

Registered Number: 07279467

Victoria's Secret UK Limited

Report and Financial Statements

For the 52 Weeks Ended 28 January 2017

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COMPANIES HOUSE

Victoria's Secret UK Limited

Corporate Information

Directors

Timothy James Faber
Todd Gregory Helvie
Mark Koenig

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registered Office

16 Garrick Street
London
WC2E 9BA

Victoria's Secret UK Limited

Strategic Report

The directors present their Strategic Report and financial statements of Victoria's Secret UK Limited ("the Company") for the 52 weeks ended 28 January 2017. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to 31 January. As used herein, "2016" refers to the 52 weeks ended 28 January 2017 and "2015" refers to the 52 weeks ended 30 January 2016.

Principal Activities and Review of Business

The Company's financial results are primarily related to the execution of the day-to-day store operations of 18 stores (2015 - 14 stores) in the United Kingdom ("UK") for the Victoria's Secret and Victoria's Secret PINK retail brands, which are specialty retailers of women's intimate and other apparel, beauty and personal care products and accessories. Prior to 22 December 2016, the Company licensed the use of Victoria's Secret and Victoria's Secret PINK trademarks and other intellectual property from a related party, Victoria's Secret International S.a.r.l. ("VSIS"). On 22 December 2016, through a series of transactions, the Company was assigned these intellectual property rights for the UK from VSIS.

Key Performance Indicators

The Company's key performance indicators during the period were as follows:

	52 weeks ended 28 January 2017	52 weeks ended 30 January 2016
	(£'000)	(£'000)
Revenue	132,162	106,363
Gross Profit	82,843	69,418
Operating Profit / (Loss)	(15)	3,038

The Company's revenue and gross profit increase are attributable to the net sales for the four additional stores that commenced trading in 2016. The Company's operating profit decrease was attributable to the change in operating model. Prior to 22 December 2016, the Company had a Sublicense Agreement that guaranteed operating income to be approximately 3% of sales. This agreement ceased on 22 December 2016, whereby the Company was assigned the intellectual property rights for the UK. Subsequent to 22 December 2016, the Company reported a loss from operations.

Principal Risks and Uncertainties

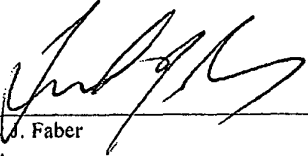
The Company's business is sensitive to a number of factors that influence the levels of consumer spending, including political and economic conditions such as recessionary environments, the levels of disposable consumer income, consumer debt, interest rates and consumer confidence. Declines in consumer spending could have a material adverse effect on the Company's operating results.

The principal risk that the Company faces is the ability to gauge the fashion interests of its customers and to provide merchandise that satisfies customer demand in a timely manner. The Company must focus on its core business by creating the right product and store experience, retaining and developing the best talent and examining the organisational structure, to ensure that it effectively supports the business and meets the customer's needs. The Company seeks opportunities to maximise profitability and market share in the UK.

The Company's earnings are subject to exchange rate risk as substantially all of its merchandise is sourced through U.S. dollar transactions. As a result, the Company uses foreign currency forward contracts designated as cash flow hedges to mitigate the foreign currency exposure associated with forecasted U.S. dollar-denominated merchandise purchases. Additionally, the Company uses foreign currency forward contracts not designated as cash flow hedges to manage the impact of fluctuations in foreign currency exchange rates relative to recognized payable balances denominated in non-functional currencies.

On 23 June 2016, the United Kingdom ("UK") voted to exit from the European Union. The impact of this decision continues to be evaluated, however it is expected to impact the UK and European economies in both the short and long term. We will continue to monitor the impacts of this decision, if any, on the Company.

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



Timothy J. Faber
Director
25 October 2017

Victoria's Secret UK Limited

Directors' Report

Registered Number: 07279467

The directors present their report and financial statements of Victoria's Secret UK Limited ("the Company") for the 52 weeks ended 28 January 2017. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union.

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to 31 January. As used herein, "2016" refers to the 52 weeks ended 28 January 2017 and "2015" refers to the 52 weeks ended 30 January 2016.

Results and Dividends

The Company's loss for the year, after taxation, amounted to £(852,000) (2015 - income of £1,637,000). A dividend of £13,000,000 was declared and paid on 25 January 2017 (2015 - nil).

Future Developments

The Company plans to expand retail operations in the United Kingdom ("UK") by opening five additional stores in 2017. In May 2017, one mall-based Victoria's Secret store was opened at Churchill Square. In October 2017, one mall-based Victoria's Secret PINK store was opened at Westgate Centre.

Financial Instruments

Details of financial instruments are provided in the Strategic Report on page 3.

Employee Investment

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. Periodically throughout the year, the Company provides updated company performance information on the internal intranet site which all associates have access to and are encouraged to review. Additionally, the Company conducts an annual Associate Opinion Survey ("AOS") in which employees are encouraged to provide feedback on the business performance, their working environment and leaders. From these results, the Company creates, communicates and implements action plans addressing the feedback received from the AOS. The AOS is not made compulsory however the Company strives to achieve 100% employee participation. Finally, the Company holds meetings, named 'Connection Café', at least once a quarter between local management and employees to allow a free flow of information and ideas amongst each other.

