	-

Finance Leases

Finance leases are secured on the assets concerned.

21. LOANS AND BORROWINGS (continued)

Movements in loans and borrowings in the period are as follows:

	Finance Leases £000	Other Loans £000
At 26 February 2017	**58**	**128**
Paid in period	(58)	(128)
At 25 August 2018	**-**	**-**
New borrowings	668	-
Paid in period	(111)	-
At 2 March 2019	**557**	**-**

22. PROVISIONS FOR LIABILITIES AND CHARGES

	Environmental costs £000	Dilapidations £000	Onerous Leases £000	Total £000
At 26 August 2018	**21**	**7,349**	**6,902**	**14,272**
Charged/(credited) to income statement	-	480	(2,287)	(1,807)
Utilised in period	-	(215)	(87)	(302)
At 2 March 2019	**21**	**7,614**	**4,528**	**12,163**
2019				
Current	**-**	**5,100**	**1,340**	**6,440**
Non-Current	**21**	**2,514**	**3,188**	**5,723**
	21	**7,614**	**4,528**	**12,163**
2018				
Current	*-*	*4,965*	*1,853*	*6,818*
Non-Current	*21*	*2,384*	*5,049*	*7,454*
	21	*7,349*	*6,902*	*14,272*

Environmental costs

A provision is recognised for the expected costs of carrying out environmental surveys as required by statute together with a provision for expected remedial costs.

Dilapidations

A provision is recognised for repairing obligations arising under the terms of property operating lease agreements. Provision is made where repairs are required and a schedule of dilapidations has been served by the landlord, or where there is a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These are expected to be utilised over a range of 1 to 10 years.

Onerous leases

A provision is recognised for present obligations under certain onerous property operating leases where the unavoidable costs of meeting the obligations under them exceed the economic benefits expected to be received from them. These are expected to be utilised over a range of 1 to 10 years.

23. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018 – 20%).

	Assets 2 March 2019 £'000	*Assets 25 August 2018 £'000*	**Liabilities 2 March 2019 £'000**	*Liabilities 25 August 2018 £'000*	**Net 2 March 2019 £'000**	*Net 25 August 2018 £'000*
Tangible fixed assets	**(1,352)**	*(1,092)*	**-**	*-*	**(1,352)**	*(1,092)*
Intangible assets	**-**	*-*	**91**	*224*	**91**	*224*
Employee benefits	**(314)**	*(330)*	**-**	*-*	**(314)**	*(330)*
Other	**-**	*-*	**102**	*126*	**102**	*126*
Tax (assets)/liabilities	**(1,666)**	*(1,422)*	**193**	*350*	**(1,473)**	*(1,072)*

Movements in deferred tax during the period

	At 25 August 2018 £'000	**Recognised in income £'000**	**Recognised in equity £'000**	**At 2 March 2019 £'000**
Tangible fixed assets	**(1,092)**	**(260)**	**-**	**(1,352)**
Intangible assets	**224**	**(133)**	**-**	**91**
Employee benefits	**(330)**	**119**	**(103)**	**(314)**
Other	**126**	**(24)**	**-**	**102**
	(1,072)	**(298)**	**(103)**	**(1,473)**

Movements in deferred tax during the prior period

	At 26 February 2017 £'000	*Recognised in income £'000*	*Recognised in equity £'000*	*At 25 August 2018 £'000*
Tangible fixed assets	*319*	*(1,411)*	*-*	*(1,092)*
Intangible assets	*64*	*160*	*-*	*224*
Employee benefits	*(730)*	*173*	*227*	*(330)*
Other	*(167)*	*293*	*-*	*126*
	(514)	*(785)*	*227*	*(1,072)*

24. SHARE CAPITAL

	2 March 2019 Total £	*25 August 2018 Total £*
Allotted, called up and fully paid		
9,675 Ordinary shares of £1 each	**9,675**	*9,675*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

25. NON CONTROLLING INTEREST

	2 March 2019 £000	*25 August 2018 £000*
Gibson & Lumgair Ltd - 6% non-cumulative preference shares of £1 each	**150**	*150*

The non-controlling interest is in Gibson & Lumgair (Scotland) Limited, an indirect subsidiary company.

Under the terms of the Articles of Association of Gibson & Lumgair (Scotland) Limited the preference shares dividend rights relate to available profits of the year only and are not cumulative. A preference share dividend is only payable if an ordinary share dividend is paid. The preference shares are non-voting except in relation to a winding-up and have priority over ordinary shares to the extent of £1 per share on a winding-up with no claim on any surplus over nominal value. The company may redeem the preference shares at nominal value at any time, subject to three months' notice. Distributions and redemptions are solely at the discretion of Gibson & Lumgair (Scotland) Limited and therefore in accordance with IAS 32 'Financial Instruments: Presentation', the preference shares are classed as equity instruments.

