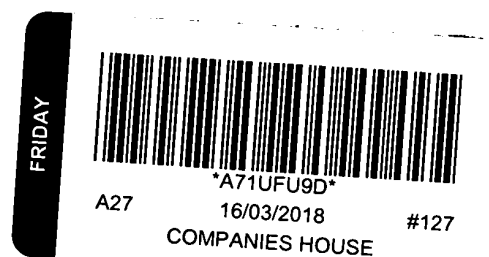


**SUK Retail Limited**  
(formerly Staples UK Retail Limited)

**Annual report and financial  
statements**

For the period ended 28 May 2017

Registered number: 02430955



## Company Information

Director	Chris Yates
Company secretary	Inca Lockhart-Ross
Registered number	02430955
Registered office	80 New Bond Street London W1S 1SB
Independent auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank Plc 1 Churchill Place London E14 5HP
Solicitors	Womble Bond Dickinson (UK) LLP 3 Temple Quay Temple Back East Bristol BS1 6DZ

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## **Director's report**

For the period ended 28 May 2017

The director presents his annual report and the financial statements of SUK Retail Limited ('the company') for the 16 month period ended 28 May 2017.

### **Change of name**

On 20 January 2017, the company changed its name from Staples UK Retail Limited to SUK Retail Limited.

### **Results and dividends**

The profit for the period, after taxation, amounted to £6.06 million (2016 - loss £21.71 million).

The director cannot recommend the payment of a dividend (period ended 30 January 2016 - Nil).

### **Directors**

The directors who served during the period were:

Chris Yates (appointed 9 May 2017)  
Coen Boeve (resigned 18 November 2016)  
Alan Gaynor (appointed 18 November 2016)  
Lissa Landis (resigned 18 November 2016)  
Patrick Legro (resigned 18 November 2016)

Alan Gaynor resigned as a director of the company on 17 July 2017.

### **Employee involvement**

During the period, the policy of providing employees with information about the company has been continued through regular email and newsletter communication to all employees. Regular meetings are held between local management, national management and employees to encourage a free flow of information and this involves representatives from all functions and locations.

### **Disabled employees**

The company gives full consideration to applicants for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job.

Where existing employees became disabled it is the company's policy, wherever practicable, to provide continuing employment under normal terms and conditions to provide training and career development and promotion to disabled employees wherever possible.

**Director's report (continued)**

For the period ended 28 May 2017

**Director's responsibilities statement**

The director is responsible for preparing the Director's report, the Strategic report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the director is required to:

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

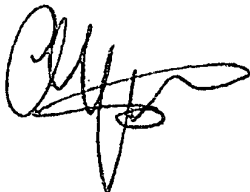
**Disclosure of information to auditor**

The director at the time when this Director's report is approved has confirmed that:

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

This report was approved by the board on 16 March 2018 and signed on its behalf.

**Chris Yates**  
Director



## Strategic report

For the period ended 28 May 2017

The director presents the strategic report for the 16 month period ended 28 May 2017.

### Review of the Business and Key Performance Indicators

The company's principal activities during the period continued to be the sale of office supplies. As at 28 May 2017, the company operated 96 stores in the United Kingdom (2016: 107 stores).

During the 69 week trading period from 31 January 2016 to 28 May 2017, revenue of £213.9m was achieved, delivering a gross profit of £102.2m. This compares to £198.1m revenue and £95.0m gross profit in the 52 week trading period from 31 January 2015 to 30 January 2016.

The profit before tax in the period was £6.1m (2016: loss of £21.7m), and as a result, the net reserves on the company's balance sheet at the period end increased to £14.6m.

As at the period end, the company had £2.5m of cash in hand, and had drawn £13.4m against its available facilities of £35.3m from the working capital facilities provided by its parent entities.

On 17 November 2016, Staples Mail Order UK Limited sold its entire shareholding in OO Retail Limited, which is the sole shareholder of SUK Retail Limited, to HUK 70 Limited.

