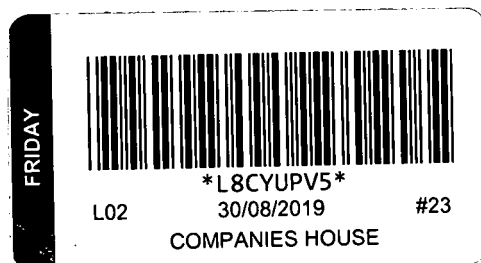


Taveta Investments (No. 2) Limited

Annual report and financial statements

for the 53 weeks ended 1 September 2018



Taveta Investments (No. 2) Limited

Company information

Directors	Ian Grabiner Gillian Hague
Company secretary	Michelle Gammon
Registered number	05137091
Registered office	Colegrave House 70 Berners Street London England W1T 3NL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Central Square 29 Wellington Street Leeds LS1 4DL

Taveta Investments (No. 2) Limited

Contents

	Pages
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 9
Profit and loss account	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 - 26

Taveta Investments (No. 2) Limited

Strategic report for the 53 weeks ended 1 September 2018

Introduction

The directors present their strategic report of Taveta Investments (No. 2) Limited for the 53 weeks ended 1 September 2018. The financial statements have been prepared for the 53 weeks ended 1 September 2018 (2017: 52 weeks ended 26 August 2017).

Principal activities

The principal activity of the Company is that of an intermediate holding company.

The Company has two forms of debt with third parties, property mortgages and subordinated loan notes. The subordinated loan notes of £43.4 million (2017: £65.0 million) are no longer listed on the Channel Island Stock Exchange (note 14).

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

Business review

During the period, the Company was a wholly-owned subsidiary of Taveta Investments Limited. A review of Taveta Investments Limited's and its subsidiaries' ("the Group") business during the period, its future outlook and its position at 1 September 2018 is given on pages 1 to 8 of the financial statements of that company.

Results for the period

The loss for the financial period after tax was £33.6 million (2017: £37.7 million).

As at 1 September 2018 the Company had net assets of £454.2 million (2017: £487.8 million).

Group restructure

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

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

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

Future developments

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

Taveta Investments (No. 2) Limited

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

Management and reporting of principal risks and key performance indicators (KPIs)

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

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

The principal financial risks faced by the Group, and the strategy it employs to manage those risks, are discussed in the strategic report on pages 6 and 7 of Taveta Investments Limited's annual report which does not form part of this report.

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



Gillian Hague
Director
Date: 30 August 2019

Taveta Investments (No. 2) Limited

Directors' report for the 53 weeks ended 1 September 2018

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

Directors' responsibilities statement

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

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

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

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

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

Directors

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

Paul Budge (resigned 1 September 2018)
Ian Grabiner
Gillian Hague

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company's parent company (Taveta Investments Limited) also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Matters covered in the strategic report

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

Dividends

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

Taveta Investments (No. 2) Limited

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

Disclosure of the information to auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

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

Going concern

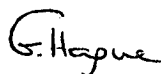
In the opinion of the directors, whilst the Company has net current liabilities, it is still appropriate to prepare the financial statements on the going concern basis as Arcadia Group Limited ("AGL"), has confirmed its intention to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements were signed.

The financial statements of AGL for the year ended 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. The financial statements of AGL also make reference to material uncertainties which may cast doubt on the group's and AGL's ability to continue as a going concern. The material uncertainties referred to in the financial statements of AGL include the group's trading and its refinancing of the Company's £310m property mortgage that matures in December 2019. Consequently, these material uncertainties could also impact AGL's ability to provide continued financial support to the Company for a period of at least 12 months from the date on which the financial statements were signed.

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

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

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



Gillian Hague
Director
Date: 30 August 2019

Taveta Investments (No. 2) Limited

Independent auditors' report to the members of Taveta Investments (No. 2) Limited

Report on the financial statements

Opinion

In our opinion, Taveta Investments (No.2) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 1 September 2018 and of its loss for the 53 week period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 1 September 2018; the profit and loss account and the statement of changes in equity for the 53 week period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Material uncertainty related to going concern

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

As the Company has net current liabilities it has been given an undertaking from Arcadia Group Limited (AGL) to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements are signed. The financial statements of AGL for the year end 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. The financial statements of AGL also make reference to material uncertainties which may cast doubt on the group's and AGL's ability to continue as a going concern. The material uncertainties referred to in the financial statements of AGL include the group's trading and its ability to refinance the Company's £310m property mortgage that matures in December 2019. Consequently, these material uncertainties could also impact AGL's ability to provide continued financial support to the Company for a period of at least 12 months from the date on which the financial statements were signed.