26. RESERVES

The share capital reserve relates to the nominal amount of issued ordinary shares.

The share premium reserve relates to excess consideration received in respect of the issue of ordinary shares over and above the par value. The reserve is non-distributable.

Retained earnings are the cumulative net profits in the consolidated Income Statement. Movements on these reserves are set out in the consolidated Statement of Changes in Equity.

27. LEASES

Operating leases

The Group leases various properties and equipment under non-cancellable operating leases. The terms of the property leases vary, although they tend to be tenant repairing with rent reviews every 3 to 5 years and many have break clauses.

The total future value of minimum lease rentals payable is as follows:

	Land and buildings		Other	
Group	**2 March 2019 £000**	*25 August 2018 £000*	**2 March 2019 £000**	*25 August 2018 £000*
Within 1 year	**45,579**	*25,500*	**434**	*575*
Between 2 and 5 years	**119,455**	*124,846*	**882**	*1,184*
After more than 5 years	**69,365**	*75,172*	**-**	*-*
	234,399	*225,518*	**1,316**	*1,759*

28. PENSION COMMITMENTS

Group personal pension plan

The group personal pension plan is a defined contribution scheme providing money purchase benefits for employees of the Group based on the accumulated contributions paid on behalf of each member.

The charge to the Group for the period was £814,000 (*2018 - £1,302,000*). The unpaid contributions outstanding at the year end, included in 'Other creditors and accruals' (note 20) were £185,000 (*2018 - £188,000*).

Defined Benefit Scheme

The Group accounts for the closed defined benefit scheme by means of IAS 19 (revised) 'Employee Benefits'. Under IAS 19, the assets of the defined benefit scheme are included at fair value and this is compared to the present value of the scheme liabilities.

The defined benefit scheme provided benefits based on final pensionable salary for directors, management employees and certain other staff. The scheme has been closed to new entrants for many years and as mentioned, it closed to future accrual at 5 April 2011.

Contributions to the scheme are determined by a qualified actuary in conjunction with the directors by means of triennial actuarial valuations and annual actuarial reports using the projected unit method. For closed schemes, the current service cost under the projected unit method will increase as the members of the scheme approach retirement.

Contributions made in the period amounted to £871,996 (*2018 - £846,598*). There were no outstanding or overpaid contributions at 2 March 2019 or 25 August 2018.

The latest full actuarial valuation was carried out at 5 April 2018.

The scheme showed an actuarial deficit in the triennial valuation at 5 April 2018, which has resulted in the creation of a revised recovery plan designed to bring the scheme back into surplus over a 10-year period. In accordance with the recovery plan the employer will pay a one off lump sum contribution of £3,200,000 by 31 July 2019 and contributions of £300,000 payable in 9 annual instalments commencing on 1 December 2020.

The scheme is exposed to a number of risks including:

- Investment risk: movement of discount rate used (high quality corporate bonds) against the return from plan assets
- Interest rate risk: decreases/ increases in the discount rate used (high quality corporate bonds) will increase/ decrease the defined benefit obligation
- Longevity risk: changes in the estimation of mortality rates of current and former employees

The information disclosed below is in respect of the whole of the scheme for which the company is the sponsoring employer throughout the year shown.

The company sponsors the scheme which is a funded defined benefit arrangement. This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities for some past and present employees. The scheme is closed to future accrual and the level of retirement benefit is linked to changes in inflation up to retirement.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator, and guidance notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK.

28. PENSION COMMITMENTS (continued)

The trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the trustees is determined by the scheme's trust documentation. It is policy that one third of all trustees should be nominated by the members.

A full actuarial valuation was carried out as at 5 April 2018 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the company and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

An asset ceiling has been allowed for the extent that the surplus is unrecognised and the resulting asset/(liability) is capped at a maximum of zero. It is assumed that the application of IFRIC14 has no further effect on this disclosure.

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme using the projected unit credit method. The value calculated in this way is reflected in the net liability in the Statement of Financial Position as shown above.

The projected unit credit method is an accrued benefits valuation method in which allowance is made for projected earnings increases. The accumulated benefit obligation is an alternative actuarial measure of the scheme liabilities; whose calculation differs from that under the projected unit credit method in that it includes no assumption for future earnings increases. Since accrual of benefits under the scheme has ceased, the choice of funding method does not affect the value placed on the scheme liabilities.