Disabled Employees

It is the Company's policy to give every practical consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities, and to ensure that those who are appointed receive the same opportunities as their colleagues for training, career development and promotions. If and when existing employees become disabled, every reasonable effort is made to ensure that their employment and training will continue as stated above.

Directors

Timothy James Faber
Todd Gregory Helvie
Mark Koenig (appointed 31 October 2016)

Going Concern

The Company's business activities and principal risks and uncertainties are described in the Strategic Report on page 3. The directors have received assurances from L (Overseas) Holdings LP ("LOHLP"), an intermediate parent of the Company and a wholly-owned subsidiary of L Brands, Inc., the ultimate parent company, that if the Company does not have sufficient funds to settle any liabilities as and when they fall due, then monies will be made available for a period of at least twelve months from the date of approval of these financial statements. The directors have ascertained that LOHLP has the ability to continue its financial support to the Company (either directly or through another LOHLP company). LOHLP is expected to continue to be profitable and has a strong net asset and cash position for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Events Since the Balance Sheet Date

Since the balance sheet date, the Company has opened one mall-based Victoria's Secret store at Churchill Square and one mall-based Victoria's Secret PINK store at Westgate Centre.

Disclosure of Information to Auditors

Each of the Company's directors at the date of the approval of this report confirms:

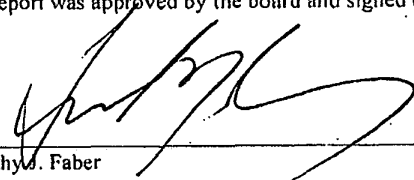
- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the directors have taken all steps that ought to have been taken as directors in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditors

A resolution to reappoint Ernst & Young LLP as the auditors will be put to the members at the annual general meeting.

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



Timothy J. Faber
Director
25 October 2017

Victoria's Secret UK Limited

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the Company's financial statements in accordance with United Kingdom applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. Under that law, the directors have elected to prepare the Company financial statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Company law states the directors must not approve the Company's 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 Company financial statements the directors are required to:

- present fairly the financial position, financial performance and cash flows of the Company;
- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- make judgments and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs as adopted by the European Union is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- state whether the Company financial statements have been prepared in accordance with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements.

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 Company financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Victoria's Secret UK Limited

We have audited the financial statements of Victoria's Secret UK Limited for the 52 weeks ended 28 January 2017 which comprise of the Statement of Comprehensive Income/(Loss), the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 January 2017 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Ernst & Young LLP

Christine Chua (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

26/10/17

Victoria's Secret UK Limited

Registered Number: 07279467

STATEMENT OF COMPREHENSIVE INCOME/(LOSS) For the 52 weeks ended 28 January 2017

	Notes	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
Revenue		132,162	106,363
Cost of Sales		(49,319)	(36,945)
Gross Profit		82,843	69,418
Operating Expenses	3	(82,858)	(66,380)
Operating Profit/(Loss)		(15)	3,038
Finance Income	5	122	113
Profit Before Tax		107	3,151
Income Tax Expense	6	(959)	(1,514)
Profit/(Loss) After Tax		(852)	1,637
Profit/(Loss) After Tax		(852)	1,637
Other Comprehensive Income, Net of Tax:			
Net Gain on Cash Flow Hedges	16	720	—
Other Comprehensive Income, Net of Tax		720	—
Total Comprehensive Income/(Loss), Net of Tax		(132)	1,637

All transactions are derived entirely from continuing operations.

The Notes on pages 14 to 29 form part of these financial statements.

Victoria's Secret UK Limited

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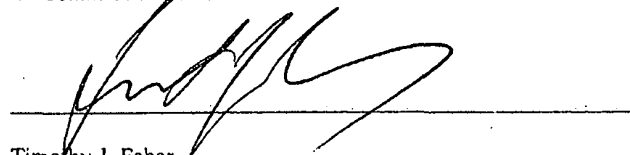
STATEMENT OF FINANCIAL POSITION

As at 28 January 2017

	Notes	28 January 2017 (£'000)	30 January 2016 (£'000)
Assets			
Non-current Assets:			
Property, Plant and Equipment	7	89,641	50,930
Intangible Assets	8	37,967	12,697
Long-term Deposits	9	5,519	4,673
		<u>133,127</u>	<u>68,300</u>
Current Assets:			
Inventories	10	10,533	8,010
Other Current Assets	11	10,879	11,928
Cash and Cash Equivalents		23,348	35,330
		<u>44,760</u>	<u>55,268</u>
Total Assets		<u>177,887</u>	<u>123,568</u>
Liabilities			
Current Liabilities	12	23,992	18,958
Non-current Liabilities	13	16,291	13,682
Total Liabilities		<u>40,283</u>	<u>32,640</u>
Equity			
Issued Capital	14	84,842	58,562
Share Premium	14	49,100	27,572
Retained Earnings		2,942	4,794
Other Comprehensive Income		720	—
Total Equity		<u>137,604</u>	<u>90,928</u>
Total Equity and Liabilities		<u>177,887</u>	<u>123,568</u>

The Notes on pages 14 to 29 form part of these financial statements.

