

Registered number: 2317752

Top Shop/Top Man Limited

Annual report and financial statements

for the 53 weeks ended 1 September 2018



Top Shop/Top Man Limited

Company Information

Directors

P Bloxham
S Forey
I Grabiner
P Green
P Price
J Richens

Company secretary

Michelle Gammon

Registered number

2317752

Registered office

Colegrave House
70 Berners Street
London
England

W1T 3NL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square
29 Wellington Street
Leeds
England

LS1 4DL

Top Shop/Top Man Limited

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Top Shop/Top Man Limited

Strategic report for the 53 weeks ended 1 September 2018

Introduction

The directors present their Strategic report of Top Shop/Top Man Limited ("the Company") for the 53 weeks ended 1 September 2018.

The financial statements have been prepared for the 53 weeks ended 1 September 2018 (2017: 52 weeks ended 26 August 2017).

Principal activities

The principal activity of the Company is the retailing, wholesaling and franchising of clothing and clothing accessories in the United Kingdom and internationally through stores and the internet. The Company trades under the brand names Topshop and Topman.

Results for the period

The loss for the financial period amounted to £498,526,000 (2017: restated loss of £15,633,000).

The Company incurred principally non-cash exceptional costs in the period of £488,849,000 (2017: £12,584,000) in relation to provisions for onerous leases, impairment of both tangible and intangible assets and impairment of fixed assets investments and intercompany debtors. The exceptional cash incurred being £5,415,000 (2017: £ nil). Further details are set out in note 6.

As at 1 September 2018 the Company had net assets of £135,023,000 (2017: restated net assets of £633,549,000).

Business review

During the period the Company was a wholly-owned subsidiary of Taveta Investments Limited. A review of Taveta Investments Limited and its subsidiaries (the "Group") business during the period, its future outlook and its position on 1 September 2018 is given on pages 1 to 6 of the financial statements of that company.

Group restructure

The Company is part of a Group which launched 7 individual entity Company Voluntary Arrangement ("CVA") proposals on 22 May 2019 relating to 5 property companies, Arcadia Group Limited and Top Shop/Top Man Limited. These CVAs and parallel agreements with the Group's pension trustees have allowed the Group to reduce future cash outgoings, and will enable the Group to implement its 3 year Business and Recovery Plan. As part of the restructure the Group will receive £50.0 million of equity financing from its ultimate shareholder, £10.0 million of which was received on 25 June 2019 and the balance (which will be held by the supervisor of the CVA to fund a Creditors Compensation Fund required to ensure that no compromised creditors are worse off as a result of the CVA than they would have been in an insolvency) was received on 2 September 2019. In addition, the Group has received a £50.0 million interest-free loan from the ultimate shareholder, which is secured on the new distribution centre in Daventry. The majority shareholder will continue to provide support in the form of a rent subsidy, up to £9.1 million per annum for the 3 years following the agreement of the CVAs.

Future developments

Following the launch of the CVAs referred to above, the Company is now expected to remain in its current form.

Management and reporting of principal risks and Key Performance Indicators (KPIs)

Due to the close intra-group relationships between the active companies of the Taveta Investments Limited Group the risks disclosed within Taveta Investments Limited in pages 6 to 8 apply across the Group due to the interdependency of these companies.

The directors of the Company manage the Company's risks at a group level. The risks of Taveta Investments Limited and all of its group companies are managed centrally as the risks this Company faces are dependent on the Group as a whole. Key business risks are monitored on an ongoing basis by the directors, and strategies are developed to mitigate such risks and minimise their impact.

Top Shop/Top Man Limited

**Strategic report (continued)
for the 53 weeks ended 1 September 2018**

This report was approved by the board and authorised for issue and were signed on its behalf on 6 September 2019.

A handwritten signature in black ink, appearing to be 'J Richens', written over a horizontal line.

J Richens
Director
6 September 2019

Top Shop/Top Man Limited

Directors' report for the 53 weeks ended 1 September 2018

The directors present their report and the audited financial statements for the 53 weeks ended 1 September 2018.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial period. 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare 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 responsible for safeguarding the assets of the Company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who served during the period and up to the date of approval of the financial statements were:

Peter Bloxham (appointed 11 April 2019)
Paul Budge (resigned 1 September 2018)
Siobhan Forey
Ian Grabiner
Sir Philip Green
James Halper (resigned 31 December 2018)
Chris Harris (resigned 18 December 2017)
Adam Levyn (appointed 31 December 2018, resigned 22 March 2019)
Paul Price (appointed 28 September 2017)
Jon Richens (appointed 9 October 2018)
David Shepherd (resigned 28 September 2017)
Jamie Drummond Smith (appointed 11 April 2019, resigned 30 August 2019)
Jonathan Sokoloff (resigned 22 March 2019)

Dividends

The directors do not recommend the payment of a dividend in respect of the period (2017: £ nil).

Top Shop/Top Man Limited

Directors' report (continued) for the 53 weeks ended 1 September 2018

Charitable donations

During the period the Group donated £177,000 (2017: £187,000) directly to various UK charitable organisations.