The amounts recognised in the Statement of Financial Position are as follows:

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Present value of funded obligations	**(32,283)**	*(32,739)*
Fair value of scheme assets	**30,633**	*31,003*
Total employee benefit	**(1,650)**	*(1,736)*

The amounts recognised in the Income Statement are as follows:

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Interest on obligation	**413**	*1,266*
Expected return on scheme assets	**(395)**	*(1,139)*
Past service costs	**227**	*-*
Total	**245**	*127*

28. PENSION COMMITMENTS (continued)

The amounts recognised in other comprehensive income are as follows:

	Period ended 2 March 2019 £'000	78 weeks ended 25 August 2018 £'000
Return on plan assets (excluding amounts included in net interest cost) – (loss)/gain	(1,089)	1,636
Experience gains and losses arising on the defined benefit obligation – gain/(loss)	456	(1,895)
Effects of change in the demographic assumptions underlying the present value of the defined benefit obligation – gain	92	686
Effects of change in the financial assumptions underlying the present value of the defined benefit obligation – gain	-	769
Total amount recognised in other comprehensive income – (loss)/gain	(541)	1,196

Movements in the present value of the defined benefit obligation were as follows:

	Period ended 2 March 2019 £000	78 weeks ended 25 August 2018 £000
Opening defined benefit obligation	32,739	33,460
Interest cost	413	1,266
Actuarial (gains)/losses due to scheme experience	(456)	1,895
Actuarial gains due to changes in demographic assumptions	(92)	(686)
Actuarial gains due to changes in financial assumptions	-	(769)
Benefits paid	(548)	(2,427)
Past service costs	227	-
Closing defined benefit obligation	32,283	32,739

There have been no scheme amendments, curtailments or settlements in the accounting period.

28. PENSION COMMITMENTS (continued)

Changes in the fair value of scheme assets were as follows:

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Opening fair value of scheme assets	**31,003**	*29,808*
Interest income	**395**	*1,139*
Return on plan assets (excluding amounts included in interest income)	**(1,089)**	*1,636*
Contributions by the group	**872**	*847*
Benefits paid & expenses	**(548)**	*(2,427)*
	30,633	*31,003*

The actual return on the plan assets over the period ending 2 March 2019 was £(694,000) (*2018 - £2,775,000*).

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2019	2019	*2018*	*2018*
Equities	**10,145**	**33.12%**	*10,499*	*33.86%*
Bonds	**5,641**	**18.41%**	*5,689*	*18.35%*
Hedge Funds	**6,199**	**20.24%**	*8,429*	*27.19%*
Liability driven investments	**7,731**	**25.24%**	*5,204*	*16.79%*
Cash	**917**	**2.99%**	*1,182*	*3.81%*
	30,633		*31,003*	

None of the fair values of the assets shown above include any of the Company's own financial instruments or any property occupied by, or other assets used by, the Company. All of the scheme assets have a quoted market price in an active market with the exception of the Trustee's bank account balance.

It is the policy of the trustees and the company to review the investment strategy at the time of each funding valuation. The trustee's investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles.

There are no asset-liability matching strategies currently being used by the scheme.

The best estimate of contributions to be paid by the company to the scheme for the period commencing 3 March 2019 is £3,200,000 (*2018 - £871,996*).

28. PENSION COMMITMENTS (continued)

The principal actuarial assumptions at the Statement of Financial Position date (expressed as weighted averages) are noted as follows:

	2019	*2018*
	% per annum	*% per annum*
Rate of discount	**2.55**	*2.55*
Inflation (RPI)	**3.20**	*3.20*
Inflation (CPI)	**2.20**	*2.20*
Allowance for revaluation of deferred pensions of CPI of 3% pa if less	**1.90**	*2.25*
Allowance for pension in payment increases of RPI of 5% pa if less	**3.05**	*3.05*
Allowance for pension in payment increases of RPI of 2.5% pa if less	**2.10**	*2.10*
Allowance for commutation of pension for cash at retirement	**100% of maximum permitted**	*100% of maximum permitted*

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 60 are:

	2019	*2018*
Retiring today		
Males	**25.0**	*25.1*
Females	**27.5**	*27.1*
Retiring in 20 years		
Males	**26.4**	*26.6*
Females	**29.0**	*28.8*

Analysis of the sensitivity to the principal assumptions of the present value of the defined benefit obligation:

	Change in assumption	**Change in liabilities**
Discount rate	Increase of 0.25% pa	Decrease by 3.6%
Rate of inflation	Increase of 0.25% pa	Increase by 2.9%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.0%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 2 March 2019 is 20 years.

