

Registered number: 2317752

**Top Shop/Top Man Limited**

**Annual report and financial statements**

**for the year ended 27 August 2016**



## **Top Shop/Top Man Limited**

### **Company Information**

#### **Directors**

P Budge  
J Sokoloff  
D Shepherd  
S Forey  
M Homer  
C Harris  
I Grabiner  
Sir P Green  
J Halper

#### **Company secretary**

M Gammon

#### **Registered number**

2317752

#### **Registered office**

Colegrave House  
70 Berners Street  
London  
W1T 3NL

#### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

## **Top Shop/Top Man Limited**

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## **Top Shop/Top Man Limited**

### **Strategic report for the year ended 27 August 2016**

#### **Introduction**

The directors present their Annual report and the audited financial statements of Top Shop/Top Man Limited ("the Company") for the year ended 27 August 2016.

#### **Principal activities and future developments**

The principal activity of the Company is the retailing of clothing and clothing accessories in the United Kingdom and internationally through stores and the internet under the Top Shop and Top Man brand names. The Company will continue to operate on the same basis for the foreseeable future.

#### **Business review**

During the year, the Company was a wholly owned subsidiary of Taveta Investments Limited ("Taveta") and a review of the group's businesses during the year, its future outlook and its position on 27 August 2016 is given on pages 1 to 3 of the financial statements of that company.

#### **Results for the year**

The profit for the financial year amounted to £59,432,000 (2015: £75,173,000).

During the year the Company incurred exceptional charges of £8,598,000 (2015: £519,000). These related to the movement on a provision against the future leasing obligations of the Company's loss-making stores and the impairment of fixed assets. Further details are set out in note 10.

As at 27 August 2016 the Company had net assets of £653,908,000 (2015: net assets of £594,476,000).

#### **Management and reporting of risks and key performance indicators (KPIs)**

The directors of Taveta Investments Limited manage the Company's risks and those of its fellow subsidiaries at a group level. Furthermore, they monitor the group's performance on a brand basis rather than at statutory level.

For these reasons the Company's directors do not believe that a discussion of the principal risks facing the Company or of the KPIs used to analyse its performance is appropriate for an understanding of its development, performance or financial position.

The KPIs used by the group and the principal business risks it faces are discussed on pages 3-5 of Taveta Investments Limited's annual report which does not form part of this report.

**Top Shop/Top Man Limited**

**Strategic report (continued)  
for the year ended 27 August 2016**

**Financial risk management**

The directors of Taveta Investments Limited manage the Company's financial risks and those of its fellow subsidiaries at group level. Furthermore, they monitor the group's performance on a brand basis rather than at statutory level.

For these reasons the Company's directors do not believe that a discussion of the principal financial risks facing the Company or of the management of those risks is appropriate for an understanding of its development, performance or financial position.

The principal risks faced by the Group, and the strategy it employs to manage those risks, are discussed on page 4 of Taveta Investments Limited's annual report which does not form part of this report.

This report was approved by the board on 25 May 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P Budge', is written over a faint, illegible stamp or watermark.

**P Budge  
Director**

## **Top Shop/Top Man Limited**

### **Directors' report for the year ended 27 August 2016**

The directors present their annual report and the audited financial statements for the year ended 27 August 2016.

#### **Transition to FRS 102**

This is the first year that the Company has presented its results under Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"). The impact of this transition is shown in note 26 of the financial statements.

#### **Matters covered in the strategic report**

The principal activities, the business review, financial risk management, KPIs and future developments are all discussed in the strategic report on pages 1 and 2.

#### **Dividends**

The directors do not recommend the payment of a dividend in respect of the financial year (2015: £nil).

#### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

P Budge  
J Sokoloff  
D Shepherd  
S Forey  
M Homer  
C Harris  
I Grabiner  
Sir P Green  
J Halper

## **Top Shop/Top Man Limited**

### **Directors' report for the year ended 27 August 2016**

#### **Directors' responsibilities statement**

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Employees and equal opportunities**

All staff are informed about matters concerning their interests as employees and the financial position of the Company through a number of communication channels including face-to-face briefings, an intranet site supplemented by e-mail announcements and a staff magazine.

The Board recognises the importance of a highly motivated and well trained workforce. It encourages employees' involvement in the Company's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in the part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service.

The Company is an equal opportunities employer, recruiting and promoting employees on the basis of their suitability for the job and on no other grounds. Proper consideration is given to employment applications from disabled persons whose aptitude and skills can be utilised within the business and to their training and career progression. Wherever possible, this includes the retraining and retention of staff that become disabled during their employment.

#### **Qualifying third party indemnity provisions**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company's ultimate parent company (Taveta Investments Limited) also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

**Top Shop/Top Man Limited**

**Directors' report  
for the year ended 27 August 2016**

**Disclosure of information to auditors**

In accordance with Section 418 of the Companies Act 2006, each of the persons who are directors at the time when this directors' report is approved has confirmed that:

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

**Independent auditors**

The Company has passed an elective resolution to dispense with the annual appointment of auditors. PricewaterhouseCoopers LLP will therefore continue as auditors in accordance with and subject to Section 487 of the Companies Act 2006.