In addition, all of the Group's brands work closely with a selected charity partner to raise funds through corporate and individual employee initiatives. A number of the brands have created exclusive products, which are sold in store, to generate proceeds for their selected charities.

During the period, the funds raised through the Topshop and Topman brands charitable activities was £32,000 (2017: £149,000).

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 and an intranet site supplemented by e-mail announcements. The Company encourages two way communication through these channels, whereby views of the employees are taken into account.

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 provision

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 period and is currently in force. The Company's ultimate parent company (Taveta Investments Limited) also purchased and maintained throughout the financial period directors' and officers' liability insurance in respect of itself and its directors.

Matters covered in the strategic report

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

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 the director is aware, there is no relevant audit information of which the Company's auditors are 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 auditors are aware of that information.

Top Shop/Top Man Limited

Directors' report (continued) for the 53 weeks ended 1 September 2018

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.

Going concern

In the opinion of the directors it is appropriate to prepare the financial statements on the going concern basis as its parent company, Arcadia Group Limited ("AGL"), has confirmed its intention to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements were signed. The directors believe this financial support to be required due to the Company's reliance on group financing and the ongoing trading challenges it faces.

The financial statements of AGL for the period ended 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. They also make reference to material uncertainties which could impact the going concern position of the Group and therefore AGL's ability to provide continued financial support to the Company.

The directors of the Company have reviewed the basis on which the AGL directors have concluded it is appropriate to prepare the AGL accounts on a going concern basis, and are satisfied with this conclusion.

The factors referred to above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

This report was approved by the board and authorised for issue and were signed on its behalf on 6 September 2019



Jon Richens
Director
6 September 2019

Top Shop/Top Man Limited

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

Report on the audit of the financial statements

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 1 September 2018 and of its loss for the 53 week period ("the period") then ended;
- have been properly prepared 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); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 1 September 2018; the profit and loss account, the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3.2 to the financial statements concerning the Company's ability to continue as a going concern.

As the Company requires continued financial support due to ongoing trading challenges, it has been given an undertaking from Arcadia Group Limited (AGL) its parent company to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements are signed. The financial statements of AGL for the period end 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Agreements in June 2019. They also make reference to a number of material uncertainties including ongoing trading and the availability of financing which could impact the going concern position of the Group and therefore AGL's ability to provide continued financial support to the Company.

These conditions, together with other matters explained in note 3.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report for the 53 weeks ended 1 September 2018, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report for the 53 weeks ended 1 September 2018

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the 53 week period ended 1 September 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report for the 53 weeks ended 1 September 2018.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Top Shop/Top Man Limited

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

Use of this report

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.

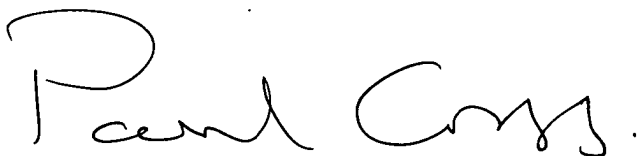
Other required reporting

Companies Act 2006 exception reporting

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

We have no exceptions to report arising from this responsibility.



Paul Cragg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
Date: 6 September 2019

Top Shop/Top Man Limited

Profit and loss account
for the 53 weeks ended 1 September 2018

		Before exceptional items 2018 £ 000	Exceptional items (note 6) 2018 £ 000	Total 2018 £ 000	Restated* Before exceptional items 2017 £ 000	Exceptional items (note 6) 2017 £000	Restated* Total 2017 £000
	Note						
Turnover	5	846,762	-	846,762	933,626	-	933,626
Cost of sales		(749,260)	(122,899)	(872,159)	(813,279)	(12,584)	(825,863)
Gross profit/(loss)		97,502	(122,899)	(25,397)	120,347	(12,584)	107,763
Administrative expenses		(46,214)	(173,149)	(219,363)	(42,388)	-	(42,388)
Operating profit/(loss) before goodwill amortisation	7	51,288	(296,048)	(244,760)	77,959	(12,584)	65,375
Goodwill amortisation		(44,898)	(192,801)	(237,699)	(44,898)	-	(44,898)
Total operating profit/(loss)		6,390	(488,849)	(482,459)	33,061	(12,584)	20,477
Interest receivable and similar income	9	785	-	785	948	-	948
Interest payable and expenses	10	(23,435)	-	(23,435)	(25,275)	-	(25,275)
(Loss)/profit before tax		(16,260)	(488,849)	(505,109)	8,734	(12,584)	(3,850)
Tax on loss	11	(4,126)	10,709	6,583	(14,092)	2,309	(11,783)
Loss for the financial period		(20,386)	(478,140)	(498,526)	(5,358)	(10,275)	(15,633)

There was no other comprehensive income for 2018 (2017: £ nil).

All amounts relate to continuing operations.

The notes on pages 12 to 40 form part of these financial statements.

*See note 27 for details of prior year restatement.