The scheme typically exposes the company to actuarial risks such as investment risk, interest rate risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to plan liabilities. This would detrimentally impact the Statement of Financial Position and may give rise to increased charges in future Statements of Income. This effect would be partially offset by an increase in the value of the scheme's bond holdings. Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivatives and other financial instruments

The Group's principal financial instruments comprise loans, cash and short-term deposits together with interest rate and forward currency derivative contracts. The main purpose of the forward currency financial instruments is to provide a degree of certainty and to allow accurate costing of products. The interest rate swaps aim to fix the rate of a proportion of the Group's borrowing requirement. The Group has various other financial instruments such as trade and other receivables and trade and other payables that arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. There have been no substantive changes in the Group's exposure to financial instrument risks or its objectives, policies and processes for managing and measuring those risks during the periods in this report unless otherwise stated.

Fair value hierarchy

IFRS 7 requires fair value measurements to be recognised using a fair value hierarchy that reflects the significance of the inputs used in the value measurements:

Level 1 inputs are quoted prices in active markets.

Level 2 a valuation that uses observable inputs for the asset or liability other than quoted prices in active markets.

Level 3 a valuation using unobservable inputs i.e. a valuation technique.

There were no transfers between levels throughout the periods under review.

Fair values of financial assets and financial liabilities

Set out below is a comparison by category of carrying values and fair values of all the Group's financial assets and financial liabilities:

	Note	**Period ended 2 March 2019** Carrying value £000	**Period ended 2 March 2019** Fair value £000	*78 weeks ended 25 August 2018* Carrying value £000	*78 weeks ended 25 August 2018* Fair value £000
Financial liabilities					
At amortised cost					
Trade and other short term payables	19	**30,300**	**30,300**	*39,567*	*39,567*
Accruals	19	**28,312**	**28,312**	*27,893*	*27,893*
Finance lease borrowings	21	**557**	**557**	-	-
Amounts owed to related undertakings	19	**-**	**-**	*40,000*	*40,000*
		59,169	**59,169**	*107,460*	*107,460*

The 2019 and 2018 contractual cash flows of the above are materially equivalent to the carrying value as they are not interest bearing and current.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	Note	**Period ended 2 March 2019** Carrying value £000	Fair value £000	*78 weeks ended 25 August 2018* Carrying value £000	Fair value £000
Financial assets					
At amortised cost					
Trade receivables	16	**2,575**	**2,575**	*2,760*	*2,760*
Cash and short term deposits	17	**114,805**	**114,805**	*150,809*	*150,809*
Amounts owed by related undertakings	16	**45,558**	**45,558**	*50,724*	*50,724*
At fair value					
Forward foreign exchange contracts	18	**17**	**17**	*2,857*	*2,857*
		162,955	**162,955**	*207,150*	*207,150*

To the extent financial instruments are not carried at fair value in the consolidated statement of financial position, book value approximates to fair value at 2 March 2019 and 25 August 2018.

Trade and other receivables are measured at book value and amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated Statement of Other Comprehensive Income in the relevant period.

Cash and cash equivalents are held in Pound Sterling, US dollars and Euros and placed on deposit in UK banks. Balances held in foreign currencies are translated at the equivalent spot rate at the period end.

	Period ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Amounts held in £ Sterling	**113,965**	*140,735*
Amounts held in US Dollars	**426**	*9,774*
Amounts held in Euros	**414**	*300*
	114,805	*150,809*

Trade and other payables are measured at book value and amortised cost. The carrying amount of trade receivables and payables are assumed to be approximate to their fair value due to their short-term nature.

Market risk

a) Interest rate risk

The Group's interest bearing financial asset is primarily cash which is held at a floating rate of interest. The effective rate of interest on the Group's cash balances in the period is 0.85% (*2018: 0.51%*).

The Group is exposed to interest rate risk from its use of interest bearing financial instruments. This is a market risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Group holds external debt (excluding finance lease liabilities) at 2 March 2019 of £Nil (*2018: £Nil*).

Bank loans – The Group has an undrawn revolving credit facility of £100,000,000 which was refinanced in March 2019 for a further 3 years.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

a) Interest rate risk *(continued)*

As at the date of signing these financial statements the total revolving credit facility is undrawn and the Group's bankers have confirmed they will provide ongoing facilities to the Group for day to day working capital requirements.

The revolving facility has a rate of interest charged at a margin of 1% above the London Inter Bank Offer Rate (LIBOR).

The facility is secured by means of standard securities, legal charges, debentures, floating charges and cross guarantees over all the assets of EWM (Topco) Limited and certain obligor Group companies.

