The Edinburgh Woollen Mill (Group) Limited

Annual Report and Financial Statements

Period ended 2 March 2019

Registered Number: SC307281

CONTENTS

DIRECTORY

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

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June Carruthers

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STRATEGIC REPORT

INTRODUCTION

The directors present their strategic report for the 27-week period ended 2 March 2019. The comparative figures are for the 78-week period ended 25 August 2018.

BUSINESS REVIEW

Financial performance

The Group's revenue was £327.14 million *(78 weeks to 25 August 2018: £935.8 million)* and the Group net asset position was £430.3 million *(2018: £406.4 million).*

The Group achieved an operating profit margin of 10.25% for the period *(2018: 8.27%).* The Group's profit after tax for the 27-week period ended 2 March 2019 was £24.3 million *(78 weeks to 25 August 2018: £62.8 million).*

Due to the seasonal nature of the comparative figures at 25 August 2018 and the additional week impact of the reporting period ending 2 March compared to 25 August, the working capital cash flow movements in the period are impacted by additional trade creditor and VAT payments and other debtor movements resulting in lower cash generated from operations. Total group liabilities are £30.4million less than at the previous period end (£132.3million compared to £162.7 million).

The Group has a significant cash balance of £117.8 million and continues to be bank debt free, with no external bank borrowings and undrawn committed bank facilities of £100 million. The Group's only borrowings are finance lease liabilities of £0.6 million.

The Group has continued to acquire strategic investment property and freehold properties for own use in the period with expenditure of £18.9 million and £4.5 million respectively from existing cash resources, a key decision taken by the board in close consultation with the ultimate shareholder in committing generated capital for the long term benefit of the Group. The board would like to thank the shareholder for the exceptional commitment shown to the Group, its employees and pensioners alike. Such long term commitment has seen profits earned over the years largely recycled and invested within the Group, thus allowing for the strong financial covenant and trading position and an overall enhanced outlook. Without this approach, the board and its employees recognise that the Group would be in a very different and less secure position financially.

Despite the well documented challenges on the UK high street, the Group is committed to ensuring that its retail bricks and mortar estate is the foundation for continuing the successful organic and acquisitive growth of the Group in an environment where other retailers reducing or closing their estates.

The past few years has seen an increasing number of high profile UK retail companies fall into administration. The six months to September 2019 alone, saw approximately 40 retail administrations, with the loss of thousands of jobs which further impacts the high street, consumer confidence and spending activity. In addition, other retailers have been reassessing their retail estates with the closure of a number of stores or entering into a CVA to cope with the changing retail landscape. The high levels of rates charged by councils have been brought into question by the retail sector and the Group and others continue to challenge these costs and the damage they are inflicting on the retail sector and its ability to maintain a significant high street presence. The UK Government needs to quickly address this situation as it continues to blight the UK retail industry and its 3 million employees. The Group is committed to its employees but needs to be able to operate on a level playing field with all retail businesses.

The Group historically operated a Defined Benefit pension scheme within The Edinburgh Woollen Mill Limited, which closed to new members and ceased pension accrual for active members effective 6 April 2011. At April 2012, the scheme deficit was £6.5 million with a recovery plan agreed by the scheme trustees and the shareholder in December 2013 for 10 years which was expected to remove the deficit over that time and £2.4 million in funding was made in line with the plan. The triennial valuation in April 2015 showed a reduced deficit of £4.8 million and a revised recovery plan was agreed by the scheme trustees and the shareholder for a period of 7 years from April 2016 and £2.5 million in funding was provided. The triennial valuation at 5 April 2018 showed an increase in the deficit to £5.2 million and following agreement with scheme trustees, the ultimate controlling party and shareholder and the company, a further recovery plan was approved which supersedes the previous plans and which is designed to bring the scheme back into surplus over a 10-year period. The increase in the scheme deficit was disappointing, however the unprecedented reductions in interest rates have caused the liabilities of the scheme to increase at a greater rate than the investment growth.

STRATEGIC REPORT

In order to try to eradicate the deficit as soon as is feasibly possible, the sponsor front ended the Recovery Plan payments with a significant contribution being made in 2019 and further smaller payments being made in line with the Recovery Plan over the remaining 9 years.

The shareholder fully supports and endorses the board in making the first funding payment of £3.2 million after the period end in order to clear the majority of the deficit and the further funding payments to be made on an annual basis in line with the current recovery plan in order to ensure that the scheme remains in surplus and that the pensioners are protected.

The board very much appreciates the generosity of the shareholder in continually supporting the pension fund and allowing funding to be made available which to date is in excess of £8 million.

The trustees of the scheme have indicated their appreciation of the continuing commitment of the sponsor to the scheme and its members and in particular the front end payment within the latest Recovery Plan. It is hoped that the investment and general economic environment will improve such that the deficit can be eliminated within the Recovery Plan period. The trustees appreciate that the retail environment has been and continues to be extremely testing and as a result of successful investment in the business the sponsor has been able to make these continuing Recovery Plan payments.

Business objectives and strategies

The challenges in the UK high street have continued into this reporting period and have been widely reported over the last 2 years. Whilst the EWM Group has not been immune to the continuing market trends of lower footfall and the 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 well-known and established UK brands and High Street 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 continued success with its strategy of developing ranges attractive to different age groups. This customer group fully appreciates the well-established strategy of the brand continues to offer great value across the ranges.

The continued weakness of sterling, with a general election and subsequent Brexit outcome yet to be decided in 2019 or 2020, has impacted the tourist store market which continues to be weak, with lower foreign tourist numbers continuing to be observed. As a result, this part of the store portfolio has seen challenging trading but management is confident that the fundamental customer proposition remains relevant to the target market.

As the UK consumer looks increasingly for good quality yet affordable clothing and accessories, the Group's Peacocks brand is clearly well positioned. The continued focus on enhancing the product quality, whilst remaining price competitive, has been the management team's strategy now for a number of years. This stands the Peacocks brand in good stead as consumers increasingly challenge the concept of disposable fashion on environmental concerns and reject the low quality, 'wear once' culture.

Ponden Home has performed below management's expectations during the period and remains a focus for improvement through opportunities for new concession stores within the garden centre/home improvement sectors.

The Group has continued to develop its luxury brands business as part of the strategy to have representation across the fashion market. In March 2019, the Austin Reed, Berwin & Berwin and Jacques Vert businesses were combined with Jaeger Retail Limited. Going forward this will provide synergies and economies of scale in a number of operational areas and the directors are confident that the future strategy for these great brands is well understood and the management team is in place to drive this business forward. The board believes that the full benefit of all the structural changes, investment, new product ranges, pricing strategy and new stores will only be seen fully in the results of the financial year ending February 2020.

The Group has long built its business on a strong supply chain and this continues to be an important underpinning of performance throughout the reporting period. Margin remains under pressure, but by working closely with its vast supplier network, the Group continues to manage any impact through a combination of improved sourcing prices and price rises in line with the market. The Group continues to resist the escalating discount culture that is 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.

STRATEGIC REPORT

The Group continues its focus on the development of the retail store estate across all brands. Despite the challenge on the UK high street trading environment, the Group continues to open new stores where good quality, retail, locations have become available and the financial justification is viable. During the reporting period, the Group has opened 18 standalone stores and 21 concession style outlets, having a total store estate in excess of approximately 1,100 stores. In parallel, the Group's normal practice of tight management relating to under-performing stores remains and this has resulted in a modest number of store closures, with recovery plans being implemented at a small number of other stores.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

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

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

- **External retail environment.** The UK retail sector is experiencing extremely challenging trading conditions. As a consequence, the directors believe that the retail sector as a whole may experience a greater 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 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.

- **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.

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

  The scheme showed an actuarial deficit in the triennial valuation as at 5 April 2018 which has resulted in a revised Recovery Plan designed to bring the scheme back into surplus over a 10-year period. In accordance with the recovery plan, the employer agreed to pay a one-off lump sum contribution by 31 July 2019 and further contributions annually from December 2020 over that period.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

- **Pension funding risk (continued).**

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

  The group is also subject to funding risk in relation to increased longevity of the members, poor investment performance and reducing interest yields, which could have the effect of reducing the assets while increasing the liabilities of the scheme. These areas are monitored by the company, the trustees and their professional advisers with appropriate actions being undertaken to counter any adverse developments.

  As at 2 March 2019 the scheme had a deficit on an IAS 19 funding basis of £1,650,000, which is an improved position on the £1,736,000 deficit as at 25 August 2018.

- **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 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 been very successful, and it is one that the Group will continue to follow.

FINANCIAL KEY PERFORMANCE INDICATORS

The Group utilises a number of Key Performance Indicators (KPI's) in order to monitor and assess the performance of the business and compares these with targets which are set at the beginning of each fiscal year. The KPI's below represent the 27 week period ended 2 March 2019 compared to the 78 week period ended 25 August 2018.

	27 week period to 2 March 2019	*78 week period to 25 August 2018*
Operating Profit % (Operating Profit as a % of turnover)	**10.25%**	*8.27%*
Cash Flow from Operations % (Cash generated from operating activities before tax less capital expenditure on property, plant and equipment and investment property as a % of operating profit)	**(57.87)%**	*34.43%*
Working Capital % (Net current assets as a % of turnover)	**36.28%**	*13.54%*
Return on Capital Employed (Profit before tax as a % of Shareholder's Funds)	**7.30%**	*19.98%*
Operating Profit per employee (Operating Profit/average number of employees)	**£3,041**	*£7,094*

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

J. A. Hi

John Herring
Director
Date 29 November 2019

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit after tax for the period ended 2 March 2019 was £24,320,000 (78 weeks to 25 August 2018 £62,778,000).