Top Shop/Top Man Limited
Registered number: 2317752

Balance sheet
as at 1 September 2018

	Note	2018 £000	Restated* 2017 £000
Fixed assets			
Intangible assets	12	502,166	733,927
Tangible assets	13	14,561	38,895
Fixed asset investments		-	50
		<u>516,727</u>	<u>772,872</u>
Current assets			
Stock	15	84,525	89,848
Debtors: amounts falling due within one year	16	66,704	190,138
Cash at bank and in hand		124,220	216,961
		<u>275,449</u>	<u>496,947</u>
Creditors: amounts falling due within one year	17	(189,375)	(301,950)
		<u>86,074</u>	<u>194,997</u>
Net current assets		<u>86,074</u>	<u>194,997</u>
Total assets less current liabilities		<u>602,801</u>	<u>967,869</u>
Creditors: amounts falling due after more than one year	18	(360,000)	(325,000)
Provisions for liabilities			
Other provisions	20	(107,778)	(9,320)
		<u>(107,778)</u>	<u>(9,320)</u>
Net assets		<u>135,023</u>	<u>633,549</u>
Capital and reserves			
Share premium account		350,000	350,000
(Accumulated losses)/retained earnings		(214,977)	283,549
Total equity		<u>135,023</u>	<u>633,549</u>

*See note 27 for details of prior year restatement.

The financial statements were approved by the board and authorised for issue and were signed on its behalf on 6 September 2019.



J Richens
Director

The notes on pages 12 to 40 form part of these financial statements.

Top Shop/Top Man Limited

**Statement of changes in equity
for the 53 weeks ended 1 September 2018**

	Called up share capital £000	Share premium account £000	*Restated Retained earnings/ (accumulated losses) £000	Total equity £000
At 28 August 2016 (restated)	-	350,000	299,182	649,182
Loss for the financial period	-	-	(15,633)	(15,633)
At 27 August 2017 (restated)	-	350,000	283,549	633,549
Loss for the financial period	-	-	(498,526)	(498,526)
At 1 September 2018	-	350,000	(214,977)	135,023

The notes on pages 12 to 40 form part of these financial statements.

*See note 27 for details of prior year restatement.

Top Shop/Top Man Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

1. General information

Top Shop/Top Man Limited ("the Company") operates a number of retailing stores, internet sites, wholesale and franchise arrangements throughout the UK and internationally, selling clothing and clothing accessories under the Topshop and Topman 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, England, W1T 3NL.

2. Statement of compliance

The financial statements of Top Shop/Top Man Limited have 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 periods presented, unless otherwise stated.

3.1 Basis of preparation of financial statements

The financial statements have been prepared for the 53 weeks ended 1 September 2018 (2017: 52 weeks ended 26 August 2017).

The Company's functional and presentation currency is the pound sterling. The financial statements are rounded to thousands.

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 its judgement 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 Taveta Investments Limited. It is included in the consolidated financial statements of 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.

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

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.2 Going concern

In the opinion of the directors it is appropriate to prepare the financial statements on the going concern basis as its parent company, Arcadia Group Limited ("AGL"), has confirmed its intention to provide it with continued financial support for a period of at least 12 months from the date on which the financial statements were signed. The directors believe this financial support to be required due to the Company's reliance on group financing and the ongoing trading challenges it faces.

The financial statements of AGL for the period ended 1 September 2018 note that AGL and the wider Arcadia Group entered into a number of Company Voluntary Arrangements in June 2019. They also make reference to material uncertainties which could impact the going concern position of the Group and therefore AGL's ability to provide continued financial support to the Company.

The directors of the Company have reviewed the basis on which the AGL directors have concluded it is appropriate to prepare the AGL accounts on a going concern basis, and are satisfied with this conclusion.

The factors referred to above indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

3.3 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 also 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 of Taveta Investments Limited.

The Company has taken advantage of the exemption under FRS 102 paragraph 33.1A from disclosing transactions entered into between two or more members of the Taveta Investments Limited Group.

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

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.4 Turnover

Turnover 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 turnover 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. Turnover 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. Turnover is recognised when the risks and rewards of the stock are 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 acts as a selling agent and receives a fixed percentage payment based on the concessionaires' turnover. The turnover 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 turnover as the rights are used and the services are provided.

(v) Income from wholesale arrangements

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

3.5 Exceptional items

The Company classifies certain one-off charges or credits that have a material impact on the Company's financial results either by their nature or value are classified as 'exceptional items', these items include, but are not limited to, onerous lease provisions, fixed asset impairment and restructuring costs. These are disclosed separately to provide further understanding of the financial performance of the Company. For further details see note 6.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.6 Leased Assets

The Company trades from outlets which have external leases held by fellow Group property companies. The property company recharges rent, rates and service charge on an arm's length basis to this trading Company based on both the amount and quality of space occupied within the outlet. This intra-group arrangement does not form an agreement with the landlord.

Rentals payable under intra-group arrangements 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 costs of disposal, together with any net cash outflows under the lease during the period prior to disposal.