This report was approved by the board on 25 May 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'P Budge', is written over a faint, illegible printed name.

**P Budge  
Director**

## **Top Shop/Top Man Limited**

### **Independent auditors' report to the members of Top Shop/Top Man Limited**

#### **Report on the financial statements**

##### **Our opinion**

In our opinion, Top Shop/Top Man Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 27 August 2016 and its profit for the year 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.

##### **What we have audited**

The financial statements, included within the Annual Report and financial statements (the "Annual Report"), comprise:

- the balance sheet as at 27 August 2016;
- the profit and loss account for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland and applicable law (United Kingdom Generally Accepted Accounting Practice)".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Other matters on which we are required to report by exception**

##### **Adequacy of accounting records and information and explanations received**

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, 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.

We have no exceptions to report arising from this responsibility.

##### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Top Shop/Top Man Limited

### Independent auditors' report to the members of Top Shop/Top Man Limited

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Paul Cragg (Senior Statutory Auditor)  
for and on behalf of  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
Date: 25 May 2017

Top Shop/Top Man Limited

Profit and loss account  
for the year ended 27 August 2016

	Note	Before exceptional items 2016 £000	Exceptional items (note 10) 2016 £000	Total 2016 £000	Before exceptional items 2015 £000	Exceptional items (note 10) 2015 £000	Total 2015 £000
Turnover	5	990,813	-	990,813	1,009,001	-	1,009,001
Cost of sales		(789,788)	(8,598)	(798,386)	(792,704)	(519)	(793,223)
<b>Gross profit/(loss)</b>		<b>201,025</b>	<b>(8,598)</b>	<b>192,427</b>	<b>216,297</b>	<b>(519)</b>	<b>215,778</b>
Administrative expenses		(37,998)	-	(37,998)	(35,933)	-	(35,933)
<b>Operating profit/(loss) before goodwill amortisation</b>		<b>163,027</b>	<b>(8,598)</b>	<b>154,429</b>	<b>180,364</b>	<b>(519)</b>	<b>179,845</b>
Goodwill amortisation		(44,898)	-	(44,898)	(44,898)	-	(44,898)
<b>Operating profit/(loss)</b>	6	<b>118,129</b>	<b>(8,598)</b>	<b>109,531</b>	<b>135,466</b>	<b>(519)</b>	<b>134,947</b>
Interest receivable and similar income	8	1,701	-	1,701	1,255	-	1,255
Interest payable and similar charges	9	(26,663)	-	(26,663)	(27,784)	-	(27,784)
<b>Profit on ordinary activities before taxation</b>		<b>93,167</b>	<b>(8,598)</b>	<b>84,569</b>	<b>108,937</b>	<b>(519)</b>	<b>108,418</b>
Tax on profit on ordinary activities	11	(25,137)	-	(25,137)	(33,245)	-	(33,245)
<b>Profit for the financial year</b>		<b>68,030</b>	<b>(8,598)</b>	<b>59,432</b>	<b>75,692</b>	<b>(519)</b>	<b>75,173</b>

All amounts relate to continuing operations.

There were no other comprehensive income transactions in 2016 or 2015 and therefore a statement of comprehensive income has not been presented.

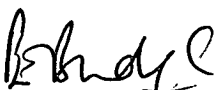
The notes on pages 11 to 32 form part of these financial statements.

Top Shop/Top Man Limited  
Registered number: 2317752

Balance sheet  
as at 27 August 2016

	Note	2016 £000	2015 £000
<b>Fixed assets</b>			
Intangible assets	12	771,483	799,815
Tangible assets	13	50,177	52,161
Investments	14	50	50
		<u>821,710</u>	<u>852,026</u>
<b>Current assets</b>			
Stocks	15	70,724	61,018
Debtors	16	133,490	121,269
Cash and cash equivalents		275,229	232,056
		<u>479,443</u>	<u>414,343</u>
Creditors: amounts falling due within one year	17	(166,277)	(169,990)
<b>Net current assets</b>		<u>313,166</u>	<u>244,353</u>
<b>Total assets less current liabilities</b>		<u>1,134,876</u>	<u>1,096,379</u>
Creditors: amounts falling due after more than one year	18	(475,000)	(500,000)
Other provisions	20	(5,968)	(1,903)
<b>Net assets</b>		<u><u>653,908</u></u>	<u><u>594,476</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	-	-
Share premium account		350,000	350,000
Retained earnings		303,908	244,476
<b>Total equity</b>		<u><u>653,908</u></u>	<u><u>594,476</u></u>

The financial statements on pages 8 to 32 were approved and authorised for issue by the board and were signed on its behalf on 25 May 2017.

  
P Budge  
Director

The notes on pages 11 to 32 form part of these financial statements.

