
THE EDINBURGH WOOLLEN MILL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018



THE EDINBURGH WOOLLEN MILL LIMITED

COMPANY INFORMATION

DIRECTORS	Philip Day (resigned 24 November 2017) Kristian Lee (resigned 1 June 2017) Carmel Leigh David Houston John Herring Mark Hebditch Jason Anderson Steve Simpson Lauren Day Robert Edmonds (appointed 21 August 2017)
COMPANY SECRETARY	June Carruthers
REGISTERED NUMBER	SC024081
REGISTERED OFFICE	Waverly Mills Langholm Dumfriesshire DG13 0EB
INDEPENDENT AUDITOR	KPMG LLP Quayside House 110 Quayside Newcastle Upon Tyne NE1 3DX

THE EDINBURGH WOOLLEN MILL LIMITED

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THE EDINBURGH WOOLLEN MILL LIMITED

STRATEGIC REPORT FOR THE 78-WEEK PERIOD ENDED 25 AUGUST 2018

INTRODUCTION

The directors present their strategic report for the period ended 25 August 2018.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The primary activity of The Edinburgh Woollen Mill Limited (EWM) is that of retailing, selling across a number of differing market segments, with all other activities designed to support this operation. There has been no significant change in the nature of this activity during the period and the directors do not expect this to change significantly throughout the next financial period.

The challenges in the UK high street over the last 18 months have been widely reported and whilst the EWM Group has not been immune to the market trends of lower footfall and the continually increasing consumer appetite for on-line shopping solutions the board is confident that the business is well placed to make the best of the current trading environment given its diversified portfolio of store formats, covering a wide demographic.

The Edinburgh Woollen Mill brand continues to meet the needs of its traditional and loyal customer base and has seen some success with its strategy of developing ranges attractive to different age groups. This customer group is traditionally less price sensitive and the strategy continues to be to offer great value across the ranges. Notwithstanding the weakness of sterling since the Brexit vote in June 2016 the tourist store market has been surprisingly weak with lower foreign tourist numbers observed. As a result, this part of the store portfolio has seen challenging trading but management is confident this is cyclical and that the fundamental customer proposition remains relevant to the target market.

The Group has long built its business on a strong supply chain and this has been an important underpinning of performance over the reporting period. Margin has been under pressure since the fall of sterling in 2016 but through working closely with suppliers the Group has managed to largely offset the impact of this through a combination of improved input prices and price rises in line with the market. The Group has resisted the escalating discount culture that has been seen to be increasingly prevalent in the High Street and continues to believe that its customers understand its "first price, right price" strategy and recognise the value that this delivers.

The Group has focussed on its E-commerce capability during the reporting period investing in its customer web sites, technical infrastructure and order fulfilment efficiencies.

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

In preparing the accounts for the reporting period the board has taken a prudent view of risks and asset valuations recognising the uncertainties that face the retail sector in the short term.

THE EDINBURGH WOOLLEN MILL LIMITED

STRATEGIC REPORT FOR THE 78-WEEK PERIOD ENDED 25 AUGUST 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The directors believe that the risks and uncertainties are integrated with those of the EWM (Topco) group and we have therefore set these out below for the EWM (Topco) group:

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

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

- **Major disruptive events.** The Group operates on-going Business Continuity planning which is reviewed and updated on a regular basis. A formal Business Continuity Plan exists and an external Disaster Recovery contract is in place with a reputable third party provider. These plans are simulated in a 'real' environment at least once a year, in order to ensure that in the case of a disaster to a key area of the business, the systems environment can be re-established within pre-defined timeframes.
- **Impact of legislation/other regulatory requirements.** The Group monitors current and forthcoming legislation on a regular basis and operates policies and procedures within the business which are consistent with such requirements. As well as utilising third party professionals, the Group employs considerable in house expertise in order that these developments are adequately assessed and policies and procedures developed to ensure that any implications are addressed and that risks arising are minimised.

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

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

The scheme showed an actuarial deficit in the triennial valuation at 5 April 2012 and also 5 April 2015. The valuation in 2012 resulted in the creation of a Recovery Plan designed to bring the scheme back into surplus over a 10-year period. The first of these Recovery Plan payments was made in 2013 and payments will continue annually over that period.