3.7 Interest receivable and similar income

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

3.8 Interest payable and similar expenses

Costs associated with the issue of bank and other borrowings are deferred and are charged to the profit and loss account over the term of the respective loan at a constant rate to the loan's carrying value.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.9 Tax

Tax 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 period 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.

3.10 Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities recorded in foreign currencies are at the rates ruling at the balance sheet date.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.11 Intangible assets

Goodwill and business combinations

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination.

On acquisition of a business, fair values are attributed to the identifiable assets and liabilities, unless the fair value cannot be reliably measured, in which case the value is incorporated in goodwill.

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account over its estimated economic life (20 years). Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the profit and loss account.

Software

Intangible assets are stated at cost less accumulated amortisation and 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).

Amortisation is charged to administrative expenses in the profit and loss account.

The assets are reviewed for impairment where there are indicators that they may be impaired.

Costs that are associated with maintaining computer software are recognised as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.12 Impairment of intangible assets

The Group considers whether any events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. If there is such an indication, the Group calculates the assets 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'. 'Value in use' is calculated by looking at estimated future cash flows discounted to their present value using a pre-tax discount rate based on the Group's weighted average cost of capital. 'Fair value less costs to sell' is estimated by the directors based on their knowledge of the markets they serve and likely demand.

Where the fair value of an asset cannot be measured directly, such as goodwill, the fair value is calculated based on the fair value of the cash generating units of which the goodwill is part of. Where goodwill cannot be allocated to individual cash generating units, goodwill is tested by determining the recoverable amount of the entity or group of entities.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has changed. Where there is an indication that the loss has decreased or no longer exists, and does not relate to goodwill, the impairment loss is reversed to the extent that the carrying value of the asset does not exceed the carrying value that would have been determined net of amortisation had no impairment losses been recognised in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

3.13 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 15 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 profit and loss account.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.14 Impairment of tangible 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 four 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has changed. Where there is an indication that the loss has decreased or no longer exists, the impairment loss is reversed to the extent that the carrying value of the asset or cash generating unit does not exceed the carrying value that would have been determined net of depreciation or amortisation had no impairment losses been recognised in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

3.15 Investments

The Company's fixed asset investments are solely investments in subsidiaries and are shown at cost less accumulated impairment. Provision is made where, in the opinion of the directors, there has been an impairment in the investments' carrying value based on the higher of the fair value of the net assets or value in use of each subsidiary. Impairment is recognised in the profit and loss account.

3.16 Stock valuation

Stock is stated at the lower of cost and estimated selling price less costs to sell and represents 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.

3.17 Amounts owed from group undertakings

Amounts owed from group undertakings are stated at cost, less any provision for impairment. Provision is made where in the opinion of the directors there has been a reduction of the amount recoverable by the Company. When assessing impairment of amounts due from group undertakings, management considers factors including the current financial position of the associated undertaking and historical experience.

Impairment provisions recognised in prior periods are assessed at each reporting date for any indication that the loss has changed. Where there is an indication that the loss has decreased or no longer exists, the impairment loss is reversed. Impairment is recognised as an exceptional item in the profit and loss account.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.18 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 53 weeks ended 1 September 2018**

3. Accounting policies (continued)

3.19 Financial instruments

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at the market rate of interest. 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.

3.20 Other provisions

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.

3.21 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. These schemes are disclosed in the financial statements of the sponsoring employer, Arcadia Group Limited.

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 period.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

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.

The Company makes estimates, judgements and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period as discussed below:

Significant judgements

(i) The company applies judgement in identifying the significant items of income and expense that are recognised as exceptional to help provide an indication of the Company's underlying business performance. See note 6 for a description of exceptional items.

Significant estimates and assumptions

(i) Impairment of trading outlet tangible fixed assets

The Company considers whether separate cash generating units ("CGUs") are identifiable and will test for impairment at the lowest identifiable level. The Company has identified that each trading outlet is a separate CGU and therefore considers every outlet for an indication of impairment.

Where an indication of impairment is identified, the Company calculates each 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 an appropriate discount rate in order to calculate the net present value of those cash flows. The recoverable amounts of CGUs have been determined based on the higher of value in use and fair value less costs to sell. See notes 6 for details of current period impairment, including sensitivities on discount rate and sales growth.

(ii) Impairment of non-trading tangible, intangible assets and goodwill

The Company considers whether central tangible, intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires an assessment of the recoverable value of CGUs. 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. The Group believes with the exception of the trading outlets assets of the Top Shop/ Top Man Holdings subgroup are not considered to have separately identifiable cash flows and are therefore tested as a whole using the remaining cash flows of the business not used by trading outlets. See note 6 for details of current year impairment, including sensitivity analysis on trading cashflows.

(ii) Provision for onerous leases

A provision is made for the future leasing obligations of the Group'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 the net present value of the obligations require management's judgement. The onerous lease provision relating to loss-making stores is discounted at a rate of return of 3.47% (2017: 4%).

(iv) Impairment of intercompany debtors

The Company tests whether its intercompany debtors have suffered any impairment. When assessing impairment of intercompany debtors, management considers factors including the current financial position of the associated undertaking and historical experience.