The group's criteria for utilising interest rate swaps are:

- The contract must be directly attributable to a quantifiable financial asset or liability.
- It requires to convert the nature of the interest rate liability from a variable rate to a fixed rate or vice versa.

Other loans are ad hoc finance supplier finance related agreements, normally on an interest free basis.

b) Given the immaterial external debt, fixed rate loans and interest rate hedging, any sensitivity analysis is not considered relevant.

c) Foreign exchange risk

Foreign exchange risk arises when individual Group entities enter into transactions denominated in a currency other than their functional currency which is Pound Sterling. The group purchases many products from overseas suppliers in non-Sterling denominated currencies giving rise to potential currency movement risk.

In order to provide a degree of certainty and to allow accurate costing of products, the group hedges a percentage of the forward purchase orders by means of derivatives, being mainly forward foreign exchange contracts and currency options.

The criteria adopted for the use of foreign currency contracts are:

- The contract must be in relation to a quantifiable foreign currency asset or liability.
- The contract must be denominated in the same currency as the asset or liability; and
- It should demonstrably reduce the risk of foreign exchange movements on the group's operations.

The Group is predominantly exposed to currency risk in US Dollars. Purchases are made on a central basis and the risk is hedged using forward exchange contracts.

The Board receives a monthly forecast, analysed by currencies, of liabilities due for settlement and expected cash reserves.

At 2 March 2019 there were maximum potential foreign currency forward/options of $55,000,000 and €Nil (*2018: $109,000,000 and €Nil*) with a fair value of £17,000 (*2018: £2,857,000*).

Hedge accounting is not adopted and the forward currency contracts/options are carried at fair value at the balance sheet date with changes in fair value recorded in the income statement.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

As of 2 March 2019 the Group's net exposure to foreign exchange risk was as follows:

	2 March 2019 £000	*25 August 2018 £000*
Net foreign currency financial assets/(liabilities)		
US Dollar	**(14,973,950)**	*(9,548,983)*
Euro	**435,002**	*299,876*

The US Dollar liabilities of £14,973,950 (2018: £9,548,983) comprises trade creditors of £15,400,409 (2018: £19,323,287) offset by cash of £426,460 (2018: £9,774,304). The Euro assets comprise of cash.

The effect of a 10% strengthening of the US dollar/Euro against Sterling at 2 March 2019 on the net foreign currency financial assets/liabilities carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the period and decrease of net assets of £1,663,772 (*2018: £1,027,679*). A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £1,361,268 (*2018: £840,828*).

The effect of fluctuations in exchange rates on the USD-denominated trade payables is partially offset through the use of forward exchange contracts.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges on its debt instruments and repayments of principal. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and loans to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Trade payables are repayable within 3 months and loans and borrowings are repayable as disclosed in note 22. Each period management prepare and maintain detailed cash forecasts to monitor case requirements and manage liquidity risk.

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities based on the remaining period at the Statement of Financial Position date is shown above.

Borrowing facilities

The Group had certain borrowing facilities available to it for general working capital requirements in the form of a revolving credit facility as noted above.

Credit risk

Given the nature of the Group's operations, credit risk is not considered significant and arises mainly from cash deposits and financial instruments held with banks and financial institutions which have a high credit rating. Credit risk also arises from retail trade receivables, wholesale receivables and other receivables which include amounts due from credit card institutions.

For banks and financial institutions, the group only deals with institutions with a high credit rating. Credit control procedures and limits are applied to wholesale customers. Retail customers' exposure is aligned to that of major credit card institutions.

The ageing of trade receivables has not been disclosed as it is immaterial to the Group. Levels of impairment are also not significant.

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Derivative financial instruments

Fair value of forward contracts	**2 March 2019**	*25 August 2018*
	£000	*£000*
Financial assets – current	**17**	*2,857*

The fair value of a derivative financial instrument is split between current and non-current depending on the remaining maturity of the derivative contract and its contractual cash flows. The forward currency contracts and interest rate swaps are designated as fair value through profit or loss at initial recognition. The fair value of the Group's interest rate and forward currency contract derivatives are calculated as the present value of future expected net contracted cash flows at market related rates, which are current at the Statement of Financial Position date. This valuation is obtained from the counterparty bank and at each period end is categorised as a Level 2 valuation, see above. The maximum exposure to credit risk is the fair value of the derivative as a financial asset.

Capital Disclosures

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to shareholders. Capital comprises the Group's equity i.e. share capital including ordinary shares, share premium and retained earnings of £211,572,000 (*2018: £186,113,000*). Given the insignificant amount of borrowing of the group net debt ratios are not presented.