Dividends of £nil were declared and approved in the period (2018: £40,000,000). In relation to the dividend declared and approved in the period ended 25 August 2018, an amount of £16,454,000 was paid in that period and £7,709,000 was paid in the period ended 2 March 2019.

DIRECTORS

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

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

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

EMPLOYEES

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

DISABLED EMPLOYEES

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

DIRECTORS' REPORT

DISCLOSURE OF INFORMATION TO AUDITOR

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

AUDITOR

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

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

J Carruthers
Secretary

Date 29 November 2019

Waverley Mills
Langholm
Dumfriesshire
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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Opinion

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

In our opinion:

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

Basis for opinion

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

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

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

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

Going concern

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

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

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

Strategic report and directors' report

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

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

3 December 2019

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

	Note	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Revenue	4	**327,138**	*935,809*
Cost of sales (including an impairment credit of £626,000 (2018: charge of £8,137,000) relating to stock obsolescence and net realisable value)	6, 18	**(272,120)**	*(786,442)*
GROSS PROFIT		**55,018**	*149,367*
Distribution expenses		**(11,606)**	*(31,817)*
Administrative expenses		**(12,401)**	*(39,371)*
Other operating income	8	**6,239**	-
Other operating charges	8	**(3,725)**	*(3,830)*
Gain on bargain purchase	5	**-**	*3,063*
OPERATING PROFIT	6	**33,525**	*77,412*
Finance income	9	**713**	*3,969*
Finance expense	9	**(2,858)**	*(227)*
PROFIT BEFORE TAXATION		**31,380**	*81,154*
Tax on profit	12	**(7,060)**	(18,376)
PROFIT FOR THE FINANCIAL PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**24,320**	*62,778*

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

	Note	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
PROFIT FOR THE PERIOD		**24,320**	*62,778*
Other comprehensive income			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial (loss)/gain related to pension scheme	30	**(541)**	*1,196*
Deferred tax arising on movement in the pension scheme	25	**103**	*(227)*
Other comprehensive (expense)/income for the period		**(438)**	*969*
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**23,882**	*63,747*

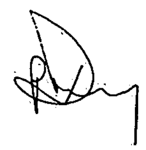
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the 27-week period ended 2 March 2019

	Called up Share Capital £000	Share Premium £000	Retained Earnings £000	Non. Controlling Interest £000	Total £000
BALANCE AT 26 February 2017	**4**	**65,689**	**316,800**	**150**	**382,643**
COMPREHENSIVE INCOME FOR THE PERIOD					
Profit for the period	-	-	62,778	-	62,778
Other comprehensive Income	-	-	969	-	969
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**63,747**	**-**	**63,747**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY					
Dividends	-	-	(40,000)	-	(40,000)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS	**-**	**-**	**(40,000)**	**-**	**(40,000)**
BALANCE AT 25 August 2018	**4**	**65,689**	**340,547**	**150**	**406,390**
COMPREHENSIVE INCOME FOR THE PERIOD					
Profit for the period	-	-	24,320	-	24,320
Other comprehensive expense	-	-	(438)	-	(438)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**23,882**	**-**	**23,882**
BALANCE AT 2 March 2019	**4**	**65,689**	**364,429**	**150**	**430,272**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 2 March 2019

	Note	2 March 2019 £000	*25 August 2018 £000*
NON CURRENT ASSETS			
Goodwill	14	**70,768**	*70,768*
Other intangible assets	14	**5,233**	*5,427*
Property, plant and equipment	15	**174,252**	*131,486*
Investment property	16	**78,408**	*89,058*
Deferred tax asset	25	**2,313**	*2,091*
		330,974	*298,830*
CURRENT ASSETS			
Inventories	18	**85,213**	*82,981*
Trade and other receivables	19	**28,559**	*36,518*
Derivative financial assets	21,31	**17**	*2,857*
Cash and cash equivalents	20	**117,831**	*147,950*
		231,620	*270,306*
TOTAL ASSETS		**562,594**	*569,136*
CURRENT LIABILITIES			
Trade and other payables	22	**(98,106)**	*(131,319)*
Loans and borrowings	23	**(223)**	-
Provision for liabilities and charges	24	**(6,504)**	*(6,700)*
Corporation tax		**(8,098)**	*(5,570)*
		(112,931)	*(143,589)*
NON-CURRENT LIABILITIES			
Other payables	22	**(8,807)**	*(9,271)*
Loans and borrowings	23	**(334)**	-
Provision for liabilities and charges	24	**(6,330)**	*(7,126)*
Deferred tax liability	25	**(2,270)**	*(1,024)*
Pension liability	30	**(1,650)**	*(1,736)*
		(19,391)	*(19,157)*
TOTAL LIABILITIES		**(132,322)**	*(162,746)*
NET ASSETS		**430,272**	*406,390*
EQUITY			
Called up share capital	26	**4**	*4*
Share premium account		**65,689**	*65,689*
Retained earnings		**364,429**	*340,547*
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**430,122**	*406,240*
Non-controlling interest	27	**150**	*150*
TOTAL EQUITY		**430,272**	*406,390*

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



Philip Day

Director

Date 29 November 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
For the 27-week period ended 2 March 2019

	Note	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Cash flows from operating activities			
Profit for the period		**24,320**	*62,778*
Adjustments for:			
Depreciation of property, plant and equipment	15	**7,183**	*17,173*
Amortisation of intangible assets	14	**502**	*2,025*
Revaluation of investment properties	8, 16	**(2,750)**	*3,310*
Fixed asset impairments	15	**518**	*7,442*
Intangible asset (release)/impairment	14	**(70)**	*2,310*
Finance income	9	**(713)**	*(3,969)*
Finance expense	9	**2,858**	*227*
Loss on disposal of tangible fixed assets	8	**236**	*102*
Loss on disposal of intangible fixed assets	8	**-**	*418*
Gain on bargain purchase	5	**-**	*(3,063)*
Income tax expense	12	**7,060**	*18,376*
		39,144	*107,129*
Increase/(Decrease) in receivables		**8,001**	*(17,541)*
Increase in inventories		**(2,232)**	*(2,430)*
(Decrease)/Increase in payables		**(25,968)**	*27,280*
(Decrease)/Increase in provisions and employee benefits		**(1,637)**	*5,170*
Cash generated from operations		**17,308**	*119,608*
Income taxes paid		**(3,405)**	*(23,127)*
Net cashflows from operating activities		**13,903**	*96,481*
Cash flows from investing activities			
Purchase of property, plant and equipment	15	**(32,222)**	*(58,425)*
Purchase of investment property	16	**(4,487)**	*(34,534)*
Purchase of other intangible assets	14	**(180)**	*(1,800)*
Sale of property, plant and equipment		**15**	*11,022*
Acquisition of businesses		**-**	*(1,860)*
Interest received		**672**	*1,115*
Net cash used in investing activities		**(36,202)**	*(84,482)*
Cash flows from financing activities			
Repayment of loans and borrowings	23	**-**	*(15,675)*
Payment to finance lease creditors	23	**(111)**	*(77)*
Dividends paid	13	**(7,709)**	*(16,454)*
Net cash used in financing activities		**(7,820)**	*(32,206)*
Net decrease in cash and cash equivalents in period		**(30,119)**	*(20,207)*
Cash and cash equivalents at beginning of the period	20	**147,950**	*168,157*
Cash and cash equivalents at end of the period	20	**117,831**	*147,950*

NOTES TO THE FINANCIAL STATEMENTS
For the 27-week period ended 2 March 2019

1. BASIS OF PREPARATION

Financial year

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

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

Basis of preparation of accounts

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted for use in the European Union ('Adopted IFRS's'). The company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 61 to 71.

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following items (refer to individual accounting policies for details):
- Investment property;
- Derivative financial instruments – fair value through profit or loss.

Going concern basis

The directors have considered trading forecasts based on estimated future market conditions, the availability of ongoing funding and the underlying operational performance of the business in the context of its principal business activities and the risks and uncertainties which are applicable. The Group has recorded an operating profit of £33,525,000 *(2018: £77,412,000)* and at the period-end has cash of £117,831,000 *(2018: £147,950,000)* with the Group's only borrowings being finance lease liabilities of £557,000 *(2018: £Nil)*. Since the period end, the Group has renewed its banking facilities and has approved but undrawn committed bank facilities of £100,000,000. After making suitable enquiries and on the basis of their assessment of the company's financial position, the directors have a reasonable expectation that the Group and company have 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.

NOTES TO THE FINANCIAL STATEMENTS
For the 27-week period ended 2 March 2019

1. BASIS OF PREPARATION (CONTINUED)

Basis of consolidation

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

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

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

New accounting standards

New standards, interpretations and amendments not yet effective

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue

Revenue from the sale of goods and services represents the fair value of amounts received or receivable for goods and services sold in the period, stated net of discounts, returns and value added tax. Revenue is shown net of returns and vouchers. Revenue from sales of goods is recognised when the significant risks and rewards of goods 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 have been delivered and title has passed. The commission earned on concessionaires' sales is included in Revenue and Gross Profit. Revenue from services are recognised at the point in time when the service has been delivered.