Top Shop/Top Man Limited

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

5. Turnover

	2018	2017
	£000	£000
UK	763,476	846,899
USA	23,723	28,121
Rest of World	59,563	58,606
	846,762	933,626

Substantially the turnover above is attributable to the Company's principal activities, that of the retailing of clothing and clothing accessories through stores and the internet and third party business.

Top Shop/Top Man Limited

Notes to the financial statements
for the 53 weeks ended 1 September 2018

6. Exceptional items

	2018 £000	2017 £000
Cost of sales		
Charge of provision for onerous leases on loss-making stores	100,046	4,848
Impairment of tangible assets	17,438	6,562
Termination of partner agreement	4,456	-
Restructuring costs	959	-
	<u>122,899</u>	<u>11,410</u>
Administrative expenses		
Impairment of intercompany debtors	161,279	-
Impairment of investments	50	-
Provision against debt owed from joint venture (other debtors)	11,820	-
	<u>173,149</u>	<u>-</u>
Goodwill amortisation		
Impairment of intangible assets	192,801	1,174
	<u>192,801</u>	<u>1,174</u>

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

6. Exceptional items (continued)

Provision for onerous lease on loss-making stores

The Company trades from outlets which have external leases held by fellow Group property companies. The property company recharges rent, rates and service charge on an arm's length basis to this trading Company based on both the amount and quality of space occupied within the outlet. This intra-group arrangement does not form an agreement with the landlord.

As in the prior period, the Company has reviewed all leasehold stores 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.

In some circumstances there is more than one group trading company occupying the space within an outlet. In such cases the rental and other property cost obligations, which are used as part of the above test, relate specifically to the Company's share of costs.

Where the other Group trading company has an excess of operating cashflows over its own share of the property cost obligations, this surplus has been used to limit the provision required in this Company, such that the provision is also appropriately assessed at an outlet level.

The total charge in the period is £100,046,000 (2017: £4,848,000) and reflects an increase in the provision which was recognised against leases in the prior years of £5,258,000 (2017: £621,000) as well as an increase in the provision for new loss-making stores of £94,788,000. The resultant provision has been discounted to net present value at a rate of 3.47% (2017: 4%). See note 20. The tax credit arising on the movement on the onerous lease provision is £8,224,000 (2017: £950,000).

The key assumptions to which the 'value-in-use' calculation are most sensitive to are the trading cashflow assumptions over the forecast period and the discount rate applied to the cashflows. Specific sensitivity analysis with regard to these assumptions show that a decrease in LFL sales of 1% would result in an increase in the provision of £13,051,000. A decrease in the discount rate of 1% would result in an increase in the provision of £7,427,000. Provision has been made for the remaining period of the leases, which on average is 5.6 years (2017: 4.4 years).

Impairment of tangible and intangible assets

The Company has recognised an impairment charge of £17,438,000 (2017: £6,562,000) on tangible assets and £192,801,000 (2017: £1,174,000) on intangible assets during the period. For further details see note 4(i).

Tangible assets

The Group considers whether separate cash generating units ("CGUs") are identifiable and will test for impairment at the lowest identifiable level. The Group has identified that each trading outlet is a separate CGU and therefore considers every outlet for an indication of impairment annually. The Company calculates each outlet'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%. If the recoverable amount is less than the book value, an impairment charge is recognised.

In some circumstances there is more than one group trading company occupying the space within an outlet. In such cases the cashflows and book values of the outlet will be aggregated from the Group companies to complete the impairment test at the outlet level. Any resultant impairment will be allocated across the Group companies based on the proportion of the book value that it holds.

At 1 September 2018, the key assumptions to which the 'value-in-use' calculation are most sensitive are the sales growth rate over the forecast period and the discount rate applied to the cashflows. Specific sensitivity analysis with regard to these assumptions show that a decrease in sales of 1% would result in an additional impairment charge of £190,000. An increase in the discount rate of 1% would result in an additional impairment charge of £8,000.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

6. Exceptional items (continued)

Intangible assets

The Company considers whether central tangible, intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires an assessment of the recoverable value of CGUs. 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. The Group believes with the exception of the trading outlets assets of the Top Shop/ Top Man Holdings subgroup are not considered to have separately identifiable cash flows and are therefore tested as a whole using the remaining cash flows of the business not used by trading outlets.

At 1 September 2018, the key assumption to which the 'value-in-use' calculation are most sensitive is the wholesale and digital trading cashflow assumptions over the forecast period. Specific sensitivity analysis with regard to these assumptions show that a decrease in net digital and wholesale contribution of 5% would result in an additional impairment of approximately £37.6 million.

At 1 September 2018 there were indicators that some other intangible assets may be impaired due to the termination of software development projects. Accordingly the Company recognised an impairment charge of £ nil (2017: £1,174,000) against these intangible assets.

Provision against debt owed from joint venture

During the period the Group has provided a sum of £11,820,000 (2017: £nil) against the intercompany amount owed from joint ventures (2017: £nil). This primarily relates to the amounts owed by Parkwood Topshop Athletic Limited. The tax credit arising on this item is £2,246,000 (2017: £nil).