On behalf of the Board:



Timothy J. Faber
Director
25 October 2017

Victoria's Secret UK Limited

Registered Number: 07279467

STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 28 January 2017

	Notes	Issued Capital (£'000)	Share Premium (£'000)	Retained Earnings (£'000)	Other Comprehensive Income (£'000)	Total Equity (£'000)
As at 31 January 2015		58,562	27,572	3,157	—	89,291
Profit for the Period		—	—	1,637	—	1,637
As at 30 January 2016		58,562	27,572	4,794	—	90,928
As at 30 January 2016		58,562	27,572	4,794	—	90,928
Contributed Capital	14	38,280	21,528	—	—	59,808
Shares Extinguished	14	(12,000)	—	12,000	—	—
Cash Dividends Paid	17	—	—	(13,000)	—	(13,000)
Cash Flow Hedges	16	—	—	—	720	720
Loss for the Period		—	—	(852)	—	(852)
As at 28 January 2017		84,842	49,100	2,942	720	137,604

The Notes on pages 14 to 29 form part of these financial statements.

Victoria's Secret UK Limited

Registered Number: 07279467

STATEMENT OF CASH FLOWS For the 52 weeks ended 28 January 2017

	Notes	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
Operating Activities			
Profit before tax		107	3,151
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation of Property, Plant and Equipment	7	9,395	8,574
(Gain)/Loss on Long-lived Asset Disposal	7	(348)	1,131
Amortisation of Intangible Assets	8	538	497
Changes in Assets and Liabilities:			
Increase in Inventories	10	(2,523)	(1,936)
Decrease in Other Current Assets	11	1,698	4,423
Increase in Current Liabilities	12	5,584	1,714
Increase in Noncurrent Liabilities	13	2,451	4,160
Income tax paid	6	(1,516)	(2,213)
Net Cash flows from Operating Activities		<u>15,386</u>	<u>19,501</u>
Investing Activities			
Purchase of Property, Plant, and Equipment	7	(13,258)	(2,811)
Purchase of Intangible Assets	8	(264)	(385)
Receipt/(Payment) of Long-term Deposits	9	(846)	3,124
Issuance of Short-term Loan to Related Party	17	(30,000)	—
Repayment of Short-term Loan from Related Party	17	30,000	—
Net Cash flows used in Investing Activities		<u>(14,368)</u>	<u>(72)</u>
Financing Activities			
Dividends Paid	17	(13,000)	—
Repayment of Short-term Loan		—	(1,916)
Net Cash flows used in Financing Activities		<u>(13,000)</u>	<u>(1,916)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		(11,982)	17,513
Cash and Cash Equivalents at Beginning of Period		35,330	17,817
Cash and Cash Equivalents at End of Period		<u>23,348</u>	<u>35,330</u>

The Notes on pages 14 to 29 form part of these financial statements.

Victoria's Secret UK Limited

Registered Number: 07279467

NOTES TO THE FINANCIAL STATEMENTS

As of 28 January 2017

1. Corporate Information

The financial statements of Victoria's Secret UK Limited ("the Company") for the 52 weeks ended 28 January 2017 were authorised for issue in accordance with the resolution of the directors. The Company is a limited company incorporated and domiciled in the United Kingdom ("UK").

The Company's financial results for the 52 weeks ended 28 January 2017 primarily relate to the execution of day-to-day store operations for the 18 stores (2015 - 14 stores) operating in the UK under the Victoria's Secret and Victoria's Secret PINK retail brands.

2. Accounting Policies

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to 31 January. As used herein, "2016" refers to the 52 weeks ended 28 January 2017 and "2015" refers to the 52 weeks ended 30 January 2016.

Basis of Preparation

The Company's financial statements have been prepared on a historical cost basis and in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union as they apply to the financial statements of the Company for the 52 weeks ended 28 January 2017.

The Company's financial statements are presented in British pounds and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The British pound is regarded as the Company's functional currency.

Going Concern

The Company's business activities and principal risks and uncertainties are described in the Strategic Report on page 3. The directors have received assurances from L (Overseas) Holdings LP ("LOHLP"), an intermediate parent of the Company and a wholly-owned subsidiary of L Brands, Inc., the ultimate parent company, that if the Company does not have sufficient funds to settle any liabilities as and when they fall due, then monies will be made available for a period of at least twelve months from the date of approval of these financial statements. The directors have ascertained that LOHLP has the ability to continue its financial support to the Company (either directly or through another LOHLP company). LOHLP is expected to continue to be profitable and has a strong net asset and cash position for the foreseeable future. After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Significant Accounting Judgments and Estimates

Intangible Assets

Key Money

Intangible assets, which represent key money payments, are stated at cost net of amortisation and any provisions for impairment. Amortisation is provided on key money payments to write off the cost, less the estimated residual value, evenly over the life of the lease.

Key money is reviewed for impairment annually. If events or changes in circumstances indicate that the carrying value may not be recoverable and this is written down immediately to its recoverable amount.