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

Revenue from rentals of investment property is recognised on a straight line basis over the period of the rental agreement (see also investment property accounting policy).

Cost of sales

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

Goodwill

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

Intangible Assets

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

Intellectual Property

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Computer software

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

Property, plant and equipment

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

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

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

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

Fixed asset impairments

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

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. The Group's investment property is revalued annually to open market value, with changes in the carrying value recognised in the consolidated statement of comprehensive income. Rent receivable is recognised on a straight-line basis over the period of the lease and included in revenue. Where an incentive (such as a rent free period) is given to a tenant, the carrying value of the investment property excludes any amount reported as a separate asset as a result of recognising rental income on this basis. Investment properties are stated at fair value.

Leased assets

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Finance leases / hire purchase contracts

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

Operating leases

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

Lease incentives

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

Lease incentives primarily include rent free periods. Lease incentives are deferred and spread over the period of the lease term.

Inventories

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

Provisions

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

Onerous contracts / leases

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

Dilapidations

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

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

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

Financial assets Classification under IFRS 9

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

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

Cash and cash equivalents

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

Subsequent measurement

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

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

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

Derecognition

A financial asset is derecognised primarily when:

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Impairment – financial assets

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

Financial liabilities and equity

Initial recognition and measurement

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

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

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

Financial liabilities Classification under IFRS 9

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

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

Intra-group financial instruments

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

Subsequent measurement

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

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

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

Derecognition

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

Offsetting of financial instruments

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

Trade debtors

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

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

Impairments excluding stock and deferred tax assets

Non-financial assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital

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

Own shares held through the Group's Employee Benefit Trust are carried at cost and shown as a deduction from equity.

Current taxation

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

Deferred taxation

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

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

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

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

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

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

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

Past service costs are recognised directly in the income statement 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.

Functional currency

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

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

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

Employee Benefit Trusts

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations

Subject to the transitional relief in IFRS 1, all business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.
Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.
Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.
On a transaction-by-transaction basis, the Group elects to measure non-controlling interests, which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date.

Acquisitions prior to 1 March 2014 (date of transition to IFRS's)

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRS's in the transition period. The Group and Company elected not to restate business combinations that took place prior to 1 March 2014. In respect of acquisitions prior to 1 March 2014, goodwill is included at 1 March 2014 on the basis of its deemed cost, which represents the amount recorded under UK GAAP which was broadly comparable save that only separable intangibles were recognised and goodwill was amortised. On transition, certain items recognised as other intangibles under Adopted IFRS's were separately accounted for with appropriate adjustments against goodwill and amortisation of goodwill ceased as required by IFRS 1. The classification and accounting treatment of business combinations that occurred prior to 1 March 2014 by merger accounting was not reconsidered.

Adoption of new accounting standards, interpretations and amendments

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

IFRS 15 "Revenue from contracts with customers"

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

The Group has adopted IFRS 15 using the fully retrospective method of adoption and did not apply any optional practical expedients. The key considerations along with the impact of adopting IFRS 15 are described below. There was no impact on current or prior year income statements or retained earnings on the adoption of IFRS 15.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Sale of goods

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

Sales of services

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

Variable consideration

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

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

IFRS 9 "Financial instruments"

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

Classification and measurement

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

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**25 August 2018 Carrying amount under IAS 39 and IFRS 9 £'000**
Derivatives not designated as hedging instruments	Fair value through profit or loss	Fair value through profit or loss	**2,857**
Trade debtors*	Loans and receivables	Amortised cost	**10,409**
Cash and short term deposits	Loans and receivables	Amortised cost	**147,950**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Financial liabilities	Original classification under IAS 39	New classification under IFRS 9	25 August 2018 Carrying amount under IAS 39 and IFRS 9 £000
Derivatives not designated as hedging instruments	Fair value through profit or loss	Fair value through profit or loss	-
Interest-bearing loans and borrowings:			
Bank loans and overdrafts	Loans and borrowings	Amortised cost	-
Trade and other payables at amortised cost**	Other financial liabilities	Amortised cost	**117,084**

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

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

Further information is included in note 31.

IFRS 16 "Leases"

IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For the Group, the first reported accounting period under IFRS 16 will be the year ending 28 February 2020.

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

The Group has a large portfolio of leased properties and other equipment, including stores and warehouses. The minimum lease commitment on these at the financial period end is disclosed in note 29: £191,966,000 (2018: £210,611,000).

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

Transition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Impact to financial statements

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

- The most significant lease liabilities relate to property. It is estimated that the liability will be lower than that shown in the current Note 29 due to discounting the future payments.
- The opening right of use asset is lower than the opening lease liability as it includes lease incentives received and reflects the higher depreciation of the right of use asset compared to the reduction on the lease liability and accrued interest over the same period of time.
- We do not expect the adoption of IFRS 16 to have a material impact on the Group's effective tax rate.

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Post-employment benefits
The costs, assets and liabilities of the defined benefit pension schemes operated by the Group are determined using methods relying on actuarial estimates and assumptions, including rates of increase in pensionable salaries and pensions, expected returns on scheme assets, life expectancies and discount rates. Details of the key assumptions are set out in note 30. The Group takes advice from independent actuaries relating to the appropriateness of the assumptions and the recognition of any surplus. To the extent a surplus has been calculated, it is not currently realisable as no steps have been taken to initiate a refund. Changes in the assumptions used may have a significant effect on the Group Statement of Other Comprehensive Income and the Group Statement of Financial Position.

Provisions

Provisions have been made for environmental costs, onerous leases and dilapidations. These provisions are estimates, in particular the assumptions relating to market rents and vacant periods, and the actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made. Details of provisions are set out in note 24.

Investment property

Estimates have been made by the directors regarding the fair value of investment properties as set out in note 16. The company engages external independent property valuers as part of this process of fair value estimation.

Valuation of Stock

An assessment of the ability to recover the value of stock is made at each period end. A provision is made for any amounts that are not considered to be recoverable either due to the net realisable value being less than cost or due to the level of stock resulting in a rate of obsolescence. Due to the nature of this provision, an estimate is made as to the recoverable amount which includes judgement based on the knowledge of the stock held and the market demand. Details of the stock impairment are included in note 18.

4. REVENUE

Revenue arises from sales of goods from continuing operations of £326,059,000 (78 weeks ended 25 August 2018: £933,816,000), investment property income of £363,134 (78 weeks ended 25 August 2018: £1,081,694) and services of £716,000 (78 weeks ended 25 August 2018: £911,000) in the UK.

Revenue from sales of goods and services is recognised at a point in time under IFRS 15. Revenue from property rentals is recognised over the period of the rental agreement.

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

5. ACQUISITIONS OF BUSINESSES

There were no acquisitions in the current accounting period.

Acquisitions in the prior period

On 23 June 2017, the Group acquired the business and certain assets of Jaeger Holdings Limited, The Jaeger Company Limited, The Jaeger Company's Shops Limited (each in administration), a fashion retailer, for £8,700,000.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities:

	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	200
Stock	7,641
Property dilapidations provision	(584)
Accruals	(456)
Net identifiable assets	6,801
Consideration paid	8,700
Goodwill on acquisition (note 14)	1,899

The Group did not acquire the brands (note 32).

The consideration was paid on behalf of the Group by Kings Landing Limited, a related party (note 32) which was immediately repaid.

In the 14 months to 25 August 2018 the business contributed revenue of £44,758,000 and a net loss of £6,508,000 to the consolidated net profit for the period. Prior to the acquisition the business was in administration and it is difficult to assess its trading performance before acquisition. But assuming a pro rata trading performance throughout the period, if the business had been acquired on the first day of the group financial year then the contribution to revenue would have been estimated revenue of £57,546,000 and net loss of £8,367,000. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on the first day of the accounting period.

5. ACQUISITIONS OF BUSINESSES (CONTINUED)

On 8 February 2018, the Group acquired the business and certain assets of Berwin Holdings Limited, Berwin & Berwin Limited, Berwin Retail Limited and Baumler Design Limited (each in administration), for £3,597,000.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities:

	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:	
Investment property (note 16)	850
Trade debtors	4,044
Stock	1,766
Net identifiable assets	6,660
Consideration paid	3,597
Gain on bargain purchase	3,063

The Group did not acquire the brands (note 32).

The consideration was paid on behalf of the Group by Kings Landing Limited, a related party (note 32) which was immediately repaid.

In the 7 months to 25 August 2018 the business contributed revenue of £13,065,000 and a net profit of £1,429,000 to the consolidated net profit for the period. Prior to the acquisition the business was in administration and it is difficult to assess its trading performance before acquisition. But assuming a pro rata trading performance throughout the year, if the business had been acquired on the first day of the group financial year then the contribution to revenue would have been estimated revenue of £33,596,000 and net profit of £3,675,000. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on the first day of the accounting period.

On 24 July 2018, the Group acquired certain assets of Calvetron Brands Limited (in administration), a fashion retailer, for £1,860,000.

Effect of acquisition

The acquisition had the following effect on the Company's assets and liabilities:

	Recognised values on acquisition £'000
Acquiree's net assets at the acquisition date:	
Tangible fixed assets	25
Stock	1,640
Net identifiable assets	1,665
Consideration paid:	
Cash price paid	1,860
Goodwill arising on acquisition (note 14)	195

The Group did not acquire the brands (note 32).