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

The Group is also subject to funding risk in relation to increased longevity of the members, poor investment performance and reducing interest yields, which could have the effect of reducing the assets while increasing the liabilities of the scheme. These areas are monitored by the company, the trustees and their professional advisers with appropriate actions being undertaken to counter any adverse developments. As at 25 August 2018 the scheme had a deficit on an IAS 19 funding basis of £1,736,000, which is a better position than the £3,652,000 deficit as at 25 February 2017.

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

THE EDINBURGH WOOLLEN MILL LIMITED

STRATEGIC REPORT
FOR THE 78-WEEK PERIOD ENDED 25 AUGUST 2018

PRINCIPAL RISKS, UNCERTAINTIES AND FINANCIAL KEY PERFORMANCE INDICATORS (continued)

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

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

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

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

	78 week period to 25 August 2018	52 week period to 25 February 2017
Operating Profit % (Operating Profit of continuing operations as a % of turnover)	12.16%	13.38%
Working Capital % (Net current assets as a % of turnover)	48.34%	93.79%
Return on Capital Employed (Profit before tax as a % of Shareholder's Funds)	26.47%	14.78%
Operating Profit per employee (Operating Profit/average number of employees)	£8,604	£6,480

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



Robert Edmonds
Director

Date: 21 January 2019

THE EDINBURGH WOOLLEN MILL LIMITED
REGISTERED NUMBER: SC024081

DIRECTORS' REPORT
FOR THE 78-WEEK PERIOD ENDED 25 AUGUST 2018

The directors present their report and the financial statements for the period ended 25 August 2018.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £25,606,000 (2017 - £18,618,000).

Dividends of £65,000,000 (2017 - £nil) were declared, approved and paid in the period.

DIRECTORS

The directors who served during the period and to the date of this report were:

Philip Day (resigned 24 November 2017)
Kristian Lee (resigned 1 June 2017)
Carmel Leigh
David Houston
John Herring
Mark Hebditch
Jason Anderson
Steve Simpson
Lauren Day
Robert Edmonds (appointed 21 August 2017)

FUTURE DEVELOPMENTS

The company's underlying performance is expected to continue throughout the next financial period.

EMPLOYEE INVOLVEMENT

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

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

DISABLED EMPLOYEES

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

THE EDINBURGH WOOLLEN MILL LIMITED
REGISTERED NUMBER: SC024081

DIRECTORS' REPORT
FOR THE 78-WEEK PERIOD ENDED 25 AUGUST 2018

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that 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 auditor is aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

AUDITORS

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

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



June Carruthers
Secretary

Date: 21 January 2019

Waverly Mills
Langholm
Dumfriesshire
DG13 0EB

THE EDINBURGH WOOLLEN MILL LIMITED

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

FOR THE PERIOD ENDED 25 AUGUST 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EDINBURGH WOOLLEN MILL LIMITED

Opinion

We have audited the financial statements of The Edinburgh Woollen Mill Limited ("the company") for the period ended 25 August 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 August 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as impairment of stock, impairment of other non-financial assets, provisions for onerous leases and dilapidations together with related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE EDINBURGH WOOLLEN MILL LIMITED

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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



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

22 January 2019

THE EDINBURGH WOOLLEN MILL LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE 78-WEEK PERIOD ENDED 25 AUGUST 2018**

	Note	Period ended 25 February 2018 £000	52 weeks ended 25 February 2017 £000
Turnover	3	253,539	171,307
Cost of sales (including an impairment charge of £2,983,000 (2017: credit £262,000) relating to stock obsolescence and net realisable value)	4, 14	(209,128)	(140,029)
Gross profit		44,411	31,278
Distribution costs		(5,988)	(3,792)
Administrative expenses	4, 20	(7,586)	(4,558)
Operating profit	4	30,837	22,928
Interest receivable and similar income	8	1,430	706
Interest payable and similar charges	8	(128)	(7)
Profit before taxation		32,139	23,627
Tax on profit	9	(6,533)	(5,009)
Profit for the period		25,606	18,618

THE EDINBURGH WOOLLEN MILL LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 25 AUGUST 2018**

		Period ended 25 February 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
	Note		
Profit for the financial period		<u>25,606</u>	<u>18,618</u>
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit schemes	23	1,196	(4,522)
Movement of deferred tax relating to pension deficit	9	<u>(227)</u>	<u>904</u>
		<u>969</u>	<u>(3,618)</u>
Total comprehensive income for the period		<u><u>26,575</u></u>	<u><u>15,000</u></u>