Intellectual Property

Intangible assets, which represent intellectual property, are stated at cost and any provisions for impairment.

Victoria's Secret UK Limited

Registered Number: 07279467

NOTES TO THE FINANCIAL STATEMENTS

As of 28 January 2017

2. Accounting Policies (continued)

These assets are considered to have an indefinite life as there is no foreseeable limit to their useful economic life. They are not amortised but tested for impairment annually or more frequently if an impairment indicator is triggered. The assessment of the classification of intangible assets as indefinite is reviewed annually.

The Company assesses at each reporting date whether there is an indication that an indefinite lived asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value, being a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss is recognised immediately in the Statement of Comprehensive Income/(Loss).

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value, being a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses on continuing operations are recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. A reversal of impairment loss is recognised immediately in the Statement of Comprehensive Income/(Loss). After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Significant Accounting Policies

Financial Instruments

Financial Assets

Amounts owed by group undertakings and other trade receivables are initially recognised at fair value and subsequently carried at amortised cost, reduced by any appropriate allowances for irrecoverable amounts.

Cash and short-term deposits comprise cash held by the Company and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

Victoria's Secret UK Limited

Registered Number: 07279467

NOTES TO THE FINANCIAL STATEMENTS

As of 28 January 2017

2. Accounting Policies (continued)

Financial Liabilities

The Company's financial liabilities consist of amounts owed to group undertakings, accruals and trade and other payables. All of which, are initially recognised at fair value and subsequently carried at amortised cost.

Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. All derivative instruments are recorded on the Statement of Financial Position at fair value.

For derivative financial instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income in equity and reclassified into earnings in the same period during which the hedged item affects earnings, which is upon sale of the hedged merchandise to the customer. Gains and losses that are reclassified into earnings are recognised in the same line item on the Statement of Comprehensive Income/(Loss) as the underlying hedged item. Gains and losses on the derivative representing hedge ineffectiveness, if any, are recognised in current earnings.

For derivative financial instruments that are not designated as hedging instruments, the gain or loss on the derivative instrument is recognized in current earnings in Operating Expenses in the Statement of Comprehensive Income/(Loss).

Intangible Assets

The Company has certain intangible assets that are stated at cost net of amortisation and any provisions for impairment.

Inventories

Inventories are stated at the lower of cost or net realisable value. The Company records valuation adjustments to its inventories if the cost of specific inventory items on hand exceeds the amount it expects to realise from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Long-term Deposits

The long-term deposits are recognised at the transactional value, with an impairment review taking place at the reporting date.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost, net of depreciation and any provision for impairment. Depreciation is provided on all plant and equipment at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life.

Category of Property and Equipment	Depreciable Life Range
Furniture, fixtures and equipment	3 - 10 years
Leasehold improvements	Shorter of lease term or 10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Victoria's Secret UK Limited

Registered Number: 07279467

NOTES TO THE FINANCIAL STATEMENTS

As of 28 January 2017

2. Accounting Policies (continued)

Property, plant and equipment are reviewed for impairment annually when events or changes in circumstances indicate that the carrying value may not be recoverable.

Construction in Process

Construction in process include all costs incurred in the development of the store and is stated at the lower of cost and net realisable value. Costs include all costs which are directly related to the property, incurred up to the earlier of practical completion and the date that the store is opened. On the opening of the store, all costs are transferred to leasehold improvements.

Operating Leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income/(Loss) on a straight line basis over the lease term. Operating lease incentives are recognised as a reduction in the rental expense over the lease term.

Income Taxes

Current tax assets and liabilities are measured at the amount expected to be paid to or recovered from the taxation authorities.

Deferred income tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax.

Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which temporary differences reverse based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the Statement of Comprehensive Income/(Loss).

Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of future tax planning strategies.

Foreign Currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). The results and financial position of the company are expressed in British pounds, which is the functional currency for the Company.

Transactions in foreign currencies are translated into British pounds at the rate ruling on the date of the transaction. Exchange differences are recognised in the Statement of Comprehensive Income/(Loss) in the period in which they arise.

Revenue Recognition

The Company recognises sales upon customer receipt of the merchandise. Revenues are comprised by the sale of goods, primarily apparel, within its retail stores. All revenues relate to sales within the UK. The Company also provides a reserve for projected merchandise returns based on prior experience. Revenue excludes value added tax collected from customers.

The Company also sells gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognises income from gift cards when they are redeemed by the customer. To date, the Company has not recognised gift card breakage revenue.

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2. Accounting Policies (continued)

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme.

Provisions for Liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income/(Loss), net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

New Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15, *Revenue from Contracts with Customers*, which was further clarified and amended in 2015 and 2016. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. This guidance will be effective beginning in fiscal 2018, with early adoption as of fiscal 2017 permitted. The standard allows for either a full retrospective or a modified retrospective transition method.