### Actions post Sale of Business

As part of the sale, SUK Retail Limited was party to a Transitional Services Agreement with its former parent companies whilst the UK retail business was separated from the rest of the group headed by Staples Inc. An element of the Transitional Agreement related to the provision of the Staples brand for the retail stores. The stores were rebranded Office Outlet and the Staples fascia was removed from the stores by February 2017.

In addition to rebranding the stores, during the period it has been necessary to:

- Recruit a new Management team to take the business forward;
- Separate the IT infrastructure from the Staples group;
- Separate the business support functions;
- Re-source two-thirds of the product range formerly purchased from Staples group;
- Commence negotiations with landlords in order to right-size the store estate through identifying new market opportunities, lease renegotiation, downsizing, relocation and exiting underperforming locations.

These actions did result in some business disruption, which is reflected in the current period's results.

### Actions taken since Period End

A number of further initiatives have been adopted which will improve financial performance, including:

- Launching a transactional website, which is due to go live in March 2018;
- Launching a business accounts scheme;
- Trials of new complementary product ranges are underway;
- A review of retail operations, store hours and store staffing has taken place, which has resulted in increased investment in retail store management, the introduction of a sales process audit and training in selling techniques to retail staff;
- Ongoing property discussions are underway as the store portfolio is reshaped to meet the future needs of the business.

**Strategic report (continued)**

For the period ended 28 May 2017

**Principal risks and uncertainties**

The company dedicates resources to manage risk areas in the following categories:

**Strategic risk**

The director and management teams closely monitor performance and have targeted strategies aligned to the challenging trading conditions. The company monitors competitors in the office supplies sector, as well as online retailers and supermarkets to ensure the product ranges are appropriate and priced to maximise the profitability of the business.

**Financial risk**

The main potential area of financial risk management is exchange rate movements. However the company's exposure to currency risk has been mitigated with the majority of supply purchases being in sterling.

**Exposure to liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company has £35.3m of working capital facilities provided by its parent entities to support its funding requirements. The company has no external debt or borrowings and the director is satisfied that all funding requirements will be met for the next twelve months from the signing of these financial statements.

**Operational risk**

Store managers, supported by regional management, manage our stores at a local level and deliver consistent and compliant standards. Regular audits of the store, systems and infrastructure ensure consistency of performance.

**Financial risk management**

The company's operations expose it to a number of financial risks. The company has in place a risk management policy that seeks to minimise any financial risk via the monitoring of cash balances and working capital requirements.

**Health and safety**

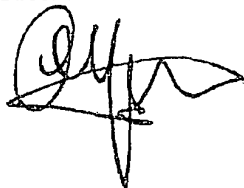
The business takes its health and safety responsibilities very seriously. We ensure in all areas that we seek to comply with all relevant legislation and allocate management time to this subject at the highest level on a regular basis.

**Leased properties**

The company has a large number of leased retail properties across the United Kingdom. The director and management closely monitor the portfolio of leased properties using a dedicated property management team to manage the risk of dilapidation and lease liabilities.

This report was approved by the board on 16 March 2018 and signed on its behalf.

Chris Yates  
Director



**Independent auditor's report to the members of SUK Retail Limited**

For the period ended 28 May 2017

We have audited the financial statements of SUK Retail Limited for the period ended 28 May 2017, set out on pages 7 to 26. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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

**Respective responsibilities of Directors and Auditor**

As explained more fully in the Director's responsibilities statement on page 2, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Basis for qualified opinion on financial statements**

With respect to stock having a carrying amount of £25,367,000 the audit evidence available to us was limited because we did not observe the counting of the physical stock as at 28 May 2017, since that date was prior to our appointment as auditor of the company. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding the stock quantities by using other audit procedures.

**Opinion on financial statements**

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion on financial statements paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 28 May 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Director's report.