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

Taveta Investments (No. 2) Limited

Independent auditors' report to the members of Taveta Investments (No. 2) Limited

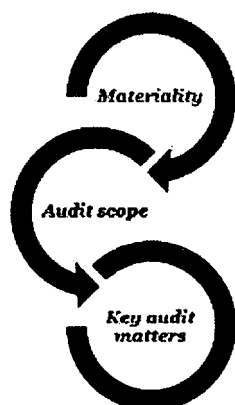
Audit procedures we have performed

In concluding there is a material uncertainty we:

- obtained management's Going Concern assessment,
- discussed this with the directors and assessed the Company's ability to meet its liabilities as they fall due without an undertaking from AGL to provide it with continued financial support, including;
- discussed the restructuring of the AGL group with the directors and note the material uncertainties that remain with respect to both trading and the refinancing of the Company's property mortgage;
- reviewed the AGL group accounts and the disclosures made regarding its going concern position and the fact that material uncertainties exist that may cast significant doubt on its ability to continue as a going concern;
- reviewed the wording of the going concern statement, including the material uncertainty, and assessed its consistency with the facts and circumstances facing the Company.

Our audit approach

Overview



- Overall materiality: £25.2 million (2017: £23.0 million), based on 1% of total assets.
- The Company's principal activity is that of an intermediate holding company and forms one single reporting unit for the purposes of the financial statements. This single reporting unit was subject to an audit of its complete financial information to obtain sufficient appropriate audit evidence as a basis for our opinion.
- Investment impairment assessment and impairment of debtors.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Taveta Investments (No. 2) Limited

Independent auditors' report to the members of Taveta Investments (No. 2) Limited

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<i>Investment impairment assessment and impairment of debtors</i> The Company holds an investment in Arcadia Group Limited with a carrying value of £2.3 billion. It has inter-company debtors of £228.8 million. We focused on this area because of the magnitude of the balance and due to the judgements made by management when assessing the possibility of impairment. These judgements include the nature, timing and extent of the projected cash flows within the discounted cash flow model prepared to assess impairment and associated inputs to the model such as the discount rate.	We obtained management's assessment of the carrying value of the Company's investments and inter-company debtors, including its discounted cash flow model and assessed its appropriateness in accordance with the requirements of FRS 102. We used our specialist knowledge to evaluate the methodology and the assumptions and inputs used by management. We found no issues and were satisfied with the evidence obtained. We performed sensitivity analysis over the principal assumptions and concluded that there was sufficient evidence to support the carrying value of investments.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The Company's principal activity is that of an intermediate holding company and forms one single reporting unit for the purposes of the financial statements. This single reporting unit was subject to an audit of its complete financial information to obtain sufficient appropriate audit evidence as a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£25.3 million (2017: £23.0 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is an appropriate benchmark as the company's function is that of an intermediate holding company, and it is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1.3 million (2017: £1.2 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Taveta Investments (No. 2) Limited

Independent auditors' report to the members of Taveta Investments (No. 2) Limited

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 1 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Taveta Investments (No. 2) Limited

Independent auditors' report to the members of Taveta Investments (No. 2) Limited

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

A handwritten signature in black ink, appearing to read 'Paul Cragg', followed by a horizontal line.

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

Taveta Investments (No. 2) Limited

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

	Note	2018 £000	2017 £000
Interest receivable and similar income	5	11,311	10,743
Interest payable and similar expenses	6	(52,780)	(57,586)
		<hr/>	<hr/>
Loss before taxation	7	(41,469)	(46,843)
Tax on loss	8	7,879	9,181
		<hr/>	<hr/>
Loss for the financial period		(33,590)	(37,662)
		<hr/>	<hr/>

All amounts relate to continuing operations.

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

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

Taveta Investments (No. 2) Limited
Registered number: 05137091

Balance sheet
as at 1 September 2018

	Note	2018 £000	2017 £000
Fixed assets			
Investments	9	2,300,000	2,300,000
		<u>2,300,000</u>	<u>2,300,000</u>
Current assets			
Debtors: amounts falling due after more than one year	10	228,822	225,245
Cash and cash equivalents	11	29	43
		<u>228,851</u>	<u>225,288</u>
Creditors: amounts falling due within one year	12	(334,136)	(100,625)
Net current (liabilities)/assets		<u>(105,285)</u>	<u>124,663</u>
Total assets less current liabilities		<u>2,194,715</u>	<u>2,424,663</u>
Creditors: amounts falling due after more than one year	13	(1,740,476)	(1,936,834)
Net assets		<u><u>454,239</u></u>	<u><u>487,829</u></u>
Capital and reserves			
Called up share capital	15	10,000	10,000
Retained earnings		444,239	477,829
Total equity		<u><u>454,239</u></u>	<u><u>487,829</u></u>

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



Gillian Hague
Director
Date: 30 August 2019

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

Taveta Investments (No. 2) Limited

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

	Called up share capital £000	Retained earnings £000	Total equity £000
At 28 August 2016	10,000	515,491	525,491
Loss for the financial period	-	(37,662)	(37,662)
At 26 August 2017 and 27 August 2017	10,000	477,829	487,829
Loss for the financial period	-	(33,590)	(33,590)
At 1 September 2018	10,000	444,239	454,239

Taveta Investments (No. 2) Limited

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

1. General information

Taveta Investments (No. 2) Limited ("the Company") is an intermediate holding company and is a wholly-owned subsidiary of Taveta Investments Limited.