The Company continues to evaluate the impacts of this standard. The most significant change to current accounting relates to sales returns. The new standard will require sales returns to be presented on a gross basis with the sales refund liability presented separately from the return asset. The Company continues to evaluate the further impacts the standard will have on the Statement of Comprehensive Income/(Loss), Statement of Financial Position, Statement of Changes in Equity, or Statement of Cash Flows. The Company will adopt the standard in fiscal 2018 under the modified retrospective approach.

Leases

In February 2016, the IASB issued IFRS 16, *Leases*, which requires companies classified as lessees to put most leases on their balance sheets. The new standard also will result in enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing leases. The standard requires a full retrospective or modified retrospective adoption and will be effective beginning in fiscal 2019, with early adoption permitted.

The Company is currently evaluating the impacts that this standard will have on its financial statements and notes. The Company currently expects that its operating lease commitments will be recognized as operating lease liabilities and right-of-use assets upon adoption of the standard. Thus, the Company expects adoption will result in a material increase to the assets and liabilities on the Statement of Financial Position. The Company will adopt the standard in fiscal 2019, but has not yet determined the adoption method.

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Financial Instruments

In November 2009, the IASB issued IFRS 9, Financial Instruments, which was subsequently reissued in 2010 and 2014. The standard brings fundamental changes to financial instruments accounting and replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard specifies requirements for recognition and measurement, impairment and derecognition of financial instruments and general hedge accounting. Further, the standard requires additional disclosures of the Company's risk management activities and hedge accounting. The standard will be effective beginning in fiscal 2018, with early adoption permitted subject to local endorsement requirements. The general requirement is the standard must be applied retrospectively upon adoption, except for the requirements for hedge accounting which are generally applied prospectively.

The Company is currently evaluating the impacts that this standard will have on its financial statements and notes. The Company believes the most significant impact the standard could have is on the accounting and disclosure for cash flow hedges. However, upon initial application of IFRS 9 the Company may elect to continue applying the hedge accounting requirements of IAS 39 instead of the requirements set out in IFRS 9.

3. Operating Profit/(Loss)

This is stated after charging:

	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
Operating lease charges	29,484	23,158
Depreciation	9,395	8,574
Foreign currency exchange loss	664	567
Amortisation	538	497
(Gain) / Loss on long-lived asset disposal	(348)	1,131
Auditor's remuneration - audit of the financial statements	73	59

4. Employees

	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
Staff costs during the year, excluding directors		
Wages and salaries	17,550	14,174
Social security costs / Other	1,513	1,500
	<u>19,063</u>	<u>15,674</u>

The average number of employees (excluding directors) in the year was:

	52 weeks ended 28 January 2017 (No.)	52 weeks ended 30 January 2016 (No.)
Store employees	1,251	885
	<u>1,251</u>	<u>885</u>

Directors' remuneration is paid by L Brands, Inc., the ultimate parent company, and is nil (2015 - nil).

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5. Finance Income

	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
Interest Income	122	113
	<u>122</u>	<u>113</u>

6. Income Taxes

	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
Current Tax Expense		
Current tax on profits for the year	930	1,418
Adjustment for under provision in prior periods	123	16
Total Current Tax Expense	<u>1,053</u>	<u>1,434</u>
Deferred Tax Expense		
Origination and reversal of temporary differences	(42)	80
Recognition of previously unrecognized deferred tax assets	(52)	—
Total Deferred Tax Expense (Benefit)	<u>(94)</u>	<u>80</u>
Total Tax Expense	<u>959</u>	<u>1,514</u>
Other Comprehensive Income Items		
Deferred tax current year charge	<u>180</u>	<u>—</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
Profit before tax	107	3,151
Expected tax charge based on the standard rate of UK corporation tax at the domestic rate of 20% (2015: 20%)	21	636
Expenses not deductible for tax purposes	871	870
Adjustment for under provision in previous periods	71	10
Change in deferred rates	(4)	(2)
Total Tax Expense	<u>959</u>	<u>1,514</u>

Finance (No 2) Act 2015 included provision for the rate of corporation tax to be reduced from 20% to 19% on 1 April 2017 and to 18% on 1 April 2020. This will reduce the Company's tax charge accordingly. These rate changes were substantively enacted on 26 October 2015. Finance Act 2016 included provision for the rate of corporation tax to be further reduced from 18% to 17% on 1 April 2020. This rate change was substantively enacted on 15 September 2016.

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6. Income Taxes (continued)

Deferred Income Taxes

The movement on the deferred tax account is as shown below:

	52 weeks ended 28 January 2017 (£'000)	52 weeks ended 30 January 2016 (£'000)
At beginning of period	180	100
Recognised in profits and loss tax expense (benefit)	(94)	80
Recognised in other comprehensive income	180	—
At end of period	266	180

Deferred tax assets have been recognized in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the directors believe it is probable these assets will be recovered.