Impairment of intercompany debtors

During the period the Company recognised an impairment charge of £161,279,000 (2017: £ nil) against amounts owed from group undertakings. As the group undertaking did not have sufficient net assets, the directors do not believe these amounts to be recoverable. No tax credit was recognised in respect of this charge (2017: £ nil).

Impairment of Investments

During the period the Company recognised an impairment charge of £50,000 (2017: £ nil) relating to a reduction in the carrying value of the Companies fixed asset investments. No tax credit was recognised in respect of this charge (2017: £ nil).

Termination of partner agreement

On 21 June 2018 the Company terminated its China franchise agreement with a wholesale partner. £4,456,000 (2017: £nil) was paid in order to terminate the agreement and to re-acquire intellectual property rights that had been granted to the partner in China. The tax credit arising on this item is £366,000 (2017: £nil).

Restructuring costs

During the period the Company incurred £959,000 (2017: £ nil) of restructuring costs. These primarily related to redundancy costs. The cash outflow relating to these costs was £959,000. A tax credit of £78,000 (2017: £ nil) is recognised on this cost.

Notes to the financial statements
for the 53 weeks ended 1 September 2018

7. Operating (loss)/ profit

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

	2018 £000	2017 £000
Depreciation of tangible assets	11,904	14,634
Impairment of tangible assets	17,438	6,562
Impairment of goodwill	192,801	-
Amortisation of software	5,990	5,277
Amortisation of goodwill	44,898	44,898
Stock recognised as an expense	344,922	381,205
Impairment of stock	3,756	4,979
Operating lease rentals payable	71,298	70,235
Shared service charge payable to Arcadia Group Limited	46,214	42,388
Impairment of other intangibles	-	1,174
	<u> </u>	<u> </u>

Auditors' remuneration of £77,000 (2017: £10,000) has been borne by Arcadia Group Limited, a fellow group undertaking. There were no non-audit services provided by the auditors to the company in the period (2017: £ nil).

The property rental charge above represents a recharge from the other group companies in relation to operating lease obligations that are borne by those group companies.

Top Shop/Top Man Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

8. Staff costs

Staff costs were as follows:

	2018 £000	2017 £000
Wages and salaries	111,589	118,183
Social security costs	7,784	8,323
Other pension costs (note 23)	1,593	1,598
	<u>120,966</u>	<u>128,104</u>

The average monthly number of employees, including the directors, during the 53 weeks was as follows:

	2018 No.	2017 No.
Retailing activities	<u>7,625</u>	<u>8,519</u>

The average monthly number of full-time equivalent employees was 3,853 (2017: 4,363).

The Directors of the Company were paid for their services to the Company by a fellow group undertaking, Arcadia Group Limited, which makes no specific director recharge to the Company. Their services as directors of the Company are incidental to their other services within the Group and it is not possible to make an accurate apportionment of their emoluments in respect of their services to the Company.

The key management personnel are considered to be the directors of the Company.

9. Interest receivable and similar income

	2018 £000	2017 £000
Bank deposits	<u>785</u>	<u>948</u>

10. Interest payable and similar expenses

	2018 £000	2017 £000
Bank interest payable	26	26
Unwind of discount rate on provisions	381	234
Loans from group undertakings	23,028	25,000
Other interest payable	-	15
	<u>23,435</u>	<u>25,275</u>

Notes to the financial statements
for the 53 weeks ended 1 September 2018

11. Tax on loss

	2018 £000	Restated* 2017 £000
Corporation tax		
UK corporation tax charge on (loss)/profit for the period	(10,061)	11,174
Adjustments in respect of previous periods	(1,035)	1,044
	<u>(11,096)</u>	<u>12,218</u>
Total current tax	<u>(11,096)</u>	<u>12,218</u>
Deferred tax		
Origination and reversal of timing differences	5,096	(1,849)
Adjustments in respect of prior periods	(47)	997
Re-measurement of deferred tax - change in UK tax rates	(536)	417
	<u>4,513</u>	<u>(435)</u>
Total deferred tax	<u>4,513</u>	<u>(435)</u>
Taxation on loss on ordinary activities	<u>(6,583)</u>	<u>11,783</u>

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.6%). The differences are explained below:

	2018 £000	Restated* 2017 £000
Loss on ordinary activities before tax	<u>(505,109)</u>	<u>(3,850)</u>
Loss before tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.6%)	(95,971)	(755)
Effects of:		
Expenses not deductible for tax purposes	77,278	10,080
Adjustments to tax charge in respect of prior periods	(1,082)	2,041
Re-measurement of deferred tax - change in UK tax rates	(855)	417
Deferred tax asset not provided	14,047	-
Total tax (credit)/charge for the period	<u>(6,583)</u>	<u>11,783</u>

*See note 27 for details of prior year restatement.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

11. Tax on loss (continued)

The current period UK corporation tax credit arises primarily from carrying back losses to the prior period. Expenses not deductible for tax purposes includes goodwill amortisation and impairment charges.