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

2. Statement of compliance

The financial statements of Taveta Investments (No. 2) Limited have been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3. Accounting policies

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

3.1 Basis of preparation of financial statements

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

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

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

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

The Company is a wholly-owned subsidiary of Taveta Investments Limited. It is included in the consolidated financial statements of Taveta Investments Limited which are publicly available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Taveta Investments (No. 2) Limited

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

3. Accounting policies (continued)

3.2 Going concern

In the opinion of the directors, whilst the Company has net current liabilities, it is still appropriate to prepare the financial statements on the going concern basis as Arcadia Group Limited ("AGL"), has confirmed its intention to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements were signed.

The financial statements of AGL for the year ended 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. The financial statements of AGL also make reference to material uncertainties which may cast doubt on the group's and AGL's ability to continue as a going concern. The material uncertainties referred to in the financial statements of AGL include the group's trading and its refinancing of the Company's £310m property mortgage that matures in December 2019. Consequently, these material uncertainties could also impact AGL's ability to provide continued financial support to the Company for a period of at least 12 months from the date on which the financial statements were signed.

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

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

3.3 Exemptions for qualifying entities under FRS 102

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

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

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

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

3.4 Interest receivable and similar income

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

3.5 Interest payable and similar expenses

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

Taveta Investments (No. 2) Limited

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

3. Accounting policies (continued)

3.6 Tax

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

Current tax is the amount of corporation tax receivable in respect of the taxable loss for the period or prior periods. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

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

3.7 Investments

The Company's fixed asset investments are shown at cost less accumulated impairment. Provision is made where, in the opinion of the directors, there has been an impairment in the investments' carrying value. Impairment is recognised in the profit and loss account.

3.8 Cash and cash equivalents

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

3.9 Financial instruments

(i) Financial assets

Basic financial assets, including intergroup debtors and cash and bank balances are initially recognised at transaction price unless the arrangement constitutes a financing transaction where the transaction is measured at the present value of future receipts discounted at a market rate of interest. Such assets are subsequently measured at amortised cost using the effective interest method.

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

(ii) Financial liabilities

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

External loans are measured at cost plus issuance costs which are then amortised over the term of the loan using the effective interest rate method.

(iii) Offsetting

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

Taveta Investments (No. 2) Limited

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

3. Accounting policies (continued)

3.10 Amounts owed from group undertakings

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

Impairment provisions recognised in prior periods are assessed at each reporting date for any indication that the loss has changed. Where there is an indication that the loss has decreased or no longer exists, the impairment loss is reversed. Impairment is recognised as an exceptional item in the profit and loss account.

4. Critical accounting judgements and estimation uncertainty

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

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

Significant judgements

(i) Fixed asset investments

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

(ii) Impairment of amounts owed from group undertakings

The Company makes an estimate of the recoverable value of debtors. When assessing impairment of debtors, management considers factors including the current financial position of the debtor and historical experience.

5. Interest receivable and similar income

	2018 £000	2017 £000
Interest receivable from group companies	11,311	10,743

Taveta Investments (No. 2) Limited

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

6. Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	8,210	8,137
Other loan interest payable	3,378	5,000
On loans from group undertakings	40,624	43,888
Amortisation of debt issue costs	568	561
	<u>52,780</u>	<u>57,586</u>

7. Loss before taxation

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

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

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

Auditors' remuneration of £15,000 has been borne by Arcadia Group Limited, a fellow group undertaking, and not recharged.

There are no non-audit services provided by the auditors to the Company in the period (2017: none).

8. Tax on loss

	2018 £000	2017 £000
Current tax		
UK corporation tax credit on loss for the period	<u>7,879</u>	<u>9,181</u>

Factors affecting tax credit for the year

There were no factors that affected the tax credit for the period which has been calculated on the loss before tax at the standard rate of corporation tax in the UK of 19% (2017: 19.6%).

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

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

Taveta Investments (No. 2) Limited

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

9. Investments

	Shares in subsidiary undertakings £000
Cost	
At 26 August 2017 and at 1 September 2018	2,300,000
Net book value	
At 26 August 2017 and at 1 September 2018	<u>2,300,000</u>

The directors believe that the carrying value is supported by the discounted cashflows generated from future trading based on the underlying net assets.