The movements in deferred tax assets / (liabilities) during the period are shown below:

	2016 recognised (£'000)	2015 recognised (£'000)	2016 not recognised (£'000)	2015 not recognised (£'000)
Movement in capital allowances	(3)	(92)	—	—
Intangible assets	(15)	—	—	—
Other temporary and deductible differences	112	12	—	—
Net change in tax assets/(liabilities) in profit and loss	94	(80)	—	—
Revaluation of hedge instrument	(180)	—	—	—
Net change in tax assets/(liabilities) in other comprehensive income	(180)	—	—	—

A deferred tax asset of £107,000 (2015 - £36,000) is disclosed in Current Assets on the Statement of Financial Position. A deferred tax liability of £373,000 (2015 - £216,000) is disclosed in Non-current Liabilities on the Statement of Financial Position.

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7. Property, Plant and Equipment

	Furniture, Fixtures and Equipment (£'000)	Leasehold Improvements (£'000)	Construction in Process (£'000)	Total (£'000)
Cost:				
At 31 January 2015	26,622	35,366	9,969	71,957
Additions	—	—	2,811	2,811
Disposals	(1,288)	(2,529)	(7)	(3,824)
Transfers	10,053	1,190	(11,243)	—
At 30 January 2016	35,387	34,027	1,530	70,944
Additions	—	34,500	13,258	47,758
Disposals	(540)	(594)	(143)	(1,277)
Transfers	14,668	(833)	(13,835)	—
At 28 January 2017	49,515	67,100	810	117,425
Accumulated Depreciation:				
At 31 January 2015	5,585	8,548	—	14,133
Charge for the year	4,241	4,333	—	8,574
Disposals	(806)	(1,887)	—	(2,693)
Transfers	—	—	—	—
At 30 January 2016	9,020	10,994	—	20,014
Charge for the year	5,626	3,769	—	9,395
Disposals	(492)	(1,133)	—	(1,625)
Transfers	—	—	—	—
At 28 January 2017	14,154	13,630	—	27,784
Carrying Amount:				
At 28 January 2017	35,361	53,470	810	89,641
At 30 January 2016	26,367	23,033	1,530	50,930

On 22 December 2016, the Company's immediate parent, Intimate Brands Management Limited ("IBML") contributed certain leasehold improvement assets valued at £34,500,000 to the Company. Because the consideration of the assets was in shares, there is no impact to the cash flow statement for this transaction.

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8. Intangible Assets

The Company has intangible assets, both with definite and indefinite lives, totaling £37,967 (2015 - £12,697).

Intangible Assets with definite lives

Key money payments to landlords are capitalised and amortised as rent expense over the term of the lease agreements to 30 June 2045.

	(£'000)
Cost:	
At 31 January 2015	13,949
Additions	608
At 30 January 2016	14,557
Additions	500
At 28 January 2017	15,057
Accumulated Amortisation:	
At 31 January 2015	1,363
Charge for the year	497
At 30 January 2016	1,860
Charge for the year	538
At 28 January 2017	2,398
Carrying Amount:	
At 28 January 2017	12,659
At 30 January 2016	12,697

Intangible Assets with indefinite lives

The movements during the period for concession contracts patents, licences, trade marks and similar rights and assets are as shown below:

	(£'000)
Cost:	
At 30 January 2016	—
Additions	25,308
At 28 January 2017	25,308
Provisions:	
At 30 January 2016	—
Additions for the year	—
At 28 January 2017	—
Carrying Amount:	
At 28 January 2017	25,308
At 30 January 2016	—

On 22 December 2016, the Company's immediate parent company, IBML, assigned the Victoria's Secret and Victoria's Secret PINK intellectual property rights for the UK, valued at £25,308,000, to the Company. Because the consideration for the assets was in shares, there is no impact to the cash flow statement.

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9. Long-term Deposits

The Company's long-term deposits are related to property leases which are repayable at lease expiration.

	(£'000)
At 31 January 2015	7,797
Additions	250
Reductions	(3,374)
At 30 January 2016	4,673
Additions	1,432
Reductions	(586)
At 28 January 2017	5,519

10. Inventories

	28 January 2017 (£'000)	30 January 2016 (£'000)
Finished Goods	10,533	8,010
	10,533	8,010

11. Other Current Assets

	28 January 2017 (£'000)	30 January 2016 (£'000)
VAT receivable	6,213	4,763
Prepayments	3,585	3,378
Forward foreign currency contracts	700	613
Corporation tax debtor	230	—
Deferred tax asset	107	36
Amounts owed by group undertakings	28	2,456
Construction allowance receivable	—	576
Other receivables	16	106
	10,879	11,928

12. Current Liabilities

	28 January 2017 (£'000)	30 January 2016 (£'000)
Amounts owed to group undertakings	8,974	5,411
VAT payable	6,547	5,630
Accruals	6,314	6,377
Trade payables	1,974	1,307
Forward foreign currency contracts	183	—
Corporation tax creditor	—	233
	23,992	18,958

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13. Non-current Liabilities

	28 January 2017	30 January 2016
	(£'000)	(£'000)
Operating lease accruals	14,467	13,466
Asset retirement obligation	1,451	—
Deferred tax liability	373	216
	<u>16,291</u>	<u>13,682</u>

14. Share Capital and Share Premium

	28 January 2017	30 January 2016
	(£'000)	(£'000)
Authorised, issued and fully paid:		
2016 - 84,841,924 (2015 - 58,562,347) Shares at par value £1 each	84,842	58,562
Share Premium	49,100	27,572
	<u>133,942</u>	<u>86,134</u>

Prior to 22 December 2016, Luxembourg (Overseas) Holdings S.à.r.l. ("LOHS") owned 100% of the ordinary shares in the Company. On 6 December 2016, the Company's share capital was reduced by £12,000,000 by canceling and extinguishing 12,000,000 ordinary shares held by LOHS. That amount was credited to retained earnings of the Company.