**Independent auditor's report to the members of SUK Retail Limited (continued)**  
For the period ended 28 May 2017

**Matters on which we are required to report by exception**

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

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



Peter Chapman (Senior statutory auditor)  
for and on behalf of  
**Buzzacott LLP**  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL  
16 March 2018

## Statement of comprehensive income

For the period ended 28 May 2017

	Note	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Turnover	4	213,882	198,090
Cost of sales		(111,657)	(103,055)
<b>Gross profit</b>		<b>102,225</b>	<b>95,035</b>
Distribution costs		(3,040)	(2,578)
Administrative expenses		(123,091)	(103,924)
Exceptional administrative expenses	13	31,054	(5,668)
Other operating income	5	628	602
<b>Operating profit/(loss)</b>	6	<b>7,776</b>	<b>(16,533)</b>
Interest receivable and similar income	10	1	1
Interest payable and expenses	11	(1,713)	(5,181)
<b>Profit/(loss) before tax</b>		<b>6,064</b>	<b>(21,713)</b>
<b>Profit/(loss) for the financial period</b>		<b>6,064</b>	<b>(21,713)</b>

There was no other comprehensive income for 2017 or 2016.

The notes on pages 11 to 26 form part of these financial statements.

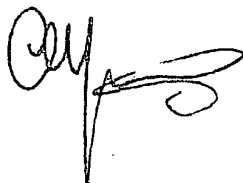
**Statement of financial position**  
As at 28 May 2017

	Note	28 May 2017 £000	30 January 2016 £000
<b>Fixed assets</b>			
Tangible assets	14	11,656	17,983
		<u>11,656</u>	<u>17,983</u>
<b>Current assets</b>			
Stocks	15	25,367	41,895
Debtors	16	11,847	18,987
Cash at bank and in hand	17	2,490	2,905
		<u>39,704</u>	<u>63,787</u>
Creditors: amounts falling due within one year	18	(28,331)	(72,400)
<b>Net current assets/(liabilities)</b>		<u>11,373</u>	<u>(8,613)</u>
<b>Total assets less current liabilities</b>		<u>23,029</u>	<u>9,370</u>
Creditors: amounts falling due after more than one year	19	(6,868)	(41,261)
<b>Provisions for liabilities</b>			
Other provisions	21	(1,520)	(3,232)
		<u>(1,520)</u>	<u>(3,232)</u>
<b>Net assets/(liabilities)</b>		<u><u>14,641</u></u>	<u><u>(35,123)</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	3,050	3,050
Share premium account	23	147,716	104,016
Other reserves	23	12,855	12,855
Profit and loss account	23	(148,980)	(155,044)
		<u>14,641</u>	<u>(35,123)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 March 2018.

Chris Yates  
Director

The notes on pages 11 to 26 form part of these financial statements.



**Statement of changes in equity**

For the period ended 28 May 2017

	Called up share capital £000	Share premium account £000	Capital contribution £000	Profit and loss account £000	Total equity £000
At 1 February 2015	3,050	60,609	12,855	(133,247)	(56,733)
Comprehensive income for the period					
Loss for the period	-	-	-	(21,713)	(21,713)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(21,713)	(21,713)
Shares issued during the period	-	43,407	-	-	43,407
Share-based payment	-	-	-	(84)	(84)
Total transactions with owners	-	43,407	-	(84)	43,323
At 31 January 2016	3,050	104,016	12,855	(155,044)	(35,123)
Comprehensive income for the period					
Profit for the period	-	-	-	6,064	6,064
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	6,064	6,064
Shares issued during the period	-	43,700	-	-	43,700
Total transactions with owners	-	43,700	-	-	43,700
At 28 May 2017	3,050	147,716	12,855	(148,980)	14,641

The notes on pages 10 to 23 form part of these financial statements.

