

**OFS (DS) Finance Limited**

**Directors' report and financial  
statements**

Registered number 6436854

1 April 2018



## Contents

Strategic report	3
Directors' report	4
Statement of Directors' responsibilities in respect of the financial statements	5
Independent auditors' report to the members of OFS (DS) Finance Limited	6
Profit and loss account and other comprehensive income	8
Balance sheet	9
Statement of changes in equity	10
Notes	11

## Strategic Report

### Business Overview

The company is a wholly owned subsidiary and its principal activity is that of an intermediate holding company. The principal activity of the group is retail.

The current status of the company is likely to continue into the future.

### Trading results

The loss for the year after taxation was £22,155,000 (2017: £4,109,000 loss).

### KPI's

Given the simplistic nature of the company the Directors do not use KPI's to assess the company's performance.

On behalf of the Board



**S Cooke**  
Director

Orient Business Park  
Billington Road  
Burnley  
BB11 5UB

21 December 2018

## Directors' report

The Directors present their annual report and the audited financial statements for the year ended 1 April 2018.

### Principal activities

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

### Result for the period

During the period the company generated a loss before tax of £22,155,000 (2017: £4,109,000 loss).

### Dividend

The Directors do not recommend the payment of a dividend for the year ended 1 April 2018 (2017: £nil).

### Directors

The Directors who held office during the year were as follows:

T Bettley (resigned 21 December 2018)  
E L Fox (appointed 4 December 2017)  
C Allen (appointed 21 March 2018)  
S Cooke (appointed 21 March 2018)  
J Collins (resigned 25 April 2017)  
M Footman (appointed 25 April 2017, resigned 4 December 2017)  
R Kavanagh (appointed 25 April 2017, resigned 1 February 2018)

### Disclosure of information to auditors

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 auditors are unaware; and each Director has taken all the 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 auditors are aware of that information.

### Independent auditors

The auditors PricewaterhouseCoopers LLP were appointed during 2018 and will be proposed for reappointment in accordance with section 415A of the Companies Act 2006.

By order of the board



S Cooke  
Director

Orient Business Park  
Billington Road  
Burnley  
BB11 5UB

21 December 2018

## **Statement of Directors' responsibilities in respect of the financial statements**

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

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

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

The Directors are 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.

# ***Independent auditors' report to the members of OFS (DS) Finance Limited***

## **Report on the audit of the financial statements**

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### **1 Opinion**

In our opinion, OFS (DS) Finance Limited's financial statements:

give a true and fair view of the state of the company's affairs as at 1 April 2018 and of its loss for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and

have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 1 April 2018; the profit and loss account and other comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **2 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.

### **3 Independence**

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

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### **4 Conclusions relating to going concern**

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

the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

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

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

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### **5 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.

## **6 Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 1 April 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**

### **7 Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities, 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.

### **8 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **9 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.

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## **10 Other required reporting**

### **11 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.

Randal Casson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
21 December 2018

**Profit and loss account and other comprehensive income**  
*for the year ended 1 April 2018*

	<i>Note</i>	<b>2018</b> <b>£000</b>	2017 £000
<b>Turnover</b>		-	-
Exceptional administrative expenses	5	(16,697)	-
<b>Operating loss</b>	2	(16,697)	-
Interest payable and similar charges	6	(5,458)	(4,093)
Other finance costs	7	-	(16)
<b>Loss before taxation</b>		(22,155)	(4,109)
Taxation	8	-	-
<b>Loss and total comprehensive loss for the period</b>		(22,155)	(4,109)

The Company has no recognised gains and losses other than those presented above and accordingly no separate statement of other comprehensive income has been presented.

All profit and loss categories comprise continuing operations.

The notes on pages 11 to 15 form an integral part of these financial statements.