On 22 December 2016, LOHS contributed its shares in the Company to IBML, resulting in IBML owning 100% of the ordinary shares in the Company.

The Company authorised 38,279,577 additional shares on 22 December 2016. These shares were issued to IBML as consideration for the assignment of the Victoria's Secret and Victoria's Secret PINK intellectual property rights in the UK and certain leasehold improvement assets that were contributed to the Company. The total consideration for these intellectual property rights and leasehold improvement assets was valued at £59,808,000.

15. Operating Lease Arrangements

The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:

	28 January 2017	30 January 2016
	(£'000)	(£'000)
Not later than one year	18,722	14,581
Later than one year and not later than five years	76,102	60,418
Later than five years	207,177	183,404
	<u>302,001</u>	<u>258,403</u>

The Company had no subtenant income for the 52 weeks ended 28 January 2017 and 52 weeks ended 30 January 2016. Minimum rent expense for the 52 weeks ended 28 January 2017 and 52 weeks ended 30 January 2016 was £17,228,561 and £14,107,704, respectively.

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15. Operating Lease Arrangements (continued)

In 2014, the Company entered into an agreement with the U.S. Branch of Victoria's Secret International S.á.r.l. ("VSIS"), a wholly owned subsidiary of L (Overseas) Holdings LP, whereby VSIS would reimburse the Company for certain leasehold improvement asset additions placed in service beginning on 2 February 2014. In order to utilize these assets, the Company also entered into a lease agreement with VSIS whereby the Company pays VSIS contingent rent set at 1% of net sales. Leasehold improvement additions reimbursed by VSIS in the period amounts to £12,653,889 (2015: £19,958,725). Contingent rent expense related to this lease in the period amounts to £573,489 (2015: £361,461). On 22 December 2016, this lease agreement ceased in conjunction with the series of transactions in which these leasehold improvement assets were contributed to the Company.

16. Financial Instruments and Financial Risks

The Group is exposed to certain risks arising from its use of financial instruments. IFRS 7 requires that the Group provides the following disclosures on its financial assets and liabilities as set out on the following pages. The Company's financial assets and liabilities are shown in the table below:

	28 January 2017 (£'000)	30 January 2016 (£'000)
Financial assets		
Amounts owed by group undertakings	28	2,456
Forward foreign currency contracts	700	613
Cash and short-term deposits	23,348	35,330
	<u>24,076</u>	<u>38,399</u>
Financial liabilities		
Amounts owed to group undertakings	8,974	5,411
Trade payables	1,975	1,307
Forward foreign currency contracts	183	—
	<u>11,132</u>	<u>6,718</u>

The Company's cash and short-term deposits, trade payables and amounts owed by/to group undertakings approximate fair value because of their short maturity. The Company's forward foreign currency contracts are considered Level 2 fair value measurements and use a market approach valuation technique. The primary input to this technique include foreign currency exchange rates.

In the Directors' opinion there is no material difference between the book value and the fair value of any of the financial instruments. Hedge accounting is used for the derivative financial instruments.

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk, liquidity risk and interest rate risk. Financial risk management is carried out by management in accordance with established policies and guidelines reviewed and agreed by the Board of Directors of the ultimate parent company. These guidelines set out the overall business strategies, tolerance for risk and general risk management philosophy and processes.

Currency risk

The Company's earnings are subject to exchange rate risk as substantially all of its merchandise is sourced through U.S. dollar transactions. As a result, the Company uses foreign currency forward contracts designated as cash flow hedges to mitigate the foreign currency exposure associated with forecasted U.S. dollar-denominated merchandise purchases. These forward contracts currently have a maximum term of 18 months.

The Company uses foreign currency forward contracts not designated as cash flow hedges to manage the impact of fluctuations in foreign currency exchange rates relative to recognized payable balances denominated in non-functional currencies.

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16. Financial Instruments and Financial Risks (continued)

The following table provides a summary of the fair value and classification of outstanding derivative financial instruments:

	28 January 2017 (£'000)	30 January 2016 (£'000)
Financial assets		
Foreign exchange forward contracts not designated as hedging instruments	7	613
Foreign exchange forward contracts designated as hedging instruments	693	—
Total foreign exchange forward contracts	700	613
Financial liabilities		
Foreign exchange forward contracts designated as hedging instruments	183	—

The cash flow hedges of the expected merchandise purchases in 2017 were assessed to be highly effective and a net unrealised gain of €511,000, with a deferred tax liability of €102,000 relating to the hedging instruments, is included in OCI. Comparatively, the cash flow hedges of the expected merchandise purchases in 2016 were assessed to be highly effective and an unrealised gain of €389,000 with a deferred tax liability of €78,000 was included in OCI in respect of these contracts. The amount reclassified from OCI during 2016 and recognized in Cost of Sales was €112,000.