5. ACQUISITIONS OF BUSINESSES (CONTINUED)

In the 1 month to 25 August 2018 the business contributed revenue of £617,000 and a net loss of £131,000 to the consolidated net profit for the period. Prior to the acquisition the business was in administration and it is difficult to assess its trading performance before acquisition. But assuming a pro rata trading performance throughout the year, if the business had been acquired on the first day of the group financial year then the contribution to revenue would have been estimated revenue of £11,106,000 and net loss of £2,358,000. In determining these amounts management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on the first day of the accounting period.

6. OPERATING PROFIT

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

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Amortisation of intangible fixed assets	**502**	*2,025*
Depreciation of tangible fixed assets:		
- owned by the Group	**7,106**	*17,071*
- held under finance leases	**77**	*102*
(Release)/Impairment of intangible fixed assets	**(70)**	*2,310*
Impairment of tangible fixed assets	**518**	*7,442*
Net realisable value and inventory obsolescence provision (note 18)	**(626)**	*8,137*
Impairment of trade debtors (note 31)	**300**	-
Movement in onerous lease provision (note 24)	**(1,188)**	*5,336*
Movement in dilapidations provision (note 24)	**500**	*1,459*
Loss on sale of tangible fixed assets	**236**	*102*
Operating lease rentals:		
- plant and machinery	**667**	*2,040*
- other operating leases	**33,193**	*91,838*
Rent receivable - operating leases	**(363)**	*(1,082)*

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

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

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

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

7. AUDITOR'S REMUNERATION

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Fees payable to the company's auditor for the audit of the company's annual accounts	1	*1*
Fees payable to the company's auditor in respect of:		
The auditing of accounts of subsidiaries of the company	169	*189*
Other services relating to taxation	3	*3*

8. OTHER OPERATING INCOME AND CHARGES

Other operating income	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Fair value adjustments in investment property	6,239	-

Other operating charges	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Fair value adjustments in investment property	3,489	*3,310*
Loss on sale of tangible fixed assets	236	*102*
Loss on sale of intangible fixed assets	-	*418*
	3,725	*3,830*

9. FINANCE INCOME AND EXPENSES

Finance expenses	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Amortisation of finance issue costs	-	*100*
Net interest on defined benefit pension scheme (note 30)	18	*127*
Loss on fair value movement on forward exchange contracts	2,840	-
	2,858	*227*

9. FINANCE INCOME AND EXPENSES (CONTINUED)

Finance income	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Interest receivable on cash and cash equivalents	547	*1,112*
Gain on fair value movement on forward exchange contracts	166	*2,857*
	713	*3,969*

10. DIRECTORS' EMOLUMENTS

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Directors' emoluments	317	*943*
Group pension contributions to defined contribution pension schemes	13	*35*
	330	*978*

During the period retirement benefits were accruing to 3 directors (2018 – 3) in respect of defined contribution pension schemes and accruing to 2 directors (2018 – 2) in respect of defined benefit pension schemes.

The highest paid director received remuneration of £126,000 (2018 - £332,000) and defined benefit pension scheme contributions during the period of £12,500 (2018: £33,000).

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

Key Management Personnel

Key management personnel remuneration comprised the following:

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Short-term employee benefits	356	*1,056*
Post-employment benefits	13	*35*
	369	*1,091*

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

11. EMPLOYEES

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Wages and salaries	**57,464**	*161,025*
Social security costs	**3,073**	*8,648*
Other pension costs (Note 30)	**874**	*1,401*
	61,411	*171,074*

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

	27 weeks ended 2 March 2019 No.	*78 weeks ended 25 August 2018 No.*
Retail	**9,766**	*9,721*
Office and management	**1,257**	*1,191*
	11,023	*10,912*

The average monthly number of full time equivalent employees, based on contracted hours, during the year was 5,729 *(2018: 5,703).*

12. TAXATION

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Income statement		
Current tax		
Current tax on income for the period	4,867	*19,358*
Adjustments in respect of prior periods	967	*(398)*
	5,834	*18,960*
Foreign tax on income for the period	99	*125*
Total current tax	5,933	*19,085*
Deferred tax		
Origination and reversal of timing differences	967	*(1,185)*
Adjustments in respect of previous periods	(1,168)	*303*
Current year pension scheme movements	119	*173*
Gains on investment property revaluations	1,209	*-*
Total deferred tax	1,127	*(709)*
Total tax expense for the period	7,060	*18,376*

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

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Profit for the period	24,320	*62,778*
Total tax expense	7,060	*18,376*
Profit before tax	31,380	*81,154*
Profit multiplied by standard rate of corporation tax in the UK of 19% *(2018 – 19.06%)*	5,962	*15,468*
Effects of:		
Utilisation of tax losses	(17)	*(55)*
Adjustments to tax charge in respect of prior periods	(201)	*(94)*
Overseas PE exemption	(118)	*(210)*
Non-taxable income and disallowable expenses	1,067	*3,136*
Capital allowances in excess of depreciation	19	*(1)*
Transfer pricing adjustments	11	*37*
Pension scheme movements	119	*173*
Potential gains on revaluations	218	*(78)*
Total tax expense (see note above)	7,060	*18,376*

12. TAXATION (CONTINUED)

Factors affecting future tax charges:

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

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

13. DIVIDENDS

Dividends of £nil were declared and approved in the period (2018: £40,000,000). In relation to the dividend declared and approved in the period ended 25 August 2018, an amount of £16,454,000 was paid in that period and £7,709,000 was paid in the period ended 2 March 2019.

14. INTANGIBLE ASSETS

	Goodwill	*Intellectual Property*	*Computer Software*	*Total*
	£000	***£000***	***£000***	***£000***
Cost:				
At 26 February 2017	**115,897**	**6,470**	**5,612**	**127,979**
Additions	2,094	95	1,705	3,894
Disposals	-	-	(794)	(794)
Reallocation to tangible fixed assets	-	-	235	235
At 25 August 2018	**117,991**	**6,565**	**6,758**	**131,314**
Additions	-	-	180	180
Reallocation from tangible fixed assets	-	-	82	82
At 2 March 2019	**117,991**	**6,565**	**7,020**	**131,576**
Amortisation:				
At 26 February 2017	**47,011**	**963**	**3,186**	**51,160**
Charge for the year	-	914	1,111	2,025
Disposals	-	-	(376)	(376)
Impairment	212	2,028	70	2,310
At 25 August 2018	**47,223**	**3,905**	**3,991**	**55,119**
Charge for the year	-	199	303	502
Disposals	-	-	24	24
Impairment	-	-	(70)	(70)
At 2 March 2019	**47,223**	**4,104**	**4,248**	**55,575**
Net book value:				
At 2 March 2019	**70,768**	**2,461**	**2,772**	**76,001**
At 25 August 2018	*70,768*	*2,660*	*2,767*	*76,195*
At 25 February 2017	*68,886*	*5,507*	*2,426*	*76,819*

14. *INTANGIBLE ASSETS (CONTINUED)*

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

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

	2 March 2019 £'000	*25 August 2018 £'000*
The Edinburgh Woollen Mill Limited	**68,674**	*68,674*
Jaeger Retail Limited	**1,899**	*1,899*
Puzzle Retail Stores Limited	**195**	*195*
	70,768	*70,768*

The Edinburgh Woollen Mill Limited

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

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

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

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

A number of sensitivities have been applied to The Edinburgh Woollen Mill Limited assumptions in reaching this conclusion including:

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

None of the above would result in an impairment. The Edinburgh Woollen Mill CGU has significant headroom under the annual impairment review.

Jaeger Retail Limited and Puzzle Retail Stores Limited

The goodwill on these acquisitions arose in the prior period in arm's length transactions and therefore, in the opinion of the directors, this provides the best evidence of recoverable amount at this point in time. The trading performance of both businesses continues to improve in the current period.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	*Plant and Machinery*	*Motor Vehicles*	*Fixtures and Fittings*	*Total*
	£000	***£000***	***£000***	***£000***	***£000***
Cost:					
At 26 February 2017	**56,298**	**36,477**	**1,817**	**90,543**	**185,135**
Additions	33,330	7,910	974	16,211	58,425
Disposals	(1,155)	(10,414)	(75)	(1,832)	(13,476)
Arising on acquisition of a subsidiary	830	45	-	200	1,075
Reclassification to intangible assets	-	-	-	(235)	(235)
At 25 August 2018	**89,303**	**34,018**	**2,716**	**104,887**	**230,924**
Additions	18,871	9,295	65	4,658	32,889
Transfers from investment property	17,887	-	-	-	17,887
Disposals	(128)	-	(16)	(1,533)	(1,677)
Reclassification to intangible assets	-	-	-	(82)	(82)
At 2 March 2019	**125,933**	**43,313**	**2,765**	**107,930**	**279,941**
Depreciation:					
At 26 February 2017	**10,418**	**4,374**	**1,725**	**60,658**	**77,175**
Charge for the year	2,018	3,092	245	11,818	17,173
Disposals	(230)	(1,111)	(34)	(977)	(2,352)
Impairment	1,265	146	-	6,031	7,442
At 25 August 2018	**13,471**	**6,501**	**1,936**	**77,530**	**99,438**
Charge for the year	985	1,284	149	4,765	7,183
Disposals	(116)	-	-	(1,310)	(1,426)
Impairment	(115)	-	-	633	518
Reclassification to intangible assets	-	-	-	(24)	(24)
At 2 March 2019	**14,225**	**7,785**	**2,085**	**81,594**	**105,689**
Net book value:					
At 2 March 2019	**111,708**	**35,528**	**680**	**26,336**	**174,252**
At 25 August 2018	*75,832*	*27,517*	*780*	*27,357*	*131,486*
At 25 February 2017	*45,880*	*32,103*	*92*	*29,885*	*107,960*

The net book value of land and buildings consists of freehold land, buildings and building improvements.