**Balance sheet**  
*as at 1 April 2018*

	<i>Note</i>	<b>£000</b>	<b>2018 £000</b>	<b>£000</b>	<b>2017 £000</b>
<b>Fixed assets</b>					
Investments	9		-		16,697
<b>Current assets</b>					
Debtors	10	29,503		29,503	
<b>Creditors: amounts falling due within one year</b>	11	(9,736)		(24,149)	
<b>Net current assets</b>			19,767		5,354
<b>Total assets less current liabilities</b>			19,767		22,051
<b>Creditors: amounts falling due after more than one year</b>	12		(58,476)		(38,605)
<b>Net liabilities</b>			(38,709)		(16,554)
<b>Capital and reserves</b>					
Called up share capital	13		16,697		16,697
Profit and loss account			(55,406)		(33,251)
<b>Shareholders' deficit</b>			(38,709)		(16,554)

These financial statements were approved by the board of Directors on 21 December 2018 and were signed on its behalf by:



S Cooke  
 Director

Registered number 6436854

The notes on pages 11 to 15 form an integral part of these financial statements.

**Statement of Changes in Equity**  
*For the year ended 1 April 2018*

	<b>Called up Share capital £000</b>	<b>Profit &amp; loss account £000</b>	<b>Total equity £000</b>
Balance at 28 March 2016	16,697	(29,142)	(12,445)
<b>Total comprehensive expense for the period</b>			
Loss for the period	-	(4,109)	(4,109)
<b>Total comprehensive expense for the period</b>	-	(4,109)	(4,109)
<b>Balance at 2 April 2017</b>	<b>16,697</b>	<b>(33,251)</b>	<b>(16,554)</b>

	<b>Called up Share capital £000</b>	<b>Profit &amp; loss account £000</b>	<b>Total equity £000</b>
Balance at 3 April 2017	16,697	(33,251)	(16,554)
<b>Total comprehensive expense for the period</b>			
Loss for the period	-	(22,155)	(22,155)
<b>Total comprehensive expense for the period</b>	-	(22,155)	(22,155)
<b>Balance at 1 April 2018</b>	<b>16,697</b>	<b>(55,406)</b>	<b>(38,709)</b>

The notes on pages 11 to 15 form an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

These company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The registered address of the company is Orient Business Park, Billington Road, Burnley, BB11 5UB and its principal activity is that of an intermediate holding company.

The Company's parent undertaking, OFS (DS) Holdings Limited includes the Company in its consolidated financial statements. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of OFS (DS) Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

#### ***Measurement convention***

The financial statements are prepared on the historical cost basis.

#### ***Going Concern***

At 1 April 2018 OFS (DS) Finance Limited ("the company") had net liabilities of £38.7m (2017: £16.6m) and recorded a loss for the period of £22.2m (2017: loss of £4.1m).

The Directors have received confirmation from the ultimate parent company (OFS (DS) Holdings Limited) that it has sufficient funds and is willing to provide financing to the extent necessary for the company to continue to trade and to pay its liabilities as and when they become due, for the next 12 months and thereafter for the foreseeable future.

On the basis of the assessment outlined above the Directors have a reasonable expectation that, having considered the current trading prospects, identifiable risks, working capital requirements and the availability of finance, the company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly they adopt the going concern basis in preparing these financial statements

#### ***Investments***

Investments are stated at cost less provision for any impairment in value.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made in full for deferred tax liabilities in accordance with FRS 102.

In the current and prior year group losses were surrendered at nil consideration.

#### *Basic financial instruments*

##### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors.

##### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

##### *Interest payable*

Interest payable and similar expenses include interest payable on loans which is recognised in profit or loss as it accrues, using the effective interest method.

### 2 Operating loss

Audit fees for the company during the period were £1,000 (2017: £1,100). These have been borne by the company's trading subsidiary, The Factory Shop Limited.

### 3 Remuneration of Directors

None of the Directors received any remuneration from the company in respect of their services during either the current or prior period.

### 4 Staff numbers and costs

The company did not employ any persons during the current or previous period hence incurred no staff costs.

### 5 Exceptional item

	2018 £000	2017 £000
Impairment of fixed asset investments (see note 9)	16,697	-

### 6 Interest payable and similar charges

	2018 £000	2017 £000
On loan notes	5,458	4,093

## Notes (continued)

### 7 Other finance charges

Other finance charges of £nil (2017: £16,000) relate to the amortisation of professional fees incurred in respect of the loan note financing. These costs have been capitalised against the specific financial instrument to which they relate and are being amortised through the profit and loss account over the life of the loan.