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in the statement of profit or loss.

In the Directors' opinion, the possible change in the British pound against the U.S. dollar exchange rate with all other variables held constant, of the Company's profit before tax (due to foreign exchange translation of monetary assets and liabilities) is sufficiently mitigated by the foreign currency forward contracts on recognized payables. Management has not performed a detailed sensitivity analysis given these factors.

Liquidity risk

Liquidity risk arises from the Company's management of working capital, including cash and cash equivalents and short term deposits. The Company's policy is to manage its working capital flows such that it will always have sufficient cash to allow it to meet its liabilities as and when they become due.

Budgeted cash flow forecasts are prepared setting out anticipated working capital flows together with future obligations from capital projects in progress and the resulting impact on its cash balances.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the balance sheet date. The Company's maximum exposure to credit risk by type of financial asset equals the carrying value of financial assets shown in 2016 and 2015.

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market, with the exception of the forward foreign currency contracts (as discussed above). As such, the Company has limited exposure to credit risk as the receivables on the balance sheet are from related parties and are current. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the risk of default is considered to be low. As a result, there are no material debts which are past due, and no provision for doubtful debts has been made in the financial statements. Management has not performed a detailed sensitivity analysis given these factors.

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16. Financial Instruments and Financial Risks (continued)

Interest rate risk

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The Company's income and operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Surplus funds are invested in short-term accounts such that the Company is not unduly exposed to market interest rate fluctuations.

Interest income received on the short-term bank deposits in the period amounts to £122,023 (2015: £112,681). Interest expense paid on related party loans in the period amounts to £0 (2015: £319). Management has not performed a detailed sensitivity analysis given that interest income and expense are not significant components of the overall operations of the Company or drivers of financial performance.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support and expand its business. The Company manages its capital structure utilizing issued capital and loans from related parties. No changes were made in the objectives, policies or processes during 2016 and 2015.

17. Related Party Transactions

During the period, the Company entered into transactions, in the ordinary course of business, with related parties. Transactions entered into, and trading balances outstanding at 28 January 2017 with related parties, are as follows:

	Dividend to Related Party	Purchases from Related Party	Amounts owed by Related Parties	Amounts owed to Related Parties
	(£'000)	(£'000)	(£'000)	(£'000)
Fellow group subsidiaries				
2016	13,000	49,319	28	8,974
2015	—	36,945	2,456	5,411

Entities with significant influence over the Group

Beginning on 22 December 2016, IBML owns 100% of the ordinary shares in the Company. Prior to 22 December 2016, LOHS owned 100% of the ordinary shares in the Company.

Terms and conditions of transactions with related parties

Outstanding balances with entities other than subsidiaries are unsecured, interest free and cash settlement is expected within 30 days of invoice. The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the period ended 28 January 2017, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2015: nil).

Dividend to related party

On 25 January 2017, the Company declared and paid a dividend in the amount of £13,000,000 to IBML.

Purchases from related party

These transactions are related to merchandise purchased from Victoria's Secret Stores Brand Management, Inc.

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17. Related Party Transactions (continued)

Amounts owed by related parties

In 2016, this balance relates to shared service charges due from the Company's parent company or its associates. This balance is also related to the tax effect of the net operating loss disclosed on the UK tax return for the period ending 1 February 2015 that was surrendered as group relief to the Company, from Mast Industries UK.

Additionally, in July 2016, the Company entered into a loan agreement with L Brands Service Company, LLC whereby the Company loaned L Brands Service Company, LLC £30,000,000. The loan was repaid in two payments, one payment for £8,000,000 in September 2016 and one payment for £22,000,000 in December 2016.

In 2015, this balance relates to the leasehold improvement additions reimbursed by VSIS as well as payments related to the Sublicense Agreement. Under the Sublicense Agreement, the Company's operating income equals approximately 3% of net sales. The amount owed to the Company related to the reimbursement of the leasehold improvement additions is partially offset by royalties owed by the Company to VSIS under the Sublicense Agreement. This balance is also related to payroll and other shared service charges due from the Company's parent company or its associates.

Amounts owed to related parties

This balance is primarily due to transactions related to merchandise payables owed to Victoria's Secret Stores Brand Management, Inc., payables owed to L Brands Store Design & Construction Inc. and payables owed to L Brands Service Company, LLC.

18. Ultimate Parent Company

The Company's immediate parent company is Intimate Brands Management Limited, a wholly-owned subsidiary of L Brands, Inc., the ultimate parent company, controlling entity of the group and the only company to prepare consolidated financial statements. L Brands Inc. is incorporated and registered in the United States of America. The financial statements of the ultimate parent company may be obtained by writing to L Brands, Inc., Investor Relations, Three Limited Parkway, Columbus, OH 43230 USA.

19. Subsequent Events

Subsequent to 28 January 2017, the Company has opened one mall-based Victoria's Secret store at Churchill Square and one mall-based Victoria's Secret PINK store at Westgate Centre.