THE EDINBURGH WOOLLEN MILL LIMITED

REGISTERED NUMBER: SC024081

BALANCE SHEET
AS AT 25 AUGUST 2018

	Note	25 August 2018 £000	25 February 2017 £000
Fixed assets			
Goodwill	11	-	-
Other intangible assets	10	1,098	715
Tangible assets	12	5,904	6,702
Investments	13	2,957	2,957
		<u>9,959</u>	<u>10,374</u>
Current assets			
Stocks	14	23,097	21,776
Debtors: amounts falling due within one year	15	55,725	56,984
Cash at bank and in hand		67,609	106,566
		<u>146,431</u>	<u>185,326</u>
Current liabilities			
Creditors: amounts falling due within one year	16	(23,876)	(24,653)
Net current assets		<u>122,555</u>	<u>160,673</u>
Total assets less current liabilities		<u>132,514</u>	<u>171,047</u>
Creditors: amounts falling due after more than one year	17	(4,533)	(4,236)
		<u>127,981</u>	<u>166,811</u>
Provisions for liabilities			
Other provisions	20	(4,817)	(3,306)
Net pension liability	23	(1,736)	(3,652)
Net assets		<u>121,428</u>	<u>159,853</u>
Capital and reserves			
Called up share capital	21	51,316	51,316
Share premium account		4,199	4,199
Capital redemption reserve		5,050	5,050
Other reserves		4,833	4,833
Profit and loss account		56,030	94,455
Shareholders' funds - equity		<u>121,428</u>	<u>159,853</u>

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



Robert Edmonds

Director

Date: 21 January 2019

THE EDINBURGH WOOLLEN MILL LIMITED

**STATEMENT OF CHANGES IN EQUITY
AS AT 25 AUGUST 2018**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Other reserves £000	Retained earnings £000	Total equity £000
At 28 February 2016	51,316	4,199	5,050	4,833	79,455	144,853
Total comprehensive income						
Profit for the period	-	-	-	-	18,618	18,618
Other comprehensive income	-	-	-	-	(3,618)	(3,618)
Total Comprehensive income for the period	-	-	-	-	15,000	15,000
At 26 February 2017	51,316	4,199	5,050	4,833	94,455	159,853
Total comprehensive income						
Profit for the period	-	-	-	-	25,606	25,606
Other comprehensive income	-	-	-	-	969	969
Total Comprehensive income for the period	-	-	-	-	26,575	26,575
Transactions with owners recorded directly in equity						
Dividends	-	-	-	-	(65,000)	(65,000)
Total contributions by and distributions to owners	-	-	-	-	(65,000)	(65,000)
At 25 August 2018	51,316	4,199	5,050	4,833	56,030	121,428

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Edinburgh Woollen Mill Limited (the "Company") is a company incorporated and domiciled in the UK.

These financial statements are drawn up for the 78-period ended 25 August 2018. The comparative figures are for the 52-week period ended 25 February 2017.

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

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

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

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

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 2).

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

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.2 FINANCIAL REPORTING STANDARD 101 - REDUCED DISCLOSURE EXEMPTIONS

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements of The Edinburgh Woollen Mill (Group) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IAS 36 'Impairment of assets' in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 'Fair Value Measurement'; and
- The disclosures required by IFRS 7 'Financial Instrument Disclosures'.

1.3 GOING CONCERN

The directors have considered trading forecasts based on estimated future market conditions, the availability of ongoing funding and the underlying operational performance of the business in the context of its principal business activities and the risks and uncertainties which are applicable. In particular, the directors note that the company recorded a profit of £25,606,000 (2017: £18,618,000) for the period with net current assets of £122,555,000 (2017: £160,673,000). After making suitable enquiries and on the basis of their assessment of the company's financial position, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern assertion in the preparation of these financial statements.

1.4 TURNOVER

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

1.5 CONCESSIONS

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

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.6 INTANGIBLE ASSETS

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

1.7 GOODWILL

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure. The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

1.8 TANGIBLE FIXED ASSETS

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

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

Depreciation is provided on the following bases:

Short-term leasehold property	-	10%	per annum or over the lease term if shorter
Building improvements	-	5%	or 12.5% per annum
Motor vehicles	-	12.5%	or 25% per annum
Tenants' improvements and shop fittings	-	12.5%	or 25% per annum
IT equipment	-	20%	or 25% per annum

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

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.9 IMPAIRMENTS EXCLUDING STOCK AND DEFERRED TAX ASSETS

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

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

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

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

An impairment loss in respect of goodwill is not reversed.