**Statement of cash flows**  
For the period ended 28 May 2017

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
<b>Cash flows from operating activities</b>		
Profit/(loss) for the financial period	6,064	(21,713)
Adjustments for:		
Depreciation of tangible assets	4,574	4,575
Impairments of fixed assets	1,600	2,697
Loss on disposal of tangible assets	116	314
Interest paid	1,713	5,181
Interest received	(1)	(1)
Decrease in stocks	16,528	6,690
Decrease in debtors	7,140	1,468
(Decrease) in creditors	(1,185)	(5,582)
(Decrease) in provisions	(2,330)	(1,049)
Loan forgiveness	(35,516)	-
<b>Net cash generated from operating activities</b>	<b>(1,297)</b>	<b>(7,420)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(3,201)	(3,389)
Sale of tangible fixed assets	3,238	344
Interest received	1	1
<b>Net cash from investing activities</b>	<b>38</b>	<b>(3,044)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	-	42,100
New loans from group companies	13,384	11,968
Loans from group companies repaid	(10,827)	(38,575)
Interest paid	(1,713)	(5,181)
<b>Net cash used in financing activities</b>	<b>844</b>	<b>10,312</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(415)</b>	<b>(152)</b>
Cash and cash equivalents at beginning of period	2,905	3,057
<b>Cash and cash equivalents at the end of period</b>	<b>2,490</b>	<b>2,905</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	2,490	2,905
	<b>2,490</b>	<b>2,905</b>

The notes on pages 11 to 26 form part of these financial statements.

## Notes to the financial statements

For the period ended 28 May 2017

### 1. General information

The company is a private company limited by shares and incorporated in England and Wales. Its registered office is 80 New Bond Street, London, W1S 1SB.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Going concern

Although the company made a profit in the period ended 28 May 2017, the company is currently undergoing a turnaround process and is forecast to be loss making for the next 12 months. The company has access to working capital facilities of £35.3m, of which only £13.4m was drawn at the period end. The Director therefore has a reasonable expectation that the company will have adequate resources to continue in operational existence for the foreseeable future and is not aware of any material uncertainties that may cast significant doubt about the company's ability to continue as a going concern. The Director reviews cash flows and revenue projections for the company on a regular basis. He therefore believes that there are sufficient processes in place to ensure the company is properly managed despite any prevailing uncertain economic conditions. To meet their ordinary course of business obligations the company can also rely on support of the parent company, HUK 70 Limited, for at least the next 12 months. Therefore, the financial statements are prepared on a going concern basis.

#### 2.3 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

##### Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## Notes to the financial statements

For the period ended 28 May 2017

### 2. Accounting policies (continued)

#### 2.4 Tangible fixed assets

Certain freehold land and buildings are held under the valuation model, with changes in fair value recognised in the Statement of comprehensive income.

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

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Freehold property	- over 40 years
Leasehold improvements	- over estimated life or length of lease if shorter
Fixtures and fittings	- over 3-10 years
Computer equipment	- over 3-4 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

#### 2.5 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 2.6 Stocks

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

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

#### 2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

## Notes to the financial statements

For the period ended 28 May 2017

### 2. Accounting policies (continued)

#### 2.8 Cash and cash equivalents

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

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

#### 2.9 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

#### 2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.11 Foreign currency translation

##### Functional and presentation currency

The company's functional and presentational currency is GBP.

##### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.



## Notes to the financial statements

For the period ended 28 May 2017

### 2. Accounting policies (continued)

#### 2.12 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.13 Share based payments

As a member of a group whose employees are granted a share-based payment award from the parent entity, the company recognises the share based payment expense on the basis of a reasonable allocation of the total expense for the group. The allocation of the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

#### 2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

#### 2.15 Pensions

##### Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

#### 2.16 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

#### 2.17 Interest income

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

## Notes to the financial statements

For the period ended 28 May 2017

### 2. Accounting policies (continued)

#### 2.18 Provisions for liabilities

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

Provisions are charged as an expense to the Statement of comprehensive income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

#### 2.19 Taxation

Tax is recognised in the Statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

#### 2.20 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

## Notes to the financial statements

For the period ended 28 May 2017

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the period end date and the amounts reported for revenues and expenses during the period. However the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and key sources of estimation uncertainty have had the most significant effect on amounts recognised in the financial statements:

#### Operating lease commitments

The company obtains use as a lessee of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it requires or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

#### Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the company performs a recoverability test by comparing the sum of the estimated undiscounted future cash flows attributable to the asset group (store) in question to their carrying amounts. The future cash flow projections reflect only those expenses that are directly associated with, and that are expected to arise as a direct result of, the use of the asset group. For the asset groups that fail the recoverability test the company recognises an impairment charge to the extent the asset group's carrying value exceeds its estimated fair value. It is assumed that the fair value of the asset groups approximates the net present value of the groups' tax-effected future operating cash flows as measured in step one of the impairment test, plus the current estimated market value of any owned real estate assets. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

#### Stock obsolescence

The company maintains a reserve to provide for obsolete stock. The reserve is calculated with regards to the ageing of the stock and excess stock criteria. Exclusions from the calculation are made based on the timing of seasonal promotional campaigns and bulk initial purchases of new technology.