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

Factors that may affect future tax charges

The Finance Act 2016 reduced the main rate of corporation tax to 17% from 1 April 2020. Closing deferred tax balances have therefore been valued at 17% or 19% (2017: 17% or 18%) depending on the date they are expected to fully unwind.

Due to the availability of surplus UK tax losses, the Group anticipates that future tax charges will be lower than the standard rate of UK corporation tax.

12. Intangible assets

	Software £000	Goodwill £000	Total £000
Cost			
At 27 August 2017	60,490	897,951	958,441
Additions	11,886	-	11,886
Cost Transfer	160	-	160
	<hr/>	<hr/>	<hr/>
At 1 September 2018	72,536	897,951	970,487
	<hr/>	<hr/>	<hr/>
Accumulated Amortisation			
At 27 August 2017	11,250	213,264	224,514
Charge for the period	5,990	44,898	50,888
Amortisation Transfer	118	-	118
Impairment charge	-	192,801	192,801
	<hr/>	<hr/>	<hr/>
At 1 September 2018	17,358	450,963	468,321
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 September 2018	<u>55,178</u>	<u>446,988</u>	<u>502,166</u>
At 26 August 2017	<u>49,240</u>	<u>684,687</u>	<u>733,927</u>

Top Shop/Top Man Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

12. Intangible assets (continued)

On 5 December 2012, Top Shop/Top Man Limited acquired the trade and assets of Topshop/Topman 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.

13. Tangible assets

	Restated* Fit out, fixtures and equipment £000
Cost	
At 27 August 2017	126,913
Additions	4,949
Transfers between classes	(293)
Disposals	(5,502)
Transfers intra group	466
At 1 September 2018	<u>126,533</u>
Accumulated depreciation	
At 27 August 2017	88,018
Charge for the period on owned assets	11,904
Transfers between classes	(95)
Disposals	(5,502)
Transfers intra group	209
Impairment Charge	17,438
At 1 September 2018	<u>111,972</u>
Net book value	
At 1 September 2018	<u>14,561</u>
At 26 August 2017	<u>38,895</u>

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

13. Tangible assets (continued)

The cost of disposals and depreciation on disposals of fit out, fixtures and equipment includes the removal of £3,649,000 (2017: £ nil) of fully depreciated assets no longer in use.

*During the period, the Company reviewed the cost and depreciation of the fully depreciated retired assets and have restated the fixed asset note accordingly. The effect of the restatement has no overall impact on the balance sheet. The impact is to increase cost brought forward and depreciation brought forward in the tangible asset note by £40,623,000.

Top Shop/Top Man Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

14. Investments

	Shares in subsidiary undertakings £000
Cost	
At 26 August 2017	<u>50</u>
Impairment	
Charge for the period	<u>50</u>
At 1 September 2018	<u><u>-</u></u>

During the period ended 1 September 2018, the Company recognised an impairment charge of £50,000 (2017: £ nil) relating to a reduction in the carrying value of its fixed asset investments in Parkwood Topshop Athletic Limited.

Subsidiary Undertakings

At 1 September 2018, with the exception of Parkwood Topshop Athletic Limited (50%), the Company owned the whole of the issued ordinary share capital of the subsidiary undertakings listed below. The registered office for Top Shop/Top Man (Ireland) Limited is: Grand Canal Square, Dublin 2. The registered office for Top Shop/Top Man (Netherlands) B.V. is 48/52 Kalverstraat, 1012PE, Amsterdam. The registered office for all other companies is: Colegrave House, 70 Berners Street, London, W1T 3NL.

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

Top Shop/Top Man Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

15. Stock

	2018 £000	2017 £000
Goods for resale	<u>84,525</u>	<u>89,848</u>

Stock is stated after provision for impairment of £3,756,000 (2017: £4,390,000).

16. Debtors (amounts falling due within one year)

	2018 £000	Restated* 2017 £000
Trade debtors	21,978	27,502
Amounts owed by group companies	21,562	136,106
Other debtors	7,200	13,660
Tax recoverable	13,621	3,346
Deferred tax asset (note 19)	-	4,513
Prepayments and accrued income	2,343	5,011
	<u>66,704</u>	<u>190,138</u>

The tax recoverable arises primarily due to a carry back of UK tax losses to the prior period.

Amounts owed from joint ventures (Parkwood Topshop Athletic Limited) are stated after provisions for impairment of £11,820,000 (2017: £ nil). On 12 November 2018 Parkwood Topshop Athletic Limited (PTAL) signed an asset sale agreement in which it sold its intellectual property in the Ivy Park brand to the previous joint venture partner, Parkwood Athletic LLC for \$7,000,000 (see note 25 for further details).

Amounts owed by group undertakings are interest-free, unsecured and repayable on demand. They are stated after provision for impairment of £161,279,000 (2017: £ nil).

Trade debtors are stated after provisions for impairment of £2,221,000 (2017: £5,025,000).

*See note 27 for details of prior year restatement.