**Top Shop/Top Man Limited**

**Statement of changes in equity  
for the year ended 27 August 2016**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Retained earnings £000</b>	<b>Total equity £000</b>
At 30 August 2015	-	350,000	244,476	594,476
Profit for the financial year	-	-	59,432	59,432
<b>At 27 August 2016</b>	<b>-</b>	<b>350,000</b>	<b>303,908</b>	<b>653,908</b>

**Statement of changes in equity  
for the year ended 29 August 2015**

	<b>Called up share capital £000</b>	<b>Share premium account £000</b>	<b>Retained earnings £000</b>	<b>Total equity £000</b>
At 31 August 2014	-	350,000	169,303	519,303
Profit for the financial year	-	-	75,173	75,173
<b>At 29 August 2015</b>	<b>-</b>	<b>350,000</b>	<b>244,476</b>	<b>594,476</b>

The notes on pages 11 to 32 form part of these financial statements.

## Top Shop/Top Man Limited

### Notes to the financial statements for the year ended 27 August 2016

#### 1. General information

Top Shop/Top Man Limited ("the Company") operates a number of retailing stores throughout the UK and internationally, selling clothing and clothing accessories under the Top Shop and Top Man brand names. The Company is a subsidiary of Taveta Investments Limited.

The Company is a private company limited by shares and is domiciled and incorporated in the United Kingdom. The address of its registered office is Colegrave House, 70 Berners Street, London, W1T 3NL.

#### 2. Statement of compliance

The financial statements of Top Shop/Top Man Limited been prepared in compliance with United Kingdom Accounting Standards, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### 3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. This is the first year that the Company has presented its results under Financial Reporting Standard 102, "The Financial Report Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"). The impact of this transition is shown in note 26 of the financial statements.

##### 3.1 Basis of preparation of financial statements

The financial statements have been prepared for the 52 weeks ended 27 August 2016 (2015: 52 weeks ended 29 August 2015).

The Company's functional and presentation currency is the pound sterling.

The financial statements are prepared on a going concern basis and under the historical cost convention.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. 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 4.

The Company is a subsidiary of Arcadia Group Limited and of its ultimate parent, Taveta Investments Limited. It is included in the consolidated financial statements of both Arcadia Group Limited and Taveta Investments Limited which are publicly available. Therefore the Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

**Notes to the financial statements  
for the year ended 27 August 2016**

**3. Accounting policies (continued)**

**3.2 Exemptions for qualifying entities under FRS 102**

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been applied with, including notification of, and no objection to, the use of the exemptions by the Company's shareholders.

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Taveta Investments Limited, includes the Company's cashflows in its own consolidated financial statements.

The Company has taken advantage of the exemption from the financial instrument disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29, as the information is provided in the consolidated financial statements disclosures of Taveta.

The Company has taken advantage of the exemption from disclosing the key management personnel compensation in total, on the basis that it is a qualifying entity and the key management personnel compensation is disclosed in the consolidated financial statements of Taveta, the Company's ultimate parent company.

**3.3 Related party transactions**

The Company has taken advantage of the exemption under FRS 102 from disclosing related party transactions with entities that are part of the Top Shop/Top Man (Holdings) Limited group.

The Company discloses transactions with related parties which are not wholly owned within the Top Shop/Top Man (Holdings) Limited group.

**Notes to the financial statements  
for the year ended 27 August 2016**

**3. Accounting policies (continued)**

**3.4 Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and value added taxes. An estimate is made for future returns (based on accumulated experience).

The Company recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity and (e) when the specific criteria relating to each of the Company's sales channels have been met, as described below.

**(i) Sale of goods - retail**

The Company operates retail shops for the sales of a range of own-branded products. Retail sales are usually settled by cash, credit or payment card. Revenue is recognised at the point of sale in the store.

Sales are made to customers with a right to return within 28 days, subject to certain conditions regarding the usage.

**(ii) Sale of goods - internet-based transactions**

The Company sells goods via its websites for delivery to the customer or collection from one of its retail stores. Revenue is recognised when the risks and rewards of the stock is passed to the customer. For deliveries to the customer this is the point of acceptance of the goods by the customer and for collection from store this is at the time of collection. Transactions are settled by online money transfer, credit or payment card.

Sales are made to customers with a right to return within 28 days, subject to certain conditions regarding the usage.

**(iii) Income from concession arrangements**

The Company operates concession arrangements whereby the Company receives a fixed percentage payment based on the concessionaires' revenue. The revenue is recognised on an accruals basis.

**(iv) Income from franchise fees**

In certain locations the Company has franchised its brands to third parties. Fees charged for the use of the rights granted by the agreement and related services are recognised as revenue as the rights are used and the services are provided.

**(v) Income from wholesale arrangements**

The Company fulfils a number of wholesale arrangements. Revenue is recognised when goods are dispatched and the risks and rewards of the stock are passed to the customer.

**Notes to the financial statements  
for the year ended 27 August 2016**

**3. Accounting policies (continued)**

**3.5 Intangible assets**

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and loss account over its useful economic life. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account.