### 4. Turnover

The whole of the turnover is attributable to the sale of office supplies in the United Kingdom.

### 5. Other operating income

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Net rents receivable	744	916
Loss on disposal of tangible assets	(116)	(314)
	<u>628</u>	<u>602</u>

## Notes to the financial statements

For the period ended 28 May 2017

### 6. Operating profit/(loss)

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

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Depreciation of tangible fixed assets	4,574	4,575
Impairment of tangible fixed assets	1,600	2,697
Exchange differences	774	(1,358)
Defined contribution pension cost	814	782
	<u>814</u>	<u>782</u>

### 7. Auditor's remuneration

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	64	120
<b>Fees payable to the company's auditor and its associates in respect of:</b>		
Other assurance services	-	7
	<u>-</u>	<u>7</u>

Auditor's remuneration in the prior period was payable to the previous auditor of the company.

## Notes to the financial statements

For the period ended 28 May 2017

### 8. Employees

Staff costs, including directors' remuneration, during the period were as follows:

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Wages and salaries	28,385	24,331
Social security costs	1,860	1,775
Cost of defined contribution scheme	814	782
Share based payment (credit)	-	(84)
	<u>31,059</u>	<u>26,804</u>

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

	69 week period ended 28 May 2017 No.	52 week period ended 30 January 2016 No.
Stores	943	1,084
Administration	105	148
	<u>1,048</u>	<u>1,232</u>

### 9. Directors' remuneration

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Directors' emoluments	462	345
Company contributions to defined contribution pension schemes	6	5
	<u>468</u>	<u>350</u>

During the period, retirement benefits were accruing to 1 director (2016 - 2 directors) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £250,000 (2016 - £281,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,000 (2016 - £2,000).

## Notes to the financial statements

For the period ended 28 May 2017

### 10. Interest receivable

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Other interest receivable	1	1
	<u>1</u>	<u>1</u>

### 11. Interest payable and similar charges

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Loans from group undertakings	1,713	5,181
	<u>1,713</u>	<u>5,181</u>

### 12. Taxation

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Total current tax	-	-
Deferred tax		
Total deferred tax	-	-
Taxation on profit on ordinary activities	-	-

## Notes to the financial statements

For the period ended 28 May 2017

### 12. Taxation (continued)

#### Factors affecting tax charge for the period

The tax assessed for the period is lower than (2016 - higher than) the standard rate of corporation tax in the UK of 19.84% (2016 - 20.16%). The differences are explained below:

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Profit/(loss) on ordinary activities before tax	6,064	(21,713)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.84% (2016 - 20.16%)	1,203	(4,378)
Effects of:		
Expenses not deductible for tax purposes	(5,931)	1,568
Capital allowances for period in excess of depreciation	461	1,548
Other timing differences leading to an increase (decrease) in taxation	31	(162)
Unrelieved tax losses carried forward	1,352	1,424
Group relief	2,884	-
Total tax charge for the period	-	-

#### Factors that may affect future tax charges

There is a calculated deferred tax provision of £123,000 in relation to the revaluation of the investment property, which is expected to be realised at the point of sale by the company. This liability has been netted off to zero by a deferred tax asset in relation to tax losses. This asset will be realised simultaneously as the deferred tax liability.

There is a potential deferred tax asset of £5,910,891 (31 January 2016 - £4,752,140) which has not been recognised due to uncertainty surrounding the generation of taxable profits in the future.

The UK corporation tax rate was reduced from 20% to 19% on 31 March 2017. The UK government introduced legislation to reduce the corporation tax rate to 17% from 1 April 2020.