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

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)

1.10 OPERATING LEASES

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

1.11 DEFERRED INCOME- CAPITAL CONTRIBUTIONS & REVERSE PREMIUMS

Capital sums received from landlords as inducements to enter into lease agreements are credited to deferred income and amortised to the profit and loss account on a straight line basis over the lease term.

1.12 INVESTMENTS

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

1.13 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1.14 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

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

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

1.14 PENSIONS (continued)

DEFINED BENEFIT PENSION PLAN

The Group also operated a defined benefit pension scheme until 5 April 2011, when it was closed to future accrual with members also given the option to transfer to the Group Personal Pension Plan. Defined benefit scheme surpluses and deficits are measured at:

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

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

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

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

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

1.15 INTEREST INCOME

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

1.16 BORROWING COSTS

All borrowing costs are recognised in the Profit and loss account in the year in which they are incurred.

1.17 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.18 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.19 EMPLOYEE BENEFIT TRUST

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

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

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

1.20 FOREIGN CURRENCIES

The company's functional and presentational currency is pounds sterling.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

The company utilises forward currency contracts with another group company in order to reduce any exposure to the fluctuation in foreign exchange rates.

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.21 CAPITAL INSTRUMENTS

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

1.22 NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Provisions

Provisions have been made for environmental costs, onerous leases and dilapidations. These provisions are estimates, in particular the assumptions relating to market rents and vacant periods, and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of provisions are set out in note 20.

Inventories

An inventory provision is booked for cases where the realisable value from sale of the inventory is estimated to be lower than the inventory carrying value. The inventory provision is estimated taking into account various factors, including prevailing sales prices of inventory item, the seasonality of the item's sales profile and losses associated with slow moving inventory items (note 14).

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY (continued)

Impairment of assets

Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amount is based on the higher of the value in use and fair value less costs to sell. Value in use is calculated from expected future cash flows using suitable discount rates and includes management assumptions and estimates of future performance.

3. ANALYSIS OF TURNOVER

Turnover arose from sales of goods of £253,539,000 (2017: £171,307,000) in the UK.

4. OPERATING PROFIT

The operating profit is stated after charging:

	Period ended 25 August 2018 £000	52 weeks ended 25 February 2017 £000
Depreciation of tangible fixed assets	3,735	1,986
Amortisation of intangible assets	351	181
Impairment of tangible fixed assets	785	-
Operating lease charge	36,132	22,818
Impairment of stock (note 14)	2,983	(262)
Increase in onerous lease provision (note 20)	1,360	-

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

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

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

The directors consider the size of the resulting provisions to be as a direct result of the current, unusual, market conditions.

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

5. AUDITOR'S REMUNERATION

The company paid the following amounts to its auditor in respect of the audit of the financial statements:

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Fees for the audit of the company	27	26

The company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the ultimate parent company.

6. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Wages and salaries	54,073	34,802
Social security costs	2,818	1,796
Cost of defined contribution pension scheme (Note 23)	650	403
	57,541	37,001

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

	Period ended 25 August 2018 No.	<i>52 weeks ended 25 February 2017 No.</i>
Retail	3,239	3,192
Office and management	345	346
	3,584	3,538

The average monthly number of full time equivalent employees, based on contracted hours, during the period was 1,909 (2017- 1,878).

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

7. DIRECTORS' REMUNERATION

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Directors' emoluments	370	232
Company contributions to defined contribution pension schemes	28	20
	398	252

During the period retirement benefits were accruing to 5 directors (2017 - 5) in respect of defined contribution pension schemes.

During the period retirement benefits were accruing to 2 directors (2017 - 2) in respect of a defined benefit scheme.

The aggregate remuneration of the highest paid director was £332,000 (2017: £246,000) and company pension contributions of £33,246 (2017: £Nil) were made to a money purchase scheme on their behalf.

Not all directors provided material qualifying services to the Company. The disclosures above only represent qualifying services provided to the company and the comparative figures have been re-presented on this basis.

8. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Net interest on defined benefit scheme (note 23)	127	-
Finance leases and hire purchase contracts	1	7
	128	7

INTEREST RECEIVABLE AND SIMILAR INCOME

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Net interest on defined benefit scheme (note 23)	-	47
Bank interest receivable	1,430	659
Total	1,430	706

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

9. TAXATION

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Current tax		
Current tax on profits for the period	6,387	4,879
Adjustments in respect of previous periods	(150)	(103)
Foreign tax		
Foreign tax on income for the period	126	62
Total current tax	6,363	4,838
Deferred tax		
Origination and reversal of timing differences	(99)	(114)
Adjustments made in respect of previous periods	96	111
	(3)	(3)
Current period pension scheme movements	173	174
Total deferred tax	170	171
Tax on profit	6,533	5,009
Income tax recognised in other comprehensive income		
	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Deferred tax on remeasurement of defined benefit obligation	(227)	904

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

9. TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD

The tax assessed for the period is higher than (2017 -*higher than*) the standard rate of corporation tax in the UK of 19.06% (2017 -20%). The differences are explained below:

	Period ended 25 August 2018 £000	52 weeks ended 25 February 2017 £000
Profit for the period	25,606	18,618
Total tax expense	6,533	5,009
Profit before tax	32,139	23,627
Profit multiplied by standard rate of corporation tax in the UK of 19.06% (2017 -20%)	6,126	4,725
Effects of:		
Adjustments to tax charge in respect of prior periods	(54)	9
Non-taxable income less expenses not deductible for tax purposes, other than goodwill and impairment	149	(64)
Pension scheme movements	173	174
Overseas PE exemption	(66)	(37)
Transfer pricing adjustments	205	202
Total tax charge for the period	6,533	5,009

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax at the balance sheet date has been calculated based on these rates.

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

10. INTANGIBLE ASSETS

	Intellectual Property £000	Computer Software £000	Total £000
Cost			
At 26 February 2017	357	3,167	3,524
Additions	-	734	734
At 25 August 2018	357	3,901	4,258
Amortisation			
At 26 February 2017	302	2,507	2,809
Charge for the period	35	316	351
At 25 August 2018	337	2,823	3,160
Net book value			
At 25 August 2018	20	1,078	1,098
<i>At 25 February 2017</i>	<i>55</i>	<i>660</i>	<i>715</i>

11. GOODWILL

	£000
Cost	
At 26 February 2017	128
At 25 August 2018	128
Impairment	
At 26 February 2017	128
Charge for the period	-
At 25 August 2018	128
Net book value	
At 25 August 2018	-
<i>At 25 February 2017</i>	<i>-</i>

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018

12. TANGIBLE FIXED ASSETS

	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost					
At 26 February 2017	4,506	1,969	1,520	58,196	66,191
Additions	182	-	215	3,672	4,069
Disposals	(154)	-	-	(1,099)	(1,253)
At 25 August 2018	4,534	1,969	1,735	60,769	69,007
Depreciation					
At 26 February 2017	4,144	1,815	1,496	52,034	59,489
Charge for the period	89	122	72	3,452	3,735
Disposals	(151)	-	-	(755)	(906)
Impairment	-	-	-	785	785
At 25 August 2018	4,082	1,937	1,568	55,516	63,103
At 25 August 2018	452	32	167	5,253	5,904
<i>At 25 February 2017</i>	<i>362</i>	<i>154</i>	<i>24</i>	<i>6,162</i>	<i>6,702</i>

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

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	25 August 2018 £000	25 February 2017 £000
Plant and machinery	-	4
Fixtures and fittings	9	74
	<u>9</u>	<u>78</u>

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

13. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost or valuation	
At 26 February 2017 and 25 August 2018	<u>11,395</u>
Impairment	
At 26 February 2017 and 25 August 2018	<u>8,438</u>
At 25 February 2017 and 25 August 2018	<u>2,957</u>

SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
The Woollen Mill (Edinburgh) Ltd	Scotland	Ordinary	100%	Administrative services
**EWM Group Training Ltd	Scotland	Ordinary	100%	Dormant
Antartex Ltd.	Scotland	Ordinary	100%	Dormant
Clan Centre Ltd.	England	Ordinary	100%	Dormant
The Country Trader Ltd.	England	Ordinary	100%	Dormant
Craftcentre Cymru CYF	England	Ordinary	100%	Dormant
Craftcentre Cymru Group CYF	Scotland	Ordinary	100%	Dormant
Craftcentre Cymru (Manufacturing) CYF	Scotland	Ordinary	100%	Dormant
The Edinburgh Sweater Company Ltd.	Scotland	Ordinary	100%	Dormant
Edinglen Ltd.	Scotland	Ordinary	100%	Dormant
Equorian Ltd.	Scotland	Ordinary	100%	Dormant
Gleneagles of Scotland (Woollens) Limited	Scotland	Ordinary	100%	Dormant
Gleneagles Cashmere Limited	Scotland	Ordinary	100%	Dormant
Gleneagles Woollen Mills Limited	Scotland	Ordinary	100%	Dormant
The Golf Shop Ltd.	Scotland	Ordinary	100%	Dormant
Grampian Woollen Mills Ltd.	Scotland	Ordinary	100%	Dormant
House of Gleneagles Limited	Scotland	Ordinary	100%	Dormant
James Pringle of Inverness Ltd.	Scotland	Ordinary	100%	Dormant
James Pringle Weavers of Inverness Ltd.	Scotland	Ordinary	100%	Dormant
James Pringle Textiles Limited	Scotland	Ordinary	100%	Dormant
Llanfair P.G. Woollen Mill Ltd.	Scotland	Ordinary	100%	Dormant
Langco Limited	Scotland	Ordinary	100%	Dormant
MacDonalds of Oban Ltd.	Scotland	Ordinary	100%	Dormant
**Mairi MacIntyre (Scottish Sportswear) Ltd	England	Ordinary	100%	Dormant
The Millshop Ltd.	Scotland	Ordinary	100%	Dormant
Pitlochry Knitwear Co. Ltd.	Scotland	Ordinary	100%	Dormant
The Sweater Co. Ltd.	Scotland	Ordinary	100%	Dormant

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

13. FIXED ASSET INVESTMENTS (continued)

Name	Country of incorporation	Class of shares	Holding	Principal activity
Scottish Woollens Group Ltd.	Scotland	Ordinary	100%	Dormant
The Sweater Shop Ltd.	Scotland	Ordinary	100%	Dormant
Tartan Centre Ltd.	Scotland	Ordinary	100%	Dormant
The Woollen Mill Ltd.	Scotland	Ordinary	100%	Dormant
* James Pringle Ltd.	Scotland	Ordinary	100%	Dormant
* Clan Tartan Centre Ltd.	Scotland	Ordinary	100%	Dormant
* James Pringle Llanfair P.G. Woollen Mill Ltd	England	Ordinary	100%	Dormant
* James Pringle Woollen Mill Ltd	Scotland	Ordinary	100%	Dormant
* Skye Woollen Mill Ltd	Scotland	Ordinary	100%	Dormant
* Clan Royal of Scotland	England	Ordinary	100%	Dormant
* Highland Home Industries	Scotland	Ordinary	100%	Dormant

*100% owned by a subsidiary

** Own ordinary shares and preference shares

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

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

14. STOCKS

	25 August 2018 £000	<i>25 February 2017 £000</i>
Finished goods and goods for resale	23,097	<i>21,776</i>
Finished goods and goods for resale recognised in cost of sales for the period	81,865	<i>56,678</i>
Write down of stock to net realisable value (note 4)	2,983	<i>(262)</i>

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

15. DEBTORS

	25 August 2018 £000	<i>25 February 2017 £000</i>
Due within one year		
Trade debtors	918	566
Amounts owed by group undertakings	52,016	53,272
Prepayments and accrued income	1,906	1,864
Deferred taxation (note 19)	885	1,282
	<u>55,725</u>	<u>56,984</u>

Included in amounts owed by group undertakings is an amount of £223,000 (2017: £223,000) which is due after more than one year.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	25 August 2018 £000	<i>25 February 2017 £000</i>
Bank loans	-	128
Trade creditors	9,888	7,369
Amounts owed to group undertakings	553	2,107
Corporation tax	2,312	2,821
Taxation and social security	3,951	4,206
Obligations under finance lease and hire purchase contracts	-	9
Accruals and deferred income	7,172	8,013
	<u>23,876</u>	<u>24,653</u>

The company has a bank overdraft facility which is secured by means of standard securities, legal charges, debentures, floating charges and cross guarantees over all the assets of the company, the company's parent, EWM (Topco) Limited, and certain obligor group companies.