**Other intangible assets**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of assets to their residual values over their estimated useful lives (ranging from 1 year to 10 years).

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed five years.

**3.6 Tangible assets and depreciation**

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

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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

Depreciation is provided on the following basis:

Fit out, fixtures and equipment - 3 to 10 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 within the profit and loss account.

Notes to the financial statements  
for the year ended 27 August 2016

3. Accounting policies (continued)

3.7 Impairment of fixed assets

The Company considers that each trading property is a separate cash generating unit (CGU) and therefore considers every property for an indication of impairment annually. If there is such an indication, the Company calculates each property's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value in use' and 'fair value less costs to sell'. If the recoverable amount is less than the book value, an impairment charge is recognised based on the following methodology:

'Value in use' is calculated by projecting individual store pre-tax cash flows over the remaining useful life of the store, based on forecasting assumptions for the next three years and then applying the Company's long-term growth rate assumption. These cashflows are discounted using a pre-tax discount rate based on the Company's weighted average cost of capital.

'Fair value less costs to sell' is estimated by the directors based on their knowledge of individual stores and the markets they serve and likely demand from other retailers. The directors may also obtain valuations for property prepared by independent valuers and consider these in carrying out their estimate of 'fair value less cost to sell' for the purposes of testing for impairment.

3.8 Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the lease term. Incentives to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Where the Company has leasehold stores that are loss-making, and projections indicate that their future cash flows will be insufficient to meet the related property costs, provision is made for the expected net cash outflows. These cash flows are discounted using an appropriate rate of return.

Where the Company is committed to disposing of a leasehold property, provision is made for the expected direct costs of disposal, together with any net cash outflows under the lease during the period prior to disposal. The Company also provides for the unavoidable costs of vacant properties and, where properties are sublet, any shortfall between the rents payable to its landlords and those recovered under tenancy agreements. These provisions are discounted where the impact is material and unwind upon the earlier of lease expiry and disposal.

3.9 Investments

The Company's fixed asset investments are shown at cost less amounts impaired. Provision is made where, in the opinion of the directors, there has been an impairment in the investments' carrying value.

3.10 Stock valuation

Stock is stated at the lower of cost and estimated selling price less costs to sell and represent goods for resale. Cost represents actual purchase price and includes the direct costs of warehousing and transportation to the stores. Provision is made where necessary for obsolete, slow-moving and defective stock.

3.11 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.

**Notes to the financial statements  
for the year ended 27 August 2016**

**3. Accounting policies (continued)**

**3.12 Financial instruments**

**(i) Financial assets**

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price. Such assets are subsequently measured at amortised cost using the effective interest method.

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 profit and loss account.

**(ii) Financial liabilities**

Basic financial instruments, including trade and other creditors and loans from fellow group companies are initially recognised at transaction price.

Trade creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

**(iii) Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

**3.13 Finance costs**

Finance costs are charged to the profit and loss account 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.

**3.14 Pensions**

The Company's employees participate in two defined benefit schemes operated by the group to which the Company contributes in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

The above schemes are now closed and eligible employees are offered the opportunity to join the group's defined contribution scheme. For this scheme, the amounts charged to the profit and loss account are the contributions payable during the year.

**3.15 Interest income**

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

**Notes to the financial statements  
for the year ended 27 August 2016**

**3. Accounting policies (continued)**

**3.16 Borrowing costs**

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

**3.17 Provisions for liabilities**

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**3.18 Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

**(i) Current tax**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(ii) Deferred tax**

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**3.19 Exceptional items**

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results as 'exceptional items'. These are disclosed separately to provide further understanding of the financial performance of the Company.

Notes to the financial statements  
for the year ended 27 August 2016

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment of tangible fixed assets

The Company considers whether tangible assets are impaired. Where an indication of impairment is identified, the Company calculates each cash generating unit's (CGUs) recoverable amount and compares this amount to its book value. This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

During the year, the directors have taken the opportunity to re-evaluate their approach to the impairment of tangible fixed assets and concluded that sufficient cash flow information exists at an individual property level in order to conduct an impairment assessment based on each property as a CGU. This represents a change in the estimate methodology from the previous brand level approach, which is treated prospectively. See note 10 for details of the current year impairment.

(ii) Provision for onerous leases

Provision is made for future leasing obligations of the Company's loss-making stores. These provisions require management's estimate of the costs that will be incurred based on contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement. See note 10 for details of onerous lease provisions in the year.

(iii) Taxes

Determining current tax provisions involves judgements on the tax treatment of certain transactions. Deferred tax is recognised on tax losses not yet used on timing differences where it is probable that there will be taxable income against which these can be offset. See note 19 for details of deferred tax recognised.

5. Turnover

Turnover is wholly attributable to the Company's principal activities.