**Notes to the financial statements**

For the period ended 28 May 2017

**13. Exceptional administrative expenses**

	69 week period ended 28 May 2017 £000	52 week period ended 30 January 2016 £000
Severance costs	193	1,509
Leases restructure costs	2,669	1,462
Impairment of fixed assets	1,600	2,697
Loan forgiveness	(35,516)	-
	<u>(31,054)</u>	<u>5,668</u>

**14. Tangible fixed assets**

	Freehold land and buildings £000	Leasehold improve- ments £000	Fixtures, fittings and equipment £000	Total £000
<b>Cost or valuation</b>				
At 31 January 2016	3,429	41,944	44,818	90,191
Additions	-	856	2,345	3,201
Disposals	(1,611)	(5,258)	(5,365)	(12,234)
At 28 May 2017	<u>1,818</u>	<u>37,542</u>	<u>41,798</u>	<u>81,158</u>
<b>Depreciation</b>				
At 31 January 2016	148	30,825	41,235	72,208
Charge for the period	15	2,406	2,153	4,574
Disposals	(25)	(4,013)	(4,842)	(8,880)
Impairment charge	-	1,600	-	1,600
At 28 May 2017	<u>138</u>	<u>30,818</u>	<u>38,546</u>	<u>69,502</u>
<b>Net book value</b>				
At 28 May 2017	<u>1,680</u>	<u>6,724</u>	<u>3,252</u>	<u>11,656</u>
At 30 January 2016	<u>3,281</u>	<u>11,119</u>	<u>3,583</u>	<u>17,983</u>

Within the Freehold land and buildings category, there is a freehold property with a value of £1,150,000 (2016 - £1,150,000) which is held at fair value. The valuation for this property was performed by an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued, and on the basis of market value.



## Notes to the financial statements

For the period ended 28 May 2017

### 15. Stocks

	28 May 2017 £000	30 January 2016 £000
Finished goods and goods for resale	25,367	41,895

Stock recognised in cost of sales during the period as an expense was £122,448,000 (2016 - £116,334,000).

An impairment loss of £4,129,000 (2016 - £2,563,000) was recognised in cost of sales against stock during the period due to slow-moving and obsolete stock.

### 16. Debtors

	28 May 2017 £000	30 January 2016 £000
Trade debtors	4,408	8,368
Amounts owed by group undertakings	-	1,139
Other debtors	1,784	-
Prepayments and accrued income	5,655	9,480
	11,847	18,987

### 17. Cash and cash equivalents

	28 May 2017 £000	30 January 2016 £000
Cash at bank and in hand	2,490	2,905

### 18. Creditors: amounts falling due within one year

	28 May 2017 £000	30 January 2016 £000
Trade creditors	7,889	9,762
Amounts owed to group undertakings	8,018	50,265
Other taxation and social security	2,887	2,694
Other creditors	792	-
Accruals and deferred income	8,745	9,679
	28,331	72,400

## Notes to the financial statements

For the period ended 28 May 2017

### 19. Creditors: amounts falling due after more than one year

	28 May 2017 £000	30 January 2016 £000
Amounts owed to group undertakings	5,366	39,778
Accruals and deferred income	1,502	1,483
	<u>6,868</u>	<u>41,261</u>

#### Secured loans

For the period ended 28 May 2017, balances owing to the group undertakings are secured by way of a fixed and floating charge over the assets of the company.

### 20. Financial instruments

	28 May 2017 £000	30 January 2016 £000
<b>Financial assets</b>		
Financial assets measured at fair value through profit or loss	2,490	2,905
Financial assets that are debt instruments measured at amortised cost	6,192	10,634
	<u>8,682</u>	<u>13,539</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	(32,312)	(110,967)
	<u>(32,312)</u>	<u>(110,967)</u>

Financial assets measured at fair value through profit or loss comprise cash in hand and at bank.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and prepayments.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

## Notes to the financial statements

For the period ended 28 May 2017

### 21. Provisions

	Other restructure provisions £000	Property provisions £000	Total £000
At 31 January 2016	280	2,952	3,232
Charged to profit or loss	(147)	(1,565)	(1,712)
At 28 May 2017	133	1,387	1,520

Property provisions are made for future net property lease rentals and dilapidation costs payable on vacant and sub-let leasehold premises. Provision is also made for dilapidations on trading properties. This is expected to be utilised over the remaining lives of the leases or until the leases are exited.