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

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

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

16. INVESTMENT PROPERTY

	2 March 2019 £000	*25 August 2018 £000*
Opening Balance	**89,058**	*57,834*
On acquisition of business (note 5)	**-**	*850*
Additions	**4,487**	*33,684*
Transfer to property, plant and equipment	**(17,887)**	-
Fair value adjustments	**6,239**	-
Fair value adjustments	**(3,489)**	*(3,310)*
Closing Balance	**78,408**	*89,058*

During the year £363,134 (*2018: £1,081,694*) was recognised in the consolidated statement of comprehensive income in relation to rental income from the investment properties. Direct operating expenses, including repairs and maintenance, arising from investment property that generated rental income amounted to £348,738 (*2018: £683,961*). Direct operating expenses, including repairs and maintenance, arising from investment property that did not generate rental income amounted to £347,995 (*2017: £889,512*).

At 2 March 2019, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2018: none).

At 2 March 2019, contractual obligations to purchase investment property amounted to £nil (2018: £nil).

The fair value of investment property was determined by internal property professionals and external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every 12 months in accordance with the valuation cycle.

All of the investment properties have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The historical cost of the investment property is £78,968,000 (2018: £92,368,000).

Valuation technique and significant assumptions

The following table shows the valuation technique and significant assumptions in measuring the fair value of investment property.

Valuation Technique

Desktop valuations were conducted both by internal property professionals and by Edwin Thompson LLP as at 2 March 2019, in compliance with the requirements and practice statements of the RICS valuation – Global Standards effective from July 2017 incorporating the International Valuation Standards.

The basis of the valuations was fair value subject to pertaining leases, having regard for yield, length of lease and life remaining, sale of properties in the area and rental values.

Significant assumptions

Contamination – The valuation assumes that the property is not affected by environmental contamination

Site conditions – No site investigations, archaeological, ecological or environmental surveys have been undertaken as part of the valuation

Structural surveys – The valuation report should not be regarded as a structural survey and no inspection of the property has been undertaken in this regard or services tested, with the property assumed to be in satisfactory repair and condition unless apparent defects or items of disrepair have been previously identified or known.

Fixtures, fittings, plant and machinery – All fixtures, fittings plant and machinery are excluded from the valuation unless stated otherwise. The valuation also excludes any element of goodwill, trade equipment and moveable fixtures and fittings within the property. Items forming part of normal building services and installations are included within the valuation.

17. SUBSIDIARIES

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

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
EWM (2011) Limited	Scotland	100%	Holding Company
EWM (Topco) Ltd	England	100%	Holding Company
Balance Holdings Limited	England	100%	Holding Company
Purepay Instalments Limited	England	100%	Financial Services Company
*Duvetco Limited	Scotland	100%	Retailer
****Proquip Holdings Limited	Scotland	100%	Holding Company
*EWM Holdings Limited	England	100%	Holding Company
*EWM (Financial Services) Limited	Scotland	100%	Financial Services Company
*EWM (EBT) Trustees Limited	England	100%	Employee Benefit Company
*The Edinburgh Woollen Mill Ltd	Scotland	100%	Retailer
*The Gibson Group (Scotland) Ltd	Scotland	100%	Property Investment
*Peacocks Stores Ltd	Scotland	100%	Retailer
*Sky Border Logistics Limited	Scotland	100%	Logistics
*EWM Dormant Limited	England	100%	Holding Company
*Equorium Property Company Limited	Scotland	100%	Property Investment
*EWM Investco Limited	Scotland	100%	Property Investment
*Rutmark Properties Limited	England	100%	Property Investment
*Hayton Game Limited	England	100%	Game Services
*Jane Norman International Limited	Scotland	100%	Retailer
*Border IP Limited	England	100%	Holding Company
*Days Department Stores Limited	England	100%	Retailer
*Anglo Global Property Limited	England	100%	Dormant
*Puzzle Retail Stores Limited	England	100%	Dormant
*Jaeger Retail Limited	England	100%	Retailer
*AB Stores IP Limited	England	100%	Dormant
*Austin Reed Limited	England	100%	Retailer
*Formal Tailors 1885 Limited	England	100%	Retailer
*WB Retail Limited (formerly Holly Retail Limited)	England	100%	Retailer
*Purepay Retail Limited (formerly Mistletoe Retail Limited)	England	100%	Financial Services Company
*Tynwald Mills (Isle of Man) Limited	Isle of Man	100%	Property Investment
*The Mill Shop Limited	Isle of Man	100%	Retailer
*High Street Skipton Limited	England	100%	Property Investment
*Holton Road 140A Limited	England	100%	Property Investment
*Newquay Property Limited	England	100%	Property Investment
*Edmond Castle Propco Limited	Scotland	100%	Property Investment
*Geltbridge Land Limited	England	100%	Land Investment
*Hayton Construction Limited	England	100%	Dormant
*Hayton Agriculture Limited	England	100%	Agricultural Services
*Hayton Leisure Limited	England	100%	Hotel
*Edmond Castle Estates (2008)	England	100%	Property Investment
*Proquip Limited	Scotland	100%	Wholesaler
*Proquip IP Limited	Scotland	100%	Dormant
*The Woollen Mill (Edinburgh) Ltd	Scotland	100%	Administrative Services
****EWM Group Training Limited	England	100%	Training Company
*Antartex Ltd	Scotland	100%	Dormant

17. SUBSIDIARIES (CONTINUED)

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
*Clan Centre Ltd	Scotland	100%	Dormant
*The Country Trader Ltd	Scotland	100%	Dormant
*Craftcentre Cymru Cyf	England	100%	Dormant
*Craftcentre Cymru Group Cyf	England	100%	Dormant
*Craftcentre Cymru (Manufacturing) Cyf	England	100%	Dormant
*The Edinburgh Sweater Company Ltd	Scotland	100%	Dormant
*Edinglen Ltd	Scotland	100%	Dormant
*Equorian Ltd	Scotland	100%	Dormant
*Gleneagles Of Scotland (Woollens) Limited	Scotland	100%	Dormant
*Gleneagles Cashmere Limited	Scotland	100%	Dormant
*Gleneagles Woollen Mills Limited	Scotland	100%	Dormant
*The Golf Shop Ltd	Scotland	100%	Dormant
*Grampian Woollen Mills Ltd	Scotland	100%	Dormant
*House Of Gleneagles Limited	Scotland	100%	Dormant
*James Pringle Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Weavers Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Textiles Limited	Scotland	100%	Dormant
*Llanfair P.G. Woollen Mill Ltd	Scotland	100%	Dormant
*Langco Limited	Scotland	100%	Dormant
*Macdonalds Of Oban Ltd	Scotland	100%	Dormant
****Mairi Macintyre (Scottish Sportswear) Ltd	England	100%	Dormant
*The Millshop Ltd	Scotland	100%	Dormant
*Pitlochry Knitwear Co. Ltd	Scotland	100%	Dormant
*The Sweater Co. Ltd	Scotland	100%	Dormant
*Scottish Woollens Group Ltd	Scotland	100%	Dormant
*The Sweater Shop Ltd	Scotland	100%	Dormant
*Tartan Centre Ltd	Scotland	100%	Dormant
*The Woollen Mill Ltd	Scotland	100%	Dormant
*James Pringle Ltd	Scotland	100%	Dormant
*Clan Tartan Centre Ltd	Scotland	100%	Dormant
*James Pringle Llanfair P.G.Woollen Mill Ltd	England	100%	Dormant
*James Pringle Woollen Mill Ltd	Scotland	100%	Dormant
*Skye Woollen Mill Ltd	Scotland	100%	Dormant
*Clan Royal Of Scotland Ltd	England	100%	Dormant
*Highland Home Industries Ltd	Scotland	100%	Dormant
***Gibson & Lumgair (Scotland) Limited	Scotland	100%	Dormant
*The Golf Company (St Andrews) Limited	Scotland	100%	Dormant
*Priory Knitwear Limited	England	100%	Dormant
*Randotte Place Limited	Scotland	100%	Dormant
*Romanes And Paterson Limited	Scotland	100%	Dormant
*St Andrews Sportswear Company Limited	Scotland	100%	Dormant
*The Cashmere Company Limited	Scotland	100%	Dormant
*Border IP Two Limited	England	100%	Dormant
*Austin Reed Group Limited	England	100%	Dormant
*Country Casuals Limited	England	100%	Dormant
*Country Casuals Holdings Limited	England	100%	Dormant
*Stephens Brothers Limited	England	100%	Dormant
*Investco Management Company SL	Spain	100%	Investments

17. SUBSIDIARIES (CONTINUED)

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
*Imperial Marine Logistics Limited	Malta	100%	Logistical Services
**MMO UK Ltd	England	50%	Lloyds of London CCV

* owned by a subsidiary

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

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

**** Ordinary and preference shares owned

All of the companies listed above which are incorporated in Scotland, have their registered office address at Waverley Mill, 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.

All of the companies listed above which are incorporated in the Isle of Man, have their registered office address at Tynwald Mills, St Johns, Isle of Man, IM4 3AD.