A geographical analysis of turnover is as follows:

	2016 £000	2015 £000
United Kingdom	895,746	907,821
Rest of the world	95,067	101,180
	<u>990,813</u>	<u>1,009,001</u>

## Top Shop/Top Man Limited

### Notes to the financial statements for the year ended 27 August 2016

#### 6. Operating profit/(loss)

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

	2016 £000	2015 £000
Depreciation of tangible assets	16,516	16,146
Impairment of tangible assets	3,685	-
Amortisation of intangible assets	3,291	3,056
Amortisation of goodwill	44,898	44,898
Stock recognised as an expense	391,569	396,429
Impairment of stock	3,982	4,119
Operating lease rentals payable	70,296	69,127
Shared service charge from Arcadia Group Limited	37,998	35,933

None of the directors received remuneration in respect of his or her services to the Company during the year. (2015: £nil)

Auditors' remuneration has been borne by Arcadia Group Limited, a fellow group undertaking. There were no non-audit services provided by the Company's auditors in the year (2015: none).

#### 7. Staff costs

Staff costs were as follows:

	2016 £000	2015 £000
Wages and salaries	116,342	115,202
Social security costs	7,986	7,696
Other pension costs (note 22)	1,707	1,721
	<u>126,035</u>	<u>124,619</u>

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

	2016 No.	2015 No.
Retailing activities	<u>9,069</u>	<u>9,423</u>

The average monthly number of full-time equivalent employees was 4,571 (2015: 4,746).

#### 8. Interest receivable and similar income

	2016 £000	2015 £000
On bank deposits	<u>1,701</u>	<u>1,255</u>

Notes to the financial statements  
for the year ended 27 August 2016

9. Interest payable and similar charges

	2016 £000	2015 £000
On bank loans and overdrafts	25	9
Unwind of discount rate on provisions (note 20)	156	244
On vendor loan notes (see notes 17 and 18)	26,250	27,500
Other interest payable	232	31
	<u>26,663</u>	<u>27,784</u>

10. Exceptional cost of sales

	2016 £000	2015 £000
Provision for onerous leases on loss-making stores	4,913	(236)
Impairment of tangible assets	3,685	-
Overseas pre-opening costs	-	755
	<u>8,598</u>	<u>519</u>

As in the prior year, the Company has reviewed those leasehold stores currently making a loss to assess whether their future operating cash flows are projected to meet their rental and other property cost obligations. Where appropriate, the projected shortfall between the operating cash flows and the property costs for the period of the lease or, if earlier, to the expected date of disposal, has been provided for. The figure above reflects an increase in the provision which was recognised against leases in prior years of £4,183,000, and also an increase in the provision for new loss-making stores of £730,000. The resultant provision has been discounted to net present value at a rate of 4%.

The Company considers that each trading property is a separate cash generating unit (CGU) and therefore considers every property for an indication of impairment annually. The Company calculates each property's recoverable amount and compares this amount to its book value. The recoverable amount is determined as the higher of 'value in use' and 'fair value less costs of disposal' and is discounted to net present value at a pre-tax discount rate of 10.4%. If the recoverable amount is less than the book value, an impairment charge is recognised. Having applied the above methodology, the Company has recognised an impairment charge of £3,685,000 (2015: £nil) during the year. For further details see note 4(i).

At 27 August 2016, the key assumption to which the 'value-in-use' calculation is most sensitive is the sales growth rate over the forecast period. Specific sensitivity analysis with regard to this assumption shows that a further decrease of 1% would result in an additional impairment charge of approximately £1,969,000.

2015

The Company opened 1 new overseas store in Europe during the year ended 29 August 2015 and incurred pre-opening costs (primarily marketing and PR) of £755,000.

Notes to the financial statements  
for the year ended 27 August 2016

11. Tax on profit on ordinary activities

	2016 £000	2015 £000
<b>Current tax</b>		
UK corporation tax charge on profit for the year	21,127	33,654
Adjustments in respect of previous years	(1,248)	1,108
<b>Total current tax</b>	<u>19,879</u>	<u>34,762</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	5,383	(1,568)
Adjustments in respect of previous years	(578)	6
Effects of changes in tax rates	453	45
<b>Total deferred tax</b>	<u>5,258</u>	<u>(1,517)</u>
<b>Taxation on profit on ordinary activities</b>	<u>25,137</u>	<u>33,245</u>

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2015: higher than) the standard rate of corporation tax in the UK of 20.0% (2015: 20.6%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	<u>84,569</u>	<u>108,418</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.0% (2015: 20.6%)	16,913	22,312
<b>Effects of:</b>		
Expenses not deductible for tax purposes	9,597	9,774
Adjustments to tax charge in respect of previous years	(1,826)	1,114
Tax rate changes	453	45
<b>Taxation on profit on ordinary activities</b>	<u>25,137</u>	<u>33,245</u>

The Company has entered into a group payment arrangement whereby Arcadia Group Limited undertakes to make corporation tax payments on behalf of all companies within the Arcadia group. Accordingly, at the year end the Company's corporation tax creditor has been offset against amounts owed by group undertakings (note 16).