For a full list of the Company's related undertakings see note 18.

10. Debtors

Amounts falling due after more than one year

Amounts owed by group undertakings	<u>228,822</u>	<u>225,245</u>
------------------------------------	----------------	----------------

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

11. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	<u>29</u>	<u>43</u>
	<u>29</u>	<u>43</u>

Taveta Investments (No. 2) Limited

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

12. Creditors: amounts falling due within one year

	2018	2017
	£000	£000
Subordinated loan notes (note 14)	23,376	24,995
Bank loans and overdrafts	-	74,445
Property mortgages (note 14)	309,539	-
Accruals and deferred income	1,221	1,185
	334,136	100,625

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

	2018	2017
	£000	£000
Subordinated loan notes (note 14)	20,000	39,995
Property mortgages (note 14)	-	309,534
Amounts owed to group undertakings	1,720,476	1,587,305
	1,740,476	1,936,834

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

Taveta Investments (No. 2) Limited

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

14. Loans

Analysis of the maturity of loans is given below:

	2018 £000	2017 £000
Amounts falling due within one period		
Bank loans and overdrafts	-	74,445
Property mortgages	309,539	-
Subordinated loan notes	23,376	24,995
	332,915	99,440
Amounts falling between one and two periods		
Property mortgages	-	309,534
Subordinated loan notes	20,000	19,997
	20,000	329,531
Amounts falling between two and five periods		
Subordinated loan notes	-	19,998
	-	19,998

Property mortgages

The Company's property mortgages are stated net of unamortised issue costs of £461,000 (2017: £1,016,000), which are amortised over the life of the loan.

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

Subordinated loan notes

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

The subordinated loan notes disclosure above is stated net of unamortised issue costs of £2,000 (2017: £5,000).

On 20 August 2019 the holder of the subordinated loan notes formally released the Company of all outstanding liabilities (principal plus accrued interest). An amount of £46.0 million will be credited to the profit and loss account in the period to 31 August 2019.

Taveta Investments (No. 2) Limited

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

15. Called up share capital

	2018	2017
	£000	£000
Allotted and fully paid		
10,000,001 (2017: 10,000,001) ordinary shares of £1 each	10,000	10,000

16. Ultimate parent undertaking and controlling party

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

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

Taveta Investments (No. 2) Limited

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

17. Post balance sheet events

Company Voluntary Arrangements

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

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

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

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

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

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

On 15 July 2019 the CVA challenge periods ended with the Group receiving challenges from 3 legal entities representing 2 USA landlords. These challenges were subsequently withdrawn meaning that the CVAs are now challenge free.

214 mortgage

The mortgage of £310.0 million on the 214 Oxford Street property was due for repayment in June 2019, this facility has been extended on the same financial terms until December 2019.

Taveta Investments (No. 2) Limited

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

17. Post balance sheet events (continued)

Release of subordinated loan notes

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

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

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

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

Taveta Investments (No. 2) Limited

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

18. Related undertakings

With the exception of Gresse Street Limited (53%), Muse Retail Limited (50%), Parkwood Topshop Athletic Limited (37.5%) and the Top Shop/Top Man (Holdings) Limited group (75%) (denoted *), the Company directly or indirectly owns the whole of the issued share capital of the group undertakings listed below. Other than Arcadia Group Limited, all of the companies are indirect subsidiaries of the Company.

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

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

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

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

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

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

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

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

Taveta Investments (No. 2) Limited

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

18. Related undertakings (continued)

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

Taveta Investments (No. 2) Limited

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

18. Related undertakings (continued)

Richards Investment Limited	England	Holding company
Stancepower	England	Dormant
SVML Limited	England	Dormant
Tammy (Girlswear) Limited	England	Dormant
Top Shop/Top Man Limited *	England	Fashion retailing
Top Shop/Top Man (Germany) Limited *	England	Dormant
Top Shop/Top Man (Holdings) Limited *	England	Holding company
Top Shop/Top Man (Ireland) Limited *	Ireland	Fashion retailing
Top Shop/Top Man Properties Limited *	England	Property investment
Top Shop/Top Man (Australia) Limited *	England	Fashion retailing
Top Shop/Top Man (Trinity) Limited *	England	Dormant
Top Shop/Top Man (Wholesale) Limited *	England	Fashion retailing
Top Shop/Top Man (Netherlands) B.V. *	Netherlands	Property holding
Wallis (London) Limited	England	Dormant
Wallis Retail Limited	England	Fashion retailing
Wallis Retail (Ireland) Limited	Ireland	Fashion retailing
Wallis Retail Properties Limited	England	Property investment
Wilton Equity Limited	British Virgin Islands	Property investment
Zoom.co.uk Limited	England	E-commerce