The company listed above which is incorporated in Spain, has its registered office address at Ctra Arenillas (De) S/N, C.C. Mar Y Sol L-643-4 Guadiari, 11310 San Roque, Cadiz

The company listed above which is incorporated in Malta, has its registered office address at Level 2, Progetta House, Tower Street, Swatar, Birkirkara, BKR 4012, Malta

18. INVENTORIES

	2 March 2019 £000	*25 August 2018 £000*
Finished goods and goods for resale	**85,213**	*82,981*
Finished goods and goods for resale recognised in cost of sales for the period	**136,912**	*389,532*
(Reversal)/Write down of inventories to net realisable value	**(626)**	*8,137*

19. TRADE AND OTHER RECEIVABLES

	2 March 2019 £000	*25 August 2018 £000*
Trade debtors	**10,353**	*10,409*
Other debtors, prepayments and accrued income	**17,411**	*25,314*
Income tax recoverable within one year	**795**	*795*
	28,559	*36,518*

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. In addition to expected credit losses, specific provisions against debtors have been made where there is no reasonable prospect of the amount due being recovered. Trade debtors are recorded after an allowance for bad debts and expected credit losses of £300,000 (2018: £Nil)

20. CASH AND CASH EQUIVALENTS

	2 March 2019 £000	25 August 2018 £000
Cash and cash equivalents per balance sheet and cash flow statement	117,831	147,950

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

22. TRADE AND OTHER PAYABLES

	2 March 2019 £000	25 August 2018 £000
Current		
Trade payables	31,083	41,449
Trade payables – reverse factoring	5,303	6,719
Social security and other taxes including VAT	11,525	14,235
Other creditors and accruals	34,358	45,370
Dividend payable (note 13)	15,837	23,546
	98,106	131,319
Non-current		
Other creditors and accruals	8,807	9,271

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

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

23. BORROWINGS

	2 March 2019 £000	25 August 2018 £000
Current		
Finance leases	223	-
	223	-
Non-current		
Finance leases	334	-
	334	-

23. BORROWINGS (CONTINUED)

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

	Finance Leases £000	Related Party Borrowings £000	Other Loans £000
At 26 February 2017	**77**	**-**	**3,378**
New borrowings	-	12,297	-
Paid in period	(77)	(12,297)	(3,378)
At 25 August 2018	-	-	-
New borrowings	668	-	-
Paid in period	(111)	-	-
At 2 March 2019	**557**	**-**	**-**

24. PROVISIONS FOR LIABILITIES AND CHARGES

	Environmental costs £000	Dilapidations £000	Onerous Leases £000	Other provisions £000	Total £000
At 26 February 2017	**21**	**6,688**	**467**	**-**	**7,176**
Arising on acquisition	-	584	-	50	634
Charged/(credited) to income statement	-	1,459	5,336	-	6,795
Utilised in year	-	(779)	-	-	(779)
At 25 August 2018	**21**	**7,952**	**5,803**	**50**	**13,826**
Charged/(credited) to income statement	-	500	(1,188)	-	(688)
Utilised in year	-	(215)	(89)	-	(304)
At 2 March 2019	**21**	**8,237**	**4,526**	**50**	**12,834**
Current	**-**	**5,115**	**1,339**	**50**	**6,504**
Non-current	**21**	**3,122**	**3,187**	**-**	**6,330**
	21	**8,237**	**4,526**	**-**	**12,834**
2018					
Current	*-*	*4,965*	*1,685*	*50*	*6,700*
Non-current	*21*	*2,987*	*4,118*	*-*	*7,126*
	21	*7,952*	*5,803*	*50*	*13,826*

Environmental costs

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

Dilapidations

A provision is recognised for repairing obligations arising under the terms of property operating lease agreements. Provision is made where repairs are required and a schedule of dilapidations has been served by the landlord, or where there is a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These are expected to be utilised over a range of 1 to 7 years.

Onerous leases

A provision is recognised for present obligations under certain onerous property operating leases where the unavoidable costs of meeting the obligations under them exceed the economic benefits expected to be received from them. These are expected to be utilised over a range of 1 to 7 years.

Other provisions

Other provisions relate to an employment litigation action where the outcome was decided in the period and settled.

25. DEFERRED TAX

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 17% (2018 – 17%). The movement on the deferred tax account is as shown below:

	Assets 2 March 2019 £'000	Assets *25 August 2018* £'000	**Liabilities 2 March 2019 £'000**	Liabilities *25 August 2018* £'000	**Net 2 March 2019 £'000**	Net *25 August 2018* £'000
Tangible fixed assets	**(1,835)**	*(1,539)*	**565**	*459*	**(1,270)**	*(1,080)*
Intangible assets	**(2)**	*(81)*	**91**	*226*	**89**	*145*
Employee benefits	**(314)**	*(330)*	**-**	*-*	**(314)**	*(330)*
Other	**(162)**	*(141)*	**1,614**	*339*	**1,452**	*198*
Tax (assets)/liabilities	**(2,313)**	*(2,091)*	**2,270**	*1,024*	**(43)**	*(1,067)*

Included in Other is the deferred tax effect on investment property revaluations.

Movements in deferred tax during the year

	At 25 August 2018 £'000	**Recognised in income £'000**	**Recognised in equity £'000**	**At 2 March 2019 £'000**
Tangible fixed assets	**(1,080)**	**(190)**	**-**	**(1,270)**
Intangible assets	**145**	**(56)**	**-**	**89**
Employee benefits	**(330)**	**119**	**(103)**	**(314)**
Other	**198**	**1,254**	**-**	**1,452**
	(1,067)	**1,127**	**(103)**	**(43)**

Movements in deferred tax during the prior year

	At 26 February 2017 £'000	*Recognised in income £'000*	*Recognised in equity £'000*	*At 25 August 2018 £'000*
Tangible fixed assets	*357*	*(1,437)*	*-*	*(1,080)*
Intangible assets	*71*	*74*	*-*	*145*
Employee benefits	*(730)*	*173*	*227*	*(330)*
Other	*(283)*	*481*	*-*	*198*
	(585)	*(709)*	*227*	*(1,067)*

26. SHARE CAPITAL

	2 March 2019 Total £	*25 August 2018 Total £*
Allotted, called up and fully paid		
3,440 Ordinary shares of £1 each	**3,440**	*3,440*

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.

27. NON CONTROLLING INTEREST

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

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

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

28. RESERVES

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

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

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

29. LEASES

Operating leases

The Group leases various properties and equipment under non-cancellable operating leases. The terms of the property leases vary, although they tend to be tenant repairing with rent reviews every 3 to 5 years and many have break clauses. The total future value of minimum lease rentals payable is as follows:

	Land and buildings		**Other**	
Group	**2 March 2019 £000**	*25 August 2018 £000*	**2 March 2019 £000**	*25 August 2018 £000*
Within 1 year	**42,018**	*45,206*	**434**	*575*
Between 2 and 5 years	**103,208**	*111,605*	**882**	*1,184*
After more than 5 years	**46,740**	*53,800*	**-**	*-*
	191,966	*210,611*	**1,316**	*1,759*

30. 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 in respect of group personal pension plans for the period was £647,000 (*2018 - £1,401,000*).

The unpaid contributions outstanding at the year end, included in 'Other creditors and accruals' (note 22) were £186,000 (*2018 - £188,000*).

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

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

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

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

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

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

The scheme is exposed to a number of risks including:

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

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

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

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

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.

30. PENSION COMMITMENTS (CONTINUED)

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

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 asset in the Statement of Financial Position as shown above.

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

An allowance for GMP equalisation has been included in the IAS 19 assumptions for the first time in this accounting period and the additional liability arising has been treated as a past service cost recognised in the Income Statement.

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

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

The amounts recognised in the Income Statement are as follows:

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

30. PENSION COMMITMENTS (CONTINUED)

The amounts recognised in other comprehensive income are as follows:

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

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

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

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

30. PENSION COMMITMENTS (CONTINUED)

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

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

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

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

	2019 £'000	2019	*2018 £'000*	*2018*
Equities	10,145	33.12%	*10,499*	*33.86%*
Bonds	5,641	18.41%	*5,689*	*18.35%*
Hedge Funds	6,199	20.24%	*8,429*	*27.19%*
Liability driven investments	7,731	25.24%	*5,204*	*16.79%*
Cash	917	2.99%	*1,182*	*3.81%*
	30,633		*31,003*	

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

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

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

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

30. PENSION COMMITMENTS (CONTINUED)

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

	2019	*2018*
	% per annum	*% per annum*
Rate of discount	**2.55**	*2.55*
Inflation (RPI)	**3.20**	*3.20*
Inflation (CPI)	**2.20**	*2.20*
Allowance for revaluation of deferred pensions of CPI of 3% pa if less	**1.90**	*2.40*
Allowance for pension in payment increases of RPI of 5% pa if less	**3.05**	*3.05*
Allowance for pension in payment increases of RPI of 2.5% pa if less	**2.10**	*2.10*
Allowance for commutation of pension for cash at retirement	**100% of maximum permitted**	*100% of maximum permitted*

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

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

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

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

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

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

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Derivatives and other financial instruments

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

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

Fair value hierarchy

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

Level 1 inputs are quoted prices in active markets.