## Top Shop/Top Man Limited

### Notes to the financial statements for the year ended 27 August 2016

#### 11. Tax on profit on ordinary activities (continued)

##### Factors that may affect future tax charges

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. The overall effect of these changes, if they had applied to the deferred tax balance at the balance sheet date, would be to reduce the deferred tax asset by an additional £227,000 and increase the tax expense for the period by £227,000.

#### 12. Intangible assets

	Software £000	Goodwill £000	Total £000
<b>Cost</b>			
At 30 August 2015	28,603	897,951	926,554
Additions	19,857	-	19,857
At 27 August 2016	<u>48,460</u>	<u>897,951</u>	<u>946,411</u>
<b>Accumulated amortisation</b>			
At 30 August 2015	3,271	123,468	126,739
Charge for the year	3,291	44,898	48,189
At 27 August 2016	<u>6,562</u>	<u>168,366</u>	<u>174,928</u>
<b>Net book value</b>			
At 27 August 2016	<u>41,898</u>	<u>729,585</u>	<u>771,483</u>
At 29 August 2015	<u>25,332</u>	<u>774,483</u>	<u>799,815</u>

On 5 December 2012, Top Shop/Top Man Limited acquired the trade and assets of Top Shop/Top Man UK businesses from Arcadia Group Brands Limited, a fellow group undertaking, for a consideration of £876,613,000. Goodwill of £897,951,000 arose due to the difference in consideration received and the book value of the net liabilities attributable to the operation at the date of sale.

The consideration paid was determined by reference to an enterprise value (an approximation of market value) of the Top Shop/Top Man brand and the operation's share of that brand.

Top Shop/Top Man Limited

Notes to the financial statements  
for the year ended 27 August 2016

13. Tangible assets

	<b>Fit out, fixtures and equipment £000</b>
<b>Cost</b>	
At 30 August 2015	101,745
Additions	18,217
Disposals	(333)
	<hr/>
At 27 August 2016	119,629
	<hr/>
<b>Accumulated depreciation and impairment</b>	
At 30 August 2015	49,584
Charge for the year	16,516
Disposals	(333)
Impairment charge	3,685
	<hr/>
At 27 August 2016	69,452
	<hr/>
<b>Net book value</b>	
At 27 August 2016	50,177
	<hr/> <hr/>
At 29 August 2015	52,161
	<hr/> <hr/>

## Top Shop/Top Man Limited

### Notes to the financial statements for the year ended 27 August 2016

#### 14. Fixed asset investments

	Investments in subsidiary undertakings £000
<b>Cost</b>	
At 30 August 2015	50
At 27 August 2016	50
<b>Net book value</b>	
At 27 August 2016	50
At 29 August 2015	50

#### Subsidiary undertakings

The directors believe that the carrying value of the investments is supported by their underlying net assets.

At 27 August 2016, with the exception of Parkwood Topshop Athletic Limited (50%), the Company owned the whole of the issued ordinary shared capital of the subsidiary undertakings listed below:

Name	Country of operation	Country of registration	Principal activity
Arcadia Group (USA) Limited	USA	England	Fashion retailing
Top Shop/Top Man (Ireland) Limited	Ireland	Ireland	Fashion retailing
Top Shop/Top Man (Germany) Limited	United Kingdom	England	Dormant
Top Shop/Top Man Properties Limited	United Kingdom	England	Property investment
Top Shop/Top Man (Wholesale) Limited	United Kingdom	England	Fashion wholesaling
Top Shop/Top Man (Netherlands) B.V.	Netherlands	Netherlands	Property holding
Top Shop/Top Man (Trinity) Limited	United Kingdom	England	Dormant
Parkwood Topshop Athletic Limited	United Kingdom	England	Fashion Retailing

## Top Shop/Top Man Limited

### Notes to the financial statements for the year ended 27 August 2016

#### 15. Stocks

	2016 £000	2015 £000
Goods for resale	70,724	61,018

Stocks are stated after provision for impairment of £3,263,000 (2015: £3,434,000).

#### 16. Debtors

	2016 £000	2015 £000
<b>Amounts falling due within one year</b>		
Trade debtors	26,594	26,706
Amounts owed by group undertakings	92,917	76,683
Other debtors	6,345	421
Deferred tax asset (note 19)	4,078	9,336
Prepayments and accrued income	3,556	8,123
	<u>133,490</u>	<u>121,269</u>

Amounts owed by group undertakings are interest free, unsecured and repayable on demand.

Trade debtors are stated after provisions for impairment of £567,000 (2015: £1,199,000).

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

	2016 £000	2015 £000
Vendor loan note	25,000	25,000
Trade creditors	78,542	84,699
Taxation and social security	15,364	16,084
Other creditors	21,256	21,088
Accruals and deferred income	26,115	23,119
	<u>166,277</u>	<u>169,990</u>

The vendor loan notes bears interest at 5%, is unsecured and repayable on demand (this requires both parties to agree to an immediate repayment).