Other restructure provisions relate to the remainder of the severance and other cost provisions for the severances which will take place as part of the ongoing restructuring program.

### 22. Share capital

	28 May 2017 £000	30 January 2016 £000
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
3,050,005 (2016 - 3,050,004) Ordinary shares of £1 each	3,050	3,050

During the period, 1 Ordinary share was issued for a total consideration of £43,700,000.

### 23. Reserves

#### Share premium account

This reserve records the amount above the nominal value received for shares issued.

#### Capital contribution reserve

This reserve records the difference between the present value of intercompany loans at the date of inception and their nominal value.

#### Profit and loss account

This reserve represents the accumulated profits and losses generated to date, less any distributions.

### 24. Share based payments

Until 17 November 2016, the company was a member of a group whose employees were granted a share-based payment award by Staples Inc. The company recognised and measured the share-based payment expense on the basis of a reasonable allocation of the expense for the group, the basis of the allocation being the charge recognised under US GAAP in Staples Inc.'s accounts in respect of the employees of the company. The quantum of the amount recognised is shown in the Statement of changes in equity.

## Notes to the financial statements

For the period ended 28 May 2017

### 25. Contingent liabilities

The company has leased properties with maintenance and repair requirements, and has included both a specific provision for leased properties with known potential dilapidations liabilities which have been provided for at the period end date, as well as including a general provision. The crystallisation of any such liabilities are contingent on the company's repair and maintenance programme not returning the property to its required condition by the end of the property lease. As the company has a maintenance programme in place to ensure properties are in good repair to mitigate exposure to potential dilapidations, it does not anticipate that material claims will crystallise.

### 26. Commitments under operating leases

At 28 May 2017, the company had future minimum lease payments under non-cancellable operating leases as follows:

	28 May 2017 £000	30 January 2016 £000
Not later than 1 year	28,552	31,080
Later than 1 year and not later than 5 years	81,572	101,887
Later than 5 years	29,159	45,828
	<u>139,283</u>	<u>178,795</u>

The company sub-lets parts of some of its leased properties. These non-cancellable leases have remaining terms between 2 and 6 years.

At 28 May 2017, the company had future minimum rent payments receivable under non-cancellable operating leases as set out below:

	28 May 2017 £000	30 January 2016 £000
Not later than 1 year	758	821
Later than 1 year and not later than 5 years	1,857	2,674
Later than 5 years	241	695
	<u>2,856</u>	<u>4,190</u>

## Notes to the financial statements

For the period ended 28 May 2017

### 27. Related party transactions

The company has taken advantage of the exemption under FRS 102 Section 33.1A. from providing details of transactions with related parties that are wholly owned members of a group.

During the period, fees relating to property and business rates were paid to Hilco Profit Recovery totalling £99,255 (period ended 30 January 2016: £nil). There were no amounts owed to Hilco Profit Recovery by the company at the reporting date (period ended 30 January 2016: £nil).

During the period, fees relating to support fees were paid to Hilco Property Limited totalling £52,716 (period ended 30 January 2016: £nil). There were no amounts owed to Hilco Property Limited by the company at the reporting date (period ended 30 January 2016: £nil).

During the period, fees relating to support fees were paid to HUK 72 limited totalling £2,340,361 (period ended 30 January 2016: £nil). There were no amounts owed to HUK 72 Limited by the company at the reporting date (period ended 30 January 2016: £nil).

#### *Key management personnel*

Certain persons who have authority and responsibility for planning directing and controlling the activities of the company are considered to be key management personnel. During the period, total compensation for key management personnel totalled £468,000.

### 28. Controlling party

By virtue of the acquisition of the entire share capital of the company, on 17 November 2016, the immediate parent undertaking of the company became OO Retail Limited, a company incorporated in England and Wales and with the same registered office as the company.

In the director's opinion, the ultimate controlling party of the company is Paul McGowan.