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

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

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

Fair values of financial assets and financial liabilities

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

	Note	**At 2 March 2019** Carrying value £000	**At 2 March 2019** Fair value £000	*At 25 August 2018* Carrying value £000	*At 25 August 2018* Fair value £000
Financial liabilities					
At amortised cost					
Trade and other short term payables	22	**36,386**	**36,386**	*48,168*	*48,168*
Accruals	22	**34,358**	**34,358**	*45,370*	*45,370*
Dividend payable	22	**15,837**	**15,837**	*23,546*	*23,546*
Hire purchase borrowings	23	**223**	**223**	-	-
Long term payables (hire purchase)	23	**334**	**334**	-	-
		87,138	**87,138**	*117,084*	*117,084*

The dividend was formally declared and approved by the members in a general meeting and is therefore a legal obligation to deliver cash.

The 2019 and 2018 contractual cash flows of the above are considered to be equivalent to the carrying value as they are not interest bearing and are substantially current (only £334,000 is payable in more than one year).

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

	Note	**At 2 March 2019** Carrying value £000	**At 2 March 2019** Fair value £000	*At 25 August 2018* Carrying value £000	*At 25 August 2018* Fair value £000
Financial assets					
Amortised cost					
Trade receivables	19	**10,353**	**10,353**	*10,409*	*10,409*
Cash and short term deposits	20	**117,831**	**117,831**	*147,950*	*147,950*
At fair value					
Forward foreign exchange contracts	21	**17**	**17**	*2,857*	*2,857*
		128,201	**128,201**	*161,216*	*161,216*

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

Trade and other receivables are measured at book value based on amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated Statement of Other Comprehensive Income in the relevant period. Trade receivables are recorded after an allowance for bad debts and expected credit losses of £300,000 *(2018: £Nil).*

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

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

	At 2 March 2019 £000	*At 25 August 2018* £000
Amounts held in £ Sterling	**116,299**	*136,881*
Amounts held in US Dollars	**716**	*10,188*
Amounts held in Euros	**816**	*881*
	117,831	*147,950*

Market risk

a) Interest rate risk

The Group's interest bearing financial asset is primarily cash which is held at a floating rate of interest. The effective rate of interest on the Group's cash balances in the year is 0.91% *(2018: 0.58%)*.

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

The Group holds bank debt (excluding hire purchase liabilities) at 2 March 2019 of £Nil (*2018: £Nil*). The Group has outstanding liabilities under finance leases of £557,000 at the period end *(2018: £Nil).* The finance leases are non-interest bearing.

Bank loans – The Group has a revolving credit facility of £100,000,000 which was refinanced in March 2019 for a further 3 years. This was unutilised at the period end.

NOTES TO THE FINANCIAL STATEMENTS
For the 27-week period ended 2 March 2019

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

a) Interest rate risk (continued)

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

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

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

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

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

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

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

b) Foreign exchange risk

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

In order to provide a degree of certainty and to allow accurate costing of products, the Group hedges a percentage of the forward purchase orders by means of derivatives, being mainly forward foreign exchange contracts and currency options. The Group does not adopt hedge accounting and therefore changes in the fair value of these instruments are recorded directly in the Income Statement.

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

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

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

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

At 2 March 2019 there were maximum potential foreign currency forward/options of $45,000,000 and €Nil *(2018: $109,000,000 and €nil)* with a fair value of £17,000 *(2018: £2,857,000)*.

The Group's net exposure to foreign exchange risk was as follows:

	2 March 2019 £000	*25 August 2018 £000*
Net foreign currency financial assets/(liabilities)		
US Dollar	**(13,134,657)**	*(12,214,147)*
Euro	**815,644**	*880,943*

The US Dollar liabilities of £13,134,657 *(2018: £12,214,147)* comprises trade creditors of £13,850,894 *(2018: £22,402,481)* offset by cash of £716,237 *(2018: £10,188,334)*. The Euro assets comprise of cash.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The effect of a 10% strengthening of the US dollar/Euro against Sterling at 2 March 2019 on the net foreign currency financial assets/liabilities carried at that date would, all other variables held constant, have resulted in a decrease in post-tax profit for the year and decrease of net assets of £1,368,779 (*2018: £1,259,245*). A 10% weakening in the exchange rate would, on the same basis, have increased post-tax profit and increased net assets by £1,119,910 (*2018: £1,030,291*).

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

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts and loans to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Trade payables are repayable within 3 months and loans and borrowings are repayable as disclosed in note 23. Each period management prepare and maintain detailed cash forecasts to monitor case requirements and manage liquidity risk.

Maturity of financial liabilities

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

Borrowing facilities

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

Credit risk

Given the nature of the Group's operations, credit risk is not considered significant and arises mainly from cash deposits and financial instruments held with banks and financial institutions which have a high credit rating. Credit risk also arises from retail trade receivables, wholesale receivables and other receivables which include amounts due from credit card institutions. The Group recognises an allowance for Expected Credit Income (ECLs) for trade debtors, although such amounts are not material.

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

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Derivative financial instruments

	27 weeks ended 2 March 2019 £000	*78 weeks ended 25 August 2018 £000*
Fair value of forward contracts		
Financial assets – current (note 21)	**17**	*2,857*

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

Capital Disclosures

The Group's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern and to provide an adequate return to shareholders. Capital comprises the Group's equity i.e. share capital including preference shares, share premium and retained earnings of £430,272,000 (*2018: £406,390,000*). Given the insignificant amount of borrowing of the Group net debt ratios are not presented.

32. RELATED PARTY TRANSACTIONS

Balances and transactions with the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note.

Current period

The Group operates under licences to use the brands as disclosed below. Amounts charged for the use of these brands in the current accounting period amounted to £Nil.

Prior period

As disclosed in note 5, the Group did not acquire the brands of Jaeger Holdings Limited, Berwin Holdings Limited and Calvetron Brands Limited (each in administration). These were acquired by Kings Landing Limited, a company in which the ultimate controlling party has significant influence. The Group operates under licences to use these brands. Amounts charged for the use of these brands in the period amounted to £Nil. Kings Landing Limited paid consideration on behalf of the Group for the acquisitions of the business and certain assets of Jaeger Holdings Limited and Berwin Holdings Limited, which was immediately repaid. There are no amounts outstanding to/from Kings Landing Limited as at 2 March 2019.

Details of key management personnel compensation are set out in note 10.

33. ULTIMATE CONTROLLING PARTY

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

COMPANY STATEMENT OF FINANCIAL POSITION
As at 2 March 2019

	Note	2 March 2019 £000	*25 August 2018 £000*
NON-CURRENT ASSETS			
Investments	3	111,509	*111,509*
CURRENT ASSETS			
Trade and other receivables	4	227,738	*238,873*
Cash and cash equivalents		53	*41*
TOTAL CURRENT ASSETS		227,791	*238,914*
TOTAL ASSETS		339,300	*350,423*
CURRENT LIABILITIES			
Trade and other payables	5	(62,398)	*(75,279)*
NET ASSETS		276,902	*275,144*
EQUITY			
Called up share capital	6	4	*4*
Share premium account		65,689	*65,689*
Profit and loss account		211,209	*209,451*
TOTAL EQUITY		276,902	*275,144*

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

Philip Day

Director

Date 29 November 2019

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

	Called up Share Capital £000	Share Premium £000	Retained Earnings £000	Total £000
BALANCE AT 26 FEBRUARY 2017	**4**	**65,689**	**105,422**	**171,115**
COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for the period	-	-	144,029	144,029
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**144,029**	**144,029**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY				
Dividends paid	-	-	(40,000)	(40,000)
TOTAL CONTRIBUTIONS BY AND DISTRIBUTIONS TO OWNERS	**-**	**-**	**(40,000)**	**(40,000)**
BALANCE AT 25 August 2018	**4**	**65,689**	**209,451**	**275,144**
COMPREHENSIVE INCOME FOR THE PERIOD				
Profit for the period	-	-	1,759	1,759
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**-**	**-**	**1,759**	**1,759**
BALANCE AT 2 March 2019	**4**	**65,689**	**211,209**	**276,902**

NOTES TO THE COMPANY FINACIAL STATEMENTS
For the 27-week period ended 2 March 2019

1. ACCOUNTING POLICIES

Basis of preparation

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

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

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

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

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

IAS 1 formats have been adopted for the statement of financial position as permitted under Schedule 1 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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

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

The preparation of financial statements in compliance with FRS 101 requires the use of accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. The only significant estimate in these financial statements is the recoverability of the company's investments in subsidiary undertakings (note 3).

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

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

1. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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.

Current taxation

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

Financial instruments – initial recognition and subsequent measurement

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

Financial assets

Initial recognition and measurement

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

- the Group's business model for managing the assets; and

whether the instruments' contractual cash flows represent "Solely Payments of Principal and Interest" on the principal amount outstanding (the "SPPI criterion").

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

Financial assets Classification under IFRS 9

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

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

NOTES TO THE COMPANY FINACIAL STATEMENTS
For the 27-week period ended 2 March 2019

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits.

Subsequent measurement

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

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

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

Derecognition

A financial asset is derecognised primarily when:

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

Impairment – financial assets

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

Financial liabilities and equity

Initial recognition and measurement

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

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities Classification under IFRS 9

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

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

Intra-group financial instruments

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

Subsequent measurement

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

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

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

Derecognition

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

Offsetting of financial instruments

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

Trade Debtors

Trade debtors represent outstanding customer balances less an allowance for impairment. Trade debtors are recognised when the Group becomes party to the contract which happens when the goods or services are delivered. They are derecognised when the rights to receive the cash flows have expired e.g. due to the settlement of the outstanding amount or where the Group has transferred substantially all the risks and rewards associated with that contract. Other trade receivables are stated at invoice value less an allowance for impairment. Trade debtors are subsequently measured at amortised cost as the business model is to collect contractual cash flows and the debt meets the Solely Payment of Principal and Interest (SPPI) criterion.
In accordance with the accounting policy for impairment –financial assets, the company recognises an allowance for Expected Credit Losses (ECLs) for trade debtors. IFRS 9 requires an impairment provision to be recognised on origination of a customer advance, based on its ECL.