30. RELATED PARTY TRANSACTIONS

Balances and transactions with the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below (including 'other group companies' being the ultimate parent company and subsidiaries which are not part of the EWM (Topco) Group).

	2 March 2019 £000	*25 August 2018 £000*
Rent charged by other group companies	**3,722**	*8,518*
Management administration charges made to other group companies	**-**	*552*
Loans and other balances due by other group companies	**45,882**	*50,724*

Details of key management personnel compensation are set out in note 8.

31. CONTINGENT LIABILITIES

In conjunction with certain other companies in the Group, the company has granted guarantees to secure the loans, overdrafts and committed revolving credit facilities of the companies in the group banking arrangements as follows:

	2 March 2019 £000	*25 August 2018 £000*
Total Group revolving credit and ancillary facilities	**140,000**	*60,000*
Contingent liability to the company based on group utilisation of facilities at the period end	**677**	*1,210*

32. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company's ultimate parent company is The Edinburgh Woollen Mill (Group) Limited which is incorporated in Scotland. The consolidated financial statements of this group are available to the public and may be obtained from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

By virtue of his shareholding P. Day is the ultimate controlling party.

EWM (Topco) Limited
Registered Number: 04542352

COMPANY STATEMENT OF FINANCIAL POSITION
At 2 March 2019

	Note	2 March 2018 £000	*25 August 2018 £000*
Fixed assets			
Investments	3	**171,018**	*171,018*
Current assets			
Debtors	4	**711**	*40,099*
Derivative financial assets	5	**17**	*2,857*
		728	*42,956*
Creditors: amounts falling due within one year	6	**(161,862)**	*(201,455)*
Net current liabilities		**(161,134)**	*(158,499)*
Total assets less current liabilities		**9,884**	*12,519*
Provisions for liabilities			
Deferred taxation		**(126)**	*(137)*
Net assets		**9,758**	*12,382*
Capital and reserves			
Called up share capital	7	**10**	*10*
Share premium account		**4,743**	*4,743*
Profit and loss account		**5,005**	*7,629*
Shareholders' funds		**9,758**	*12,382*

The financial statements were approved by the board of directors and were signed on its behalf by:

Steve Simpson
Director

30 July 2019

EWM (Topco) Limited
Registered Number: 04542352

COMPANY STATEMENT OF CHANGES IN EQUITY
For the 27-week period ended 2 March 2019

	Called up Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
BALANCE AT 26 FEBRUARY 2017	**10**	**4,743**	**(1,777)**	**2,976**
COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for the period	-	-	166,006	166,006
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**166,006**	**166,006**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY				
Dividends	-	-	(156,600)	(156,600)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS	**-**	**-**	**(156,600)**	**(156,600)**
BALANCE AT 25 AUGUST 2018	**10**	**4,743**	**7,629**	**12,382**
COMPREHENSIVE INCOME FOR THE PERIOD				
Loss for the period			(2,624)	(2,624)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD			**(2,624)**	**(2,624)**
BALANCE AT 2 MARCH 2019	**10**	**4,743**	**5,005**	**9,758**

1. ACCOUNTING POLICIES

Basis of preparation

These financial statements are drawn up for the period ended 2 March 2019.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

The company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company have been applied consistently throughout the period.

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

The company has adopted IFRS 9 "Financial Instruments" for the final time in these financial statements. This has been applied retrospectively and has no material impact.

The company's ultimate parent undertaking, The Edinburgh Woollen Mill (Group) Limited, includes the company in its consolidated financial statements.

The consolidated financial statements of The Edinburgh Woollen Mill (Group) Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF.

1. ACCOUNTING POLICIES (continued)

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of share capital;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and134-136 of IAS 1 Presentation of Financial Statements;
- disclosures in respect of the compensation of Key Management Personnel; and
- disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

Under section 408 of the Companies Act 2006, the company is exempt from the requirement to present its own profit and loss account.

Current taxation

Current tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date. Current tax is charged or credited to the income statement, except when it relates to items charged to equity or other comprehensive income, in which case the current tax is also dealt with in equity or other comprehensive income respectively.

1. ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, and subsequently measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit or Loss (FVPL). The classification is based on two criteria:

- the Company's business model for managing the assets; and
- whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

A summary of the Company's financial assets is as follows:

Financial assets	***Classification under IFRS 9***
Derivatives not designated as hedging instruments	Fair value through profit or loss
Customer and other receivables	Amortised cost – hold to collect business model and SPPI met
Cash and short term deposits	Amortised cost

Under IFRS 9 the Company initially measures a financial asset at its fair value plus directly attributable transaction costs, unless the asset is classified as FVPL. Transactional costs of financial assets carried at FVPL are expensed in the Income Statement.