### 8 Taxation

Analysis of charge in period

	2018 £000	2017 £000
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
	<u>-</u>	<u>-</u>
<b>Reconciliation of profit to tax change</b>		
Loss for the period	(22,155)	(4,109)
	<u>(22,155)</u>	<u>(4,109)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	(4,209)	(822)
<i>Effects of:</i>		
Transfer pricing adjustment (deduction not taken for interest)	1,037	795
Other timing differences	-	24
Group relief surrendered for nil consideration	-	3
Expenses not deductible for tax purposes	3,172	-
	<u>3,172</u>	<u>-</u>
	<u>-</u>	<u>-</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction 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 company has not recognised a deferred tax asset in respect of £271,000 (2017: £291,000) of interest carried forward, due to uncertainty over both the amount and timing of any deduction.

## Notes (continued)

### 9 Fixed asset investments

	Shares in group undertakings £000
<b>Cost</b>	
At beginning and end of year	16,697
<b>Provisions</b>	
At beginning of year	-
Provision made in year	16,697
At end of year	16,697
<b>Net book value</b>	
At 1 April 2018	-
<b>Net book value</b>	
At 2 April 2017	16,697
At beginning and end of year	16,697

The undertakings in which the company's interest at the year-end is more than 20% are as follows:

	Country of incorporation	Principal activity	Class and percentage of shares held
<b>Subsidiary undertakings</b>			
OFS (DS) Acquisitions Limited**	UK	Holding	100% Ordinary shares
Original FS Holdings Limited	UK	Holding	100% Ordinary shares
The Factory Shop Group Limited	UK	Holding	100% Ordinary shares
The Factory Shop Limited	UK	Retail	100% Ordinary shares
OFS (DS) EBT Trustee Limited	UK	Employee Benefit Trust	100% Ordinary shares
The Original Factory Shop Group Limited	UK	Dormant	100% Ordinary shares
The Original Factory Shop Limited	UK	Dormant	100% Ordinary shares
The Factory Shop Properties Limited	UK	Dormant	100% Ordinary shares

Registered address for all above companies is Orient Business Park, Billington Road, Burnley, BB11 5UB

\*\* Shares held directly. The remainder are held indirectly through other subsidiaries.

### 10 Debtors

	2018 £000	2017 £000
Amounts owed by fellow group undertakings	29,503	29,503

### 11 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Amounts owed to fellow group undertakings	9,736	9,736
Accrued interest	-	14,413
	9,736	24,149

## Notes (continued)

### 12 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Loan notes	36,472	16,601
PIK notes	22,004	22,004
	<u>58,476</u>	<u>38,605</u>

#### Analysis of debt:

	2018 £000	2017 £000
Debt can be analysed as falling due:		
In one year or less, or on demand	-	14,413
Between two and five years	58,476	38,605
	<u>58,476</u>	<u>53,018</u>

The loan notes were issued to Duke Street General Partner Limited and to management on 30 April 2016. These are repayable in April 2022 and have a cumulative interest rate of 9% (2017: 9%). PIK notes were issued in respect of interest due on the Duke Street loan notes. The PIK notes have a compounding interest rate of 9% (2017: 9%).

### 13 Called up share capital

	2018 £000	2017 £000
<i>Authorised, allotted, called up and fully paid</i>		
16,696,697 ordinary shares of £1 each	16,697	16,697

### 14 Ultimate parent company and ultimate controlling party

The ultimate parent company and only group in which the results of the company are consolidated is headed by OFS (DS) Holdings Limited. OFS (DS) Holdings Limited is incorporated in England & Wales and its registered address is Orient Business Park, Billington Road, Burnley, BB11 5UB.

The Directors consider the ultimate controlling party to be the majority shareholder of OFS (DS) Holdings Limited, Duke Street General Partner Limited, on behalf of the Duke Street VI funds.

### 15 Post balance sheet event

On 9th July 2018 an indirect trading subsidiary The Factory Shop Limited entered into a CVA. This resulted in the rebasing of store rents to commercial levels, the closure of 32 stores and the refinancing of the group. The refinancing comprised the write off of all other loans including the loan notes and PIK notes and interest accrued thereon to £nil. In addition the shareholders and management injected new loan capital of £10.1m.