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments – initial recognition and subsequent measurement (continued)

Impairments excluding stock and deferred tax assets

Non-financial assets

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

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

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

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

2. DIVIDENDS PAYABLE

Dividends of £nil were declared and approved in the period (2018: £40,000,000). In relation to the dividend declared and approved in the period ended 25 August 2018, an amount of £16,454,000 was paid in that period and £7,709,000 was paid in the period ended 2 March 2019.

3. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
Cost	
At 25 August 2018	123,465
Additions	-
At 2 March 2019	**123,465**
Provisions	
At 25 August 2018	11,956
Impairment losses	-
At 2 March 2019	**11,956**
Net book value	
At 2 March 2019	**111,509**
At 25 August 2018	*111,509*

NOTES TO THE COMPANY FINACIAL STATEMENTS
For the 27-week period ended 2 March 2019

3. FIXED ASSET INVESTMENTS (CONTINUED)

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

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
EWM (2011) Limited	Scotland	100%	Holding Company
EWM (Topco) Ltd	England	100%	Holding Company
Balance Holdings Limited	England	100%	Holding Company
Purepay Instalments Limited	England	100%	Financial Services Company
*Duvetco Limited	Scotland	100%	Retailer
****Proquip Holdings Limited	Scotland	100%	Holding Company
*EWM Holdings Limited	England	100%	Holding Company
*EWM (Financial Services) Limited	Scotland	100%	Financial Services Company
*EWM (EBT) Trustees Limited	England	100%	Employee Benefit Company
*The Edinburgh Woollen Mill Ltd	Scotland	100%	Retailer
*The Gibson Group (Scotland) Ltd	Scotland	100%	Property Investment
*Peacocks Stores Ltd	Scotland	100%	Retailer
*Sky Border Logistics Limited	Scotland	100%	Logistics
*EWM Dormant Limited	England	100%	Holding Company
*Equorium Property Company Limited	Scotland	100%	Property Investment
*EWM Investco Limited	Scotland	100%	Property Investment
*Rutmark Properties Limited	England	100%	Property Investment
*Hayton Game Limited	England	100%	Game Services
*Jane Norman International Limited	Scotland	100%	Retailer
*Border IP Limited	England	100%	Holding Company
*Days Department Stores Limited	England	100%	Retailer
*Anglo Global Property Limited	England	100%	Dormant
*Puzzle Retail Stores Limited	England	100%	Dormant
*Jaeger Retail Limited	England	100%	Retailer
*AB Stores IP Limited	England	100%	Dormant
*Austin Reed Limited	England	100%	Retailer
*Formal Tailors 1885Limited	England	100%	Retailer
*WB Retail Limited (formerly Holly Retail Limited)	England	100%	Retailer
*Purepay Retail Limited (formerly Mistletoe Retail Limited)	England	100%	Financial Services Company
*Tynwald Mills (Isle of Man) Limited	Isle of Man	100%	Property Investment
*The Mill Shop Limited	Isle of Man	100%	Retailer
*High Street Skipton Limited	England	100%	Property Investment
*Holton Road 140A Limited	England	100%	Property Investment
*Newquay Property Limited	England	100%	Property Investment
*Edmond Castle Propco Limited	Scotland	100%	Property Investment
*Geltbridge Land Limited	England	100%	Land Investment
*Hayton Construction Limited	England	100%	Dormant
*Hayton Agriculture Limited	England	100%	Agricultural Services
*Hayton Leisure Limited	England	100%	Hotel
*Edmond Castle Estates (2008)	England	100%	Property Investment
*Proquip Limited	Scotland	100%	Wholesaler
*Proquip IP Limited	Scotland	100%	Dormant
*The Woollen Mill (Edinburgh) Ltd	Scotland	100%	Administrative Services
****EWM Group Training Limited	England	100%	Training Company
*Antartex Ltd	Scotland	100%	Dormant
*Clan Centre Ltd	Scotland	100%	Dormant

NOTES TO THE COMPANY FINACIAL STATEMENTS
For the 27-week period ended 2 March 2019

3. FIXED ASSET INVESTMENTS (CONTINUED)

Company Name	*Country of Incorporation or Registration*	*Proportion of Voting Rights & Ordinary Shares Held*	*Nature of Business*
*The Country Trader Ltd	Scotland	100%	Dormant
*Craftcentre Cymru Cyf	England	100%	Dormant
*Craftcentre Cymru Group Cyf	England	100%	Dormant
*Craftcentre Cymru (Manufacturing) Cyf	England	100%	Dormant
*The Edinburgh Sweater Company Ltd	Scotland	100%	Dormant
*Edinglen Ltd	Scotland	100%	Dormant
*Equorian Ltd	Scotland	100%	Dormant
*Gleneagles Of Scotland (Woollens) Limited	Scotland	100%	Dormant
*Gleneagles Cashmere Limited	Scotland	100%	Dormant
*Gleneagles Woollen Mills Limited	Scotland	100%	Dormant
*The Golf Shop Ltd	Scotland	100%	Dormant
*Grampian Woollen Mills Ltd	Scotland	100%	Dormant
*House Of Gleneagles Limited	Scotland	100%	Dormant
*James Pringle Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Weavers Of Inverness Ltd	Scotland	100%	Dormant
*James Pringle Textiles Limited	Scotland	100%	Dormant
*Llanfair P.G. Woollen Mill Ltd	Scotland	100%	Dormant
*Langco Limited	Scotland	100%	Dormant
*Macdonalds Of Oban Ltd	Scotland	100%	Dormant
****Mairi Macintyre (Scottish Sportswear) Ltd	England	100%	Dormant
*The Millshop Ltd	Scotland	100%	Dormant
*Pitlochry Knitwear Co. Ltd	Scotland	100%	Dormant
*The Sweater Co. Ltd	Scotland	100%	Dormant
*Scottish Woollens Group Ltd	Scotland	100%	Dormant
*The Sweater Shop Ltd	Scotland	100%	Dormant
*Tartan Centre Ltd	Scotland	100%	Dormant
*The Woollen Mill Ltd	Scotland	100%	Dormant
*James Pringle Ltd	Scotland	100%	Dormant
*Clan Tartan Centre Ltd	Scotland	100%	Dormant
*James Pringle Llanfair P.G.Woollen Mill Ltd	England	100%	Dormant
*James Pringle Woollen Mill Ltd	Scotland	100%	Dormant
*Skye Woollen Mill Ltd	Scotland	100%	Dormant
*Clan Royal Of Scotland Ltd	England	100%	Dormant
*Highland Home Industries Ltd	Scotland	100%	Dormant
***Gibson & Lumgair (Scotland) Limited	Scotland	100%	Dormant
*The Golf Company (St Andrews) Limited	Scotland	100%	Dormant
*Priory Knitwear Limited	England	100%	Dormant
*Randotte Place Limited	Scotland	100%	Dormant
*Romanes And Paterson Limited	Scotland	100%	Dormant
*St Andrews Sportswear Company Limited	Scotland	100%	Dormant
*The Cashmere Company Limited	Scotland	100%	Dormant
*Border IP Two Limited	England	100%	Dormant
*Austin Reed Group Limited	England	100%	Dormant
*Country Casuals Limited	England	100%	Dormant
*Country Casuals Holdings Limited	England	100%	Dormant
*Stephens Brothers Limited	England	100%	Dormant
*Investco Management Company SL	Spain	100%	Investments
*Imperial Marine Logistics Limited	Malta	100%	Logistical Services
**MMO UK Ltd	England	50%	Lloyds of London CCV

NOTES TO THE COMPANY FINACIAL STATEMENTS
For the 27-week period ended 2 March 2019

3. FIXED ASSET INVESTMENTS (CONTINUED)

* owned by a subsidiary

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

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

****Ordinary and preference shares owned

All of the companies listed above which are incorporated in Scotland, have their registered office address at Waverley Mill, 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.

The company listed above which is incorporated in Spain, has its registered office address at CTRA ARENILLAS (DE) S/N, C.C. MAR Y SOL L-643-4 GUADIARI, 11310 SAN ROQUE, CADIZ

The company listed above which is incorporated in Malta, has its registered office address at Level 2, Progetta House, Tower Street, Swatar, Birkirkara, BKR 4012, Malta

4. TRADE AND OTHER RECEIVABLES

	2 March 2019 £000	*25 August 2018 £000*
Amounts owed by related undertakings	**227,738**	*238,873*

5. TRADE AND OTHER PAYABLES

	2 March 2019 £000	*25 August 2018 £000*
Corporation tax	**676**	*374*
Amounts owed to Group undertakings	**45,882**	*51,356*
Dividends payable (note 2)	**15,837**	*23,546*
Accruals and deferred income	**3**	*3*
	62,398	*75,279*

6. SHARE CAPITAL

	2 March 2019 £	*25 August 2018 £*
Allotted, called up and fully paid		
3,440 Ordinary shares of £1 each	**3,440**	*3,440*

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.

7. ULTIMATE CONTROLLING PARTY

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