Notes to the financial statements
for the 53 weeks ended 1 September 2018

17. Creditors: amounts falling due within one year

	2018 £000	2017 £000
Vendor loan note owed to group undertaking	65,000	150,000
Trade creditors	80,411	101,067
Other tax and social security	11,668	8,580
Other creditors	15,662	18,391
Accruals and deferred income	16,634	23,912
	<u>189,375</u>	<u>301,950</u>

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

	2018 £000	2017 £000
Vendor loan note owed to group undertaking	<u>360,000</u>	<u>325,000</u>

The vendor loan note bears interest at 5%, is secured by way of a fixed and floating charge and is repayable on demand. This requires both parties to agree to immediate repayment. The ageing disclosed reflects the current repayment schedule.

19. Deferred taxation

	2018 £000
At 27 August 2017	4,513
Charged to the profit and loss account	(4,513)
At 1 September 2018	<u>-</u>

Top Shop/Top Man Limited

Notes to the financial statements for the 53 weeks ended 1 September 2018

19. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2018 £000	2017 £000
Capital allowances	-	3,532
Other timing differences	-	981
	<u>-</u>	<u>4,513</u>

The Company has an unprovided deferred tax asset of £12,700,000 (2017: £ nil) relating to UK trading losses and surplus capital allowances which may be used to offset profits in future periods. It is likely that a substantial proportion of the unprovided asset would be recognised within 12 months upon the completion of a successful challenge-free Company Voluntary Arrangement.

Notes to the financial statements
for the 53 weeks ended 1 September 2018

20. Provisions

	Onerous leases £000
At 27 August 2017	9,320
Charged to the profit and loss account	100,046
Discount unwind	383
Utilised in period	(1,971)
	<hr/>
At 1 September 2018	107,778
	<hr/> <hr/>

The onerous lease provision relating to loss-making stores is discounted at a rate of return of 3.47% (2017: 4%). The key assumptions to which the 'value-in-use' calculation are most sensitive to are the trading cashflow assumptions over the forecast period and the discount rate applied to the cashflows. Specific sensitivity analysis with regard to these assumptions show that a decrease in LFL sales of 1% would result in an increase in the provision of £13,051,000. A decrease in the discount rate of 1% would result in an increase in the provision of £7,427,000. Provision has been made for the remaining period of the leases, which on average is 5.6 years (2017: 4.4 years).

The exceptional charge of £100,046,000 reflects an increase in the provision on properties for which a provision was recognised in prior periods of £5,258,000, with an increase in the provisions for new loss-making stores of £94,788,000.

The approval of the CVAs and the other group restructuring in June 2019 means there is likely to be a material release of the onerous lease provision in the period to 31 August 2019 as a result of reduced rent and rates obligations.

21. Called up share capital

	2018 £	2017 £
Allotted and fully paid		
2 (2017: 2) Ordinary shares of £1.00 each	2	2
	<hr/>	<hr/>

22. 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 1 September 2018 amounted to £15,315,000 (2017: £1,500,000)

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

23. Pension commitments

The Company's eligible employees participate in two defined benefit schemes operated by Arcadia Group Limited. 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. During the period, the Company contributed £ nil (2017: £ nil) to the above schemes.

An actuarial valuation of the defined benefit schemes referred to above, and carried out as at 1 September 2018 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 £138,384,000 (2017: £299,662,000). 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 £1,593,000 (2017: £1,598,000) in the financial period.

24. Related party transactions

During the period the Company incurred a shared service recharge from Arcadia Group Limited of £46,214,000 (2017: £42,388,000).

The Company has an agreement with a fellow subsidiary, Arcadia Group Limited, whereby numerous costs are incurred on the Company's behalf and recharged monthly on an arm's length basis. At the period end the amount owed by Arcadia Group Limited to the Company was £501,000 (2017: £607,000).

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 period was £20,766,000 (2017: £20,856,000).

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 period TSTM provided funding of £5,148,000 (2017: £7,662,000) to Parkwood. At the period end Parkwood owed the Company £18,916,000 (2017: £13,772,000) which has been provided against by the amount of £11,820,000 (2017: £nil) on the basis it is not deemed recoverable.

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 £50,000,000 (2017: £25,000,000) and paid accrued interest of £23,750,000 (2017: £25,000,000). At the period end the total amount outstanding on the vendor loan note was £425,000,000 (2017: £475,000,000) (see notes 17 and 18).

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

25. Post balance sheet events

Company Voluntary Arrangement

The Company is part of a Group who on 12 June 2019 announced the approval of 7 Company Voluntary Arrangements (CVAs) aimed at addressing the over-rented position of the UK estate and right-sizing the UK store portfolio in order to allow the business to implement a 3 year Business and Recovery Plan. The CVAs have been approved for the following companies:

Top Shop/Top Man Limited
Arcadia Group Limited
Burton/Dorothy Perkins Properties Limited
Outfit Retail Properties Limited
Redcastle Limited
Top Shop/Top Man Properties Limited
Wallis Retail Properties Limited

An in-depth review of the property portfolio was performed with the assistance of a number of advisors, including property, legal