Top Shop/Top Man Limited

Notes to the financial statements  
for the year ended 27 August 2016

18. Creditors: amounts falling due after more than one year

	2016 £000	2015 £000
Vendor loan note	<u>475,000</u>	<u>500,000</u>

The vendor loan note bears interest at 5%, is unsecured and repayable on demand (this requires both parties to agree to an immediate repayment).

19. Deferred taxation

	Deferred tax £000
At 30 August 2015	9,336
Charged to the profit and loss account	(5,258)
<b>At 27 August 2016</b>	<u><u>4,078</u></u>

The deferred tax asset is made up as follows:

	2016 £000	2015 £000
Fixed asset timing differences	3,396	2,093
Other timing differences	682	7,243
	<u>4,078</u>	<u>9,336</u>

## Top Shop/Top Man Limited

### Notes to the financial statements for the year ended 27 August 2016

#### 20. Provisions

	<b>Onerous leases £000</b>
At 30 August 2015	<b>1,903</b>
Charged to the profit and loss account	<b>4,913</b>
Discount unwind	<b>156</b>
Utilised in year	<b>(1,004)</b>
	<hr/>
<b>At 27 August 2016</b>	<b>5,968</b>

#### **Onerous leases**

The onerous lease provision relating to loss-making stores is discounted at a return of 4%. A decrease in the discount rate of 1% would result in an increase in the provision of £432,000 (2015: £35,000). Provision has been made for the remaining period of the leases, which on average is 5.0 years (2015: 6.4 years).

The exceptional charge of £4,913,000 reflects an increase in the provision on properties for which a provision was recognised in prior years of £4,183,000 and also an increase in the provision for new loss-making stores of £730,000.

#### 21. Called up share capital

	<b>2016 £</b>	<b>2015 £</b>
<b>Allotted and fully paid</b>		
2 (2015: 2) ordinary shares of £1 each	<b>2</b>	<b>2</b>
	<hr/> <hr/>	<hr/> <hr/>

## Top Shop/Top Man Limited

### Notes to the financial statements for the year ended 27 August 2016

#### 22. Pension commitments

The Company's eligible employees participate in two defined benefit schemes operated by Arcadia Group Limited to which the Company contributes in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. These schemes are financed through separate trustee administered funds. Contributions to the schemes are based on actuarial advice following the most recent valuations of the funds.

Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

During the year, the Company contributed £nil (2015: £nil) to the above schemes.

An actuarial valuation of the defined benefit schemes referred to above, and carried out as at 27 August 2016 for the purposes of FRS 102 section 28, identified that the present value of their liabilities exceeded the market value of the schemes' assets by £348,726,000 (2015: £189,331,000). The detailed disclosures required by FRS 102 are provided for the Group as a whole in the consolidated financial statements of the Company's ultimate parent undertaking, Taveta Investments Limited.

The defined benefit schemes above are now closed to future accrual and eligible employees were offered the opportunity to join the Group's defined contribution scheme, to which the Company contributed £1,707,000 (2015: £1,721,000) in the financial year.

#### 23. Related party transactions

During the year the Company incurred a shared service recharge from Arcadia Group Limited of £37,998,000 (2015: £35,933,000).

The Group has an agreement with a fellow subsidiary, Arcadia Group Limited, whereby numerous costs are incurred on the Group's behalf and recharged monthly on an arm's length basis. At the year end the amount owed by Arcadia Group Limited to the Company was £2,200,000 (2015: 4,200,000).

The Company occupies trading stores where the leases are owned by fellow Arcadia Group Limited subsidiaries outside of the Top Shop/Top Man (Holdings) Limited group. The charge to the Company in the year was £22,132,000 (2015: £24,280,000).

Parkwood Topshop Athletic Limited ('Parkwood') is a joint venture between Top Shop/Top Man Limited ('TSTM') and Parkwood Athletic LLC to develop a brand for athletic wear. During the year TSTM provided funding of £5,129,000 (2015: £981,000) on behalf of Parkwood.

In 2012 as part of the financing of the transfer of trade and net assets of the Top Shop/Top Man businesses the Company issued vendor loan notes to Arcadia Group Limited for the value of £600,000,000.

The Company made a capital repayment of £25,000,000 (2015: £25,000,000) and paid accrued interest of £26,250,000 (2015: £27,500,000). At the year end the total amount outstanding on the vendor loan note was £500,000,000 (2015: £525,000,000) (see notes 17 and 18).

## **Top Shop/Top Man Limited**

### **Notes to the financial statements for the year ended 27 August 2016**

#### **24. Ultimate parent undertaking and controlling party**

The Company's immediate parent company is Top Shop/Top Man Holdings Limited a company incorporated in England. The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England. The largest group to consolidate these financial statements is Taveta Investments Limited. The smallest group is Arcadia Group Limited. Copies of both Arcadia Group Limited and Taveta consolidated financial statements can be obtained by writing to the Secretary at Colegrave House, 70 Berners Street, London, W1T 3NL.

The Company's ultimate controlling party is Lady Cristina Green.