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	25 August 2018 £000	<i>25 February 2017 £000</i>
Amounts owed to group undertakings	3,529	3,529
Accruals and deferred income	1,004	707
	<u>4,533</u>	<u>4,236</u>

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

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

18. LOANS

Analysis of the maturity of loans is given below:

	25 August 2018 £000	25 February 2017 £000
Bank loans falling due within one year	-	<u>128</u>

19. Deferred taxation

	Assets 25 August 2018 £'000	Assets 25 February 2017 £'000	Liabilities 25 August 2018 £'000	Liabilities 25 February 2017 £'000	Net 25 August 2018 £'000	Net 25 February 2017 £'000
Tangible fixed assets	(577)	(279)	-	-	(577)	(279)
Intangible assets	-	-	22	15	22	15
Employee benefits	(330)	(730)	-	-	(330)	(730)
Other	-	(288)	-	-	-	(288)
Tax (assets)/liabilities	(907)	(1,297)	22	15	(885)	(1,282)

Movements in deferred tax during the period

	At 26 February 2017 £'000	Recognised in income £'000	Recognised in equity £'000	At 25 August 2018 £'000
Tangible fixed assets	(279)	(298)	-	(577)
Intangible assets	15	7	-	22
Employee benefits	(730)	173	227	(330)
Other	(288)	288	-	-
	(1,282)	170	227	(885)

Movements in deferred tax during the prior year

	At 28 February 2016 £'000	Recognised in income £'000	Recognised in equity £'000	At 25 February 2017 £'000
Tangible fixed assets	(250)	(29)	-	(279)
Intangible assets	20	(5)	-	15
Employee benefits	-	174	(904)	(730)
Other	(319)	31	-	(288)
	(549)	171	(904)	(1,282)

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018

20. PROVISIONS

	Environmental Costs £000	Dilapidations £000	Onerous Leases £000	Total £000
At 26 February 2017	21	2,818	467	3,306
Charged to the profit and loss account	-	630	1,360	1,990
Utilised in the period	-	(479)	-	(479)
At 25 August 2018	21	2,969	1,827	4,817

Environmental Costs

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

Dilapidations

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

Onerous Leases

A provision is recognised for present obligations under certain onerous property operating leases where the unavoidable costs of meeting the obligations under them exceed the economic benefits expected to be received from them (note 4).

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018

21. SHARE CAPITAL

	25 August 2018 £000	25 February 2017 £000
ALLOTTED, CALLED UP AND FULLY PAID		
989,743,021 A Ordinary Shares of £0.05 each	49,487	49,487
36,572,396 Ordinary Shares of £0.05 each	1,829	1,829
	<u>51,316</u>	<u>51,316</u>

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

22. CONTINGENT LIABILITIES

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

	25 August 2018 £000	25 February 2017 £000
Total Group Revolving Credit and Ancillary Facilities	60,000	60,000
Contingent liability to the company based on group utilisation of facilities at period end	<u>1,095</u>	<u>1,262</u>

THE EDINBURGH WOOLLEN MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 25 AUGUST 2018

23. PENSION COMMITMENTS

Group personal pension plan

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

The charge to the Group for the period was £650,000 (2017 - £403,000).

The unpaid contributions outstanding at the year end, included in 'Other creditors and accruals' (note 16) were £81,000 (2017 - £52,000).

Defined Benefit Scheme

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

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

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

Contributions made in the period amounted to £846,598 (2017 - £821,940). There were no outstanding or overpaid contributions at 25 August 2018 or 25 February 2017.

The latest full actuarial valuation was carried out at 5 April 2015.

The scheme showed an actuarial deficit in the triennial valuation at 5 April 2012 and also 5 April 2015. The valuation in 2012 resulted in the creation of a Recovery Plan designed to bring the scheme back into surplus over a 10-year period. In accordance with the recovery plan the employer will pay a contribution of £798,000 on or before 1 December each year from 1 December 2013 to 1 December 2022 (inclusive) which increases by 3% each year from 1 December 2016. The first of these payments was made in December 2013.

The scheme is exposed to a number of risks including:

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

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

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

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

23. PENSION COMMITMENTS (continued)

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

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

A full actuarial valuation was carried out as at 5 April 2015 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the company and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

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

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

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

The amounts recognised in the Balance Sheet are as follows:

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Present value of funded obligations	(32,739)	<i>(33,460)</i>
Fair value of scheme assets	31,003	<i>29,808</i>
Total employee benefit	(1,736)	<i>(3,652)</i>
	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Interest on obligation	1,266	<i>977</i>
Expected return on scheme assets	(1,139)	<i>(1,009)</i>
Net interest on the net defined benefit liability	-	<i>(15)</i>
Total	127	<i>(47)</i>

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

23. PENSION COMMITMENTS (continued)

The amounts recognised in other comprehensive income are as follows:

	Period ended 25 August 2018 £'000	52 weeks ended 25 February 2017 £'000
Return on plan assets (excluding amounts included in net interest cost) – gain	1,636	1,669
Experience gains and losses arising on the defined benefit obligation – loss	(1,895)	-
Effects of change in the demographic assumptions underlying the present value of the defined benefit obligation – gain	686	-
Effects of change in the financial assumptions underlying the present value of the defined benefit obligation – gain/(loss)	769	(6,634)
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) – gain/(loss)	1,196	(4,965)
Effect of the asset ceiling (excluding amounts included in net interest cost) - loss	-	(16)
Surplus from previous years not recognised	-	459
Total amount recognised in other comprehensive income – gain/(loss)	1,196	(4,522)

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

	Period ended 25 August 2018 £000	52 weeks ended 25 February 2017 £000
Opening defined benefit obligation	33,460	26,952
Interest cost	1,266	977
Actuarial losses due to scheme experience	1,895	-
Actuarial gains due to changes in demographic assumptions	(686)	-
Actuarial (gains)/losses due to changes in financial assumptions	(769)	6,634
Benefits paid	(2,427)	(1,103)
Closing defined benefit obligation	32,739	33,460

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

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

23. PENSION COMMITMENTS (continued)

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

	Period ended 25 August 2018 £000	<i>52 weeks ended 25 February 2017 £000</i>
Opening fair value of scheme assets	29,808	27,411
Interest income	1,139	1,009
Return on plan assets (excluding amounts included in interest income)	1,636	1,669
Contributions by the company	847	822
Benefits paid & expenses	(2,427)	(1,103)
	<u>31,003</u>	<u>29,808</u>

The actual return on the plan assets over the period ending 25 August 2018 was £2,775,000 (2017 - £2,678,000).

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

	2018	2018	2017	2017
Equities	10,499	33.86%	8,630	28.95%
Bonds	5,689	18.35%	5,739	19.25%
Hedge Funds	8,429	27.19%	10,295	34.55%
Other	6,386	20.60%	5,144	17.25%
	<u>31,003</u>		<u>29,808</u>	

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

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

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

The best estimate of contributions to be paid by the company to the scheme for the period commencing 25 August 2018 is £871,996 (2017 - £846,598).

THE EDINBURGH WOOLLEN MILL LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018**

23. PENSION COMMITMENTS (continued)

The principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages) are noted as follows:

	2018	2017
	% per annum	% per annum
Rate of discount	2.55	2.60
Inflation (RPI)	3.20	3.40
Inflation (CPI)	2.20	2.40
Allowance for revaluation of deferred pensions of CPI of 3% pa if less	2.40	2.40
Allowance for pension in payment increases of RPI of 5% pa if less	3.05	3.30
Allowance for pension in payment increases of RPI of 2.5% pa if less	2.10	2.25
Allowance for commutation of pension for cash at retirement	100% of maximum permitted	100% of maximum permitted

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

	2018	2017
Retiring today		
Males	25.1	25.4
Females	27.1	27.6
Retiring in 20 years		
Males	26.6	27.3
Females	28.8	29.6

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

	Change in assumption	Change in liabilities
Discount rate	Decrease of 0.25% pa	Increase by 3.7%
Rate of inflation	Increase of 0.25% pa	Increase by 2.7%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 2.8%

The sensitivities shown above are approximate. Each sensitivity considers one change in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation and pension increases. The average duration of the defined benefit obligation at the period ending 25 August 2018 is 20 years.

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 25 AUGUST 2018

24. COMMITMENTS UNDER OPERATING LEASES

The Company had annual commitments under non-cancellable operating leases as follows:

	25 August 2018 £000	25 February 2017 £000
Land and buildings		
Not later than 1 year	16,853	18,497
Later than 1 year and not later than 5 years	44,050	49,261
Later than 5 years	35,340	41,841
	96,243	109,599
Other		
Not later than 1 year	160	369
Later than 1 year and not later than 5 years	373	395
	533	764

25. CONTROLLING PARTY

The company's ultimate parent company is The Edinburgh Woollen Mill (Group) Limited which is incorporated in Scotland and prepares group financial statements in which the company is consolidated. The registered office address of the ultimate parent company is Waverley Mill, Langholm, Dumfriesshire, DG13 0EB.

The company's immediate parent company is EWM (Topco) Limited having a registered office at Global House, 5 Castle Street, Carlisle, Cumbria, CA3 8SY.

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