Investments

Investments in subsidiary undertakings are held at cost less provision for impairment where the directors consider that an impairment in the value has occurred.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits.

Subsequent measurement

A summary of the subsequent measurement of financial assets is set out below.

Financial assets at FVPL - Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - Subsequently measured at amortised cost using the effective interest rate (EIR) method. The amortised cost is reduced by impairment losses. Interest income, impairment or gain or loss on derecognition are recognised in profit or loss.

Derecognition

A financial asset is derecognised primarily when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either a) the Company has transferred substantially all the risks and rewards of the asset, or b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1. ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Impairment – financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. The most significant financial assets of the Company are its trade receivables, which are referred to as "customer and other receivables". ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

Financial liabilities and equity

Initial recognition and measurement

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Financial liabilities Classification under IFRS 9

Derivatives not designated as hedging instruments	Fair value through profit or loss
Interest-bearing loans and borrowings:	
Bank loans and overdrafts	Amortised cost
Trade and other payables	Amortised cost

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Intra-group financial instruments

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Subsequent measurement

A summary of the subsequent measurement of financial liabilities is set out below.

Financial liabilities at FVPL - Subsequently measured at fair value. Gains and losses are recognised in the Income Statement.

Loans and borrowings - Subsequently measured at amortised cost using the EIR method. The EIR amortisation is included in finance costs in the Income Statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Income Statement.

1. ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Offsetting of financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Balance Sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention and ability to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairments excluding stock and deferred tax assets

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or ("CGU"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. DIVIDENDS PAYABLE

Dividends of £Nil were declared, approved and paid in the period (2018: £156,600,000 of which, £116,600,000 was paid). The balance of the dividend declared and approved in the previous period of £40,000,000 was paid in the current financial period.

3. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 26 August 2018 and 2 March 2019	**171,018**
Net book value	
At 2 March 2019	**171,018**
At 25 August 2018	*171,018*

3. FIXED ASSET INVESTMENTS (continued)

The following represent the related undertakings of the company, in addition to the immediate and ultimate parent undertakings which are disclosed separately. Except as otherwise indicated below, all of these undertakings are incorporated in the United Kingdom and the company owns or directly controls via its subsidiaries 100% of the ordinary issued share capital.

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
The Edinburgh Woollen Mill Ltd	Scotland	100%	Retailer
Peacocks Stores Ltd	Scotland	100%	Retailer
Duvetco Limited	Scotland	100%	Retailer
*Proquip Limited	Scotland	100%	Wholesaler
EWM Holdings Limited	England	100%	Holding Company
EWM (Financial Services) Limited	Scotland	100%	Financial Services Company
EWM (EBT) Trustees Limited	England	100%	Employee Benefit Company
The Gibson Group (Scotland) Ltd	Scotland	100%	Property Investment
Sky Border Logistics Limited	Scotland	100%	Logistics
*EWM Dormant Limited	England	100%	Holding Company
****Proquip Holdings Limited	Scotland	100%	Holding Company
*Proquip IP Limited	Scotland	100%	Dormant
*The Woollen Mill (Edinburgh) Ltd	Scotland	100%	Administrative Services
*EWM Group Training Limited	England	100%	Training Company
*Antartex Ltd	Scotland	100%	Dormant
*Clan Centre Ltd	Scotland	100%	Dormant
*The Country Trader Ltd	Scotland	100%	Dormant
*Craftcentre Cymru Cyf	England	100%	Dormant
*Craftcentre Cymru Group Cyf	England	100%	Dormant
*Craftcentre Cymru (Manufacturing) Cyf	England	100%	Dormant
*The Edinburgh Sweater Company Ltd	Scotland	100%	Dormant
*Edinglen Ltd	Scotland	100%	Dormant
*Equorian Ltd	Scotland	100%	Dormant
*Gleneagles Of Scotland (Woollens) Limited	Scotland	100%	Dormant
*Gleneagles Cashmere Limited	Scotland	100%	Dormant
*Gleneagles Woollen Mills Limited	Scotland	100%	Dormant
*The Golf Shop Ltd	Scotland	100%	Dormant
*Grampian Woollen Mills Ltd	Scotland	100%	Dormant
*House Of Gleneagles Limited	Scotland	100%	Dormant
*James Pringle Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Weavers Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Textiles Limited	Scotland	100%	Dormant
*Llanfair P.G. Woollen Mill Ltd	Scotland	100%	Dormant
*Langco Limited	Scotland	100%	Dormant
*Macdonalds Of Oban Ltd	Scotland	100%	Dormant
****Mairi Macintyre (Scottish Sportswear) Ltd	England	100%	Dormant
*The Millshop Ltd	Scotland	100%	Dormant
*Pitlochry Knitwear Co. Ltd	Scotland	100%	Dormant
*The Sweater Co. Ltd	Scotland	100%	Dormant
*Scottish Woollens Group Ltd	Scotland	100%	Dormant
*The Sweater Shop Ltd	Scotland	100%	Dormant
*Tartan Centre Ltd	Scotland	100%	Dormant
*The Woollen Mill Ltd	Scotland	100%	Dormant
*James Pringle Ltd	Scotland	100%	Dormant

3. FIXED ASSET INVESTMENTS (continued)

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
*Clan Tartan Centre Ltd	Scotland	100%	Dormant
*James Pringle Llanfair P.G.Woollen Mill Ltd	England	100%	Dormant
*James Pringle Woollen Mill Ltd	Scotland	100%	Dormant
*Skye Woollen Mill Ltd	Scotland	100%	Dormant
*Clan Royal Of Scotland Ltd	England	100%	Dormant
*Highland Home Industries Ltd	Scotland	100%	Dormant
***Gibson & Lumgair (Scotland) Limited	Scotland	100%	Dormant
*The Golf Company (St Andrews) Limited	Scotland	100%	Dormant
*Priory Knitwear Limited	England	100%	Dormant
*Randotte Place Limited	Scotland	100%	Dormant
*Romanes And Paterson Limited	Scotland	100%	Dormant
*St Andrews Sportswear Company Limited	Scotland	100%	Dormant
*The Cashmere Company Limited	Scotland	100%	Dormant
**MMO UK Ltd	England	50%	Lloyds of London CCV

* owned by a subsidiary

**The group owns a 50% interest in MMO UK Limited, a Lloyds of London CCV. The group does not control the operation of this business and has no directors on the board and therefore it is not included within the consolidated financial statements. Further, there is no investment carrying value in the company.

*** Minority interest of 100% of the company's preference shares is controlled by a party external to the group.

**** Ordinary and preference shares owned

All of the companies listed above which are incorporated in Scotland, have their registered office address at Waverley Mills, Langholm, Dumfriesshire, DG13 0EB.

All of the companies listed above which are incorporated in England, have their registered office address at Global House, 5 Castle Street, Carlisle, Cumbria, CA3 8SY

4. DEBTORS

	2 March 2019 £000	*25 August 2018 £000*
Amounts owed by related undertakings	**14**	*40,014*
Prepayments and accrued income	**401**	*85*
Tax recoverable within one year	**27**	*-*
Corporation Tax	**269**	*-*
	711	*40,099*

5. DERIVATIVE FINANCIAL INSTRUMENTS

	2 March 2019 £000	*25 August 2018 £000*
Derivative financial assets		
Derivatives not designated as hedging instruments:		
Forward foreign exchange contacts	**17**	*2,857*

The maximum exposure to credit risk at the reporting date is the fair value of the derivative assets/liabilities in the consolidated Statement of Financial Position.

6. CREDITORS: Amounts falling due within one year

	2 March 2019 £000	*25 August 2018 £000*
Bank loans and overdrafts	**105,525**	*109,062*
Amounts owed to related undertakings	**56,222**	*91,902*
Accruals and deferred income	**115**	*491*
Corporation tax	**-**	*-*
	161,862	*201,455*

The bank overdraft is secured by means of standard securities, legal charges, debentures, floating charges and cross guarantees over all the assets of the company and certain obligor subsidiaries.

The bank overdraft is shown net in Cash and Cash Equivalents in the consolidated Statement of Financial Position as there is a legal right of set off. The group does not settle balances gross.

7. SHARE CAPITAL

	2 March 2019 £	*25 August 2018 £*
Allotted, called up and fully paid		
9,675 Ordinary shares of £1 each	**9,675**	*9,675*

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

8. CONTINGENT LIABILITIES

In conjunction with certain other companies in the Group, the company has granted guarantees to secure the loans, overdrafts and committed revolving credit facilities of the companies in the group banking arrangements as follows:

	2 March 2019 £000	*25 August 2018 £000*
Total Group Revolving Credit and Ancillary Facilities	**140,000**	*60,000*
Contingent liability to the company based on group utilisation of facilities at period end	**677**	*1,210*

9. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's ultimate and immediate parent company is The Edinburgh Woollen Mill (Group) Limited which is incorporated in Scotland and prepares group financial statements in which the company is consolidated.

By virtue of his shareholding in the ultimate parent company P. Day is the ultimate controlling party.