#### **25. Contingent liabilities**

The Company considers the potential obligations which may arise as a result of past events and the uncertainty of the impact on the Company. Where the Company identifies an obligation for which payment is probable and the amount can be reliably estimated, a provision is recognised. The Company has given guarantees in respect of property leases held by other group companies, which at 27 August 2017 amounted to £2,123,000 (2015: £70,000).

Top Shop/Top Man Limited

Notes to the financial statements  
for the year ended 27 August 2016

26. Transition to FRS 102

		As previously stated 31 August 2014 £000	Effect of transition 31 August 2014 £000	FRS 102 (as restated) 31 August 2014 £000	As previously stated 29 August 2015 £000	Effect of transition 29 August 2015 £000	FRS 102 (as restated) 29 August 2015 £000
	<b>Note</b>						
Fixed assets	2,3	887,321	-	<b>887,321</b>	851,975	51	<b>852,026</b>
Current assets	2,3	356,281	(18,883)	<b>337,398</b>	451,042	(36,699)	<b>414,343</b>
Creditors: amounts falling due within one year	2,3	(176,597)	(770)	<b>(177,367)</b>	(183,214)	13,224	<b>(169,990)</b>
<b>Net current assets</b>		<b>179,684</b>	<b>(19,653)</b>	<b>160,031</b>	<b>267,828</b>	<b>(23,475)</b>	<b>244,353</b>
<b>Total assets less current liabilities</b>		<b>1,067,005</b>	<b>(19,653)</b>	<b>1,047,352</b>	<b>1,119,803</b>	<b>(23,424)</b>	<b>1,096,379</b>
Creditors: amounts falling due after more than one year		(525,000)	-	<b>(525,000)</b>	(500,000)	-	<b>(500,000)</b>
Provisions for liabilities		(3,049)	-	<b>(3,049)</b>	(1,903)	-	<b>(1,903)</b>
<b>Net assets</b>		<b>538,956</b>	<b>(19,653)</b>	<b>519,303</b>	<b>617,900</b>	<b>(23,424)</b>	<b>594,476</b>
Capital and reserves		538,956	(19,653)	<b>519,303</b>	617,900	(23,424)	<b>594,476</b>

**Top Shop/Top Man Limited**

**Notes to the financial statements  
for the year ended 27 August 2016**

**26. Transition to FRS 102 (continued)**

	As previously stated 29 August 2015 £000	Effect of transition 29 August 2015 £000	FRS 102 (as restated) 29 August 2015 £000
Note			
Turnover	1,009,001	-	<b>1,009,001</b>
Cost of sales	2,3 (788,509)	(4,714)	<b>(793,223)</b>
	220,492	(4,714)	<b>215,778</b>
Administrative expenses	(80,831)	-	<b>(80,831)</b>
<b>Operating profit</b>	<b>139,661</b>	<b>(4,714)</b>	<b>134,947</b>
Interest receivable and similar income	1,255	-	<b>1,255</b>
Interest payable and similar charges	(27,784)	-	<b>(27,784)</b>
Tax on profit on ordinary activities	2,3 (34,188)	943	<b>(33,245)</b>
<b>Profit for the financial period</b>	<b>78,944</b>	<b>(3,771)</b>	<b>75,173</b>

Explanation of changes to previously reported profit and equity:

1 Holiday pay

FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. Previously, holiday pay accruals were not recognised and were charged to the profit and loss account as they were paid. This has resulted in the Group recognising a liability for holiday pay of £770,000 on transition to FRS 102. In the year to 29 August 2015 a charge of £6,000 was recognised in the profit and loss account and the liability at 29 August 2015 was £776,000.

Notes to the financial statements  
for the year ended 27 August 2016

26. Transition to FRS 102 (continued)

2 Lease incentives

Under previous UK GAAP, operating lease incentives, including rent free periods and fit-out contributions, were spread over the shorter of the lease period or the period to when the rental was set to a fair market rent. FRS 102 requires that such incentives to be spread over the lease period. The Company has elected for a full conversion meaning the FRS 102 accounting policy has been applied to all leases existing before and after the transition date. Accordingly at transition, the Company recognised a reduction in retained earnings of £23,796,000 with a corresponding decrease in the amounts due from group undertakings. For the year to 29 August 2015 there was an increase in the operating lease charge of £4,708,000. The total impact on amounts due from group undertakings to 29 August 2015 was a decrease of £28,504,000.

3 Deferred taxation

The impact of deferred tax as a result of the adjustments noted items 1 and 2 decreased the deferred tax liability by £4,913,000 at the transition date. The movement in the period to 29 August 2015 resulted in a credit to the profit and loss account of £943,000. The asset in respect of deferred tax on items 1 and 2 at 29 August 2015 totalled £5,856,000.

4 Computer software

In addition to the transition adjustments identified above which affect profit for the financial year, the following adjustment had no effect on net equity or the profit and loss account but has affected the presentation of this item on the balance sheet.

Computer software, with a net book value of £12,552,000 at 31 August 2014, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Group's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation. The net book value reclassified at 29 August 2015 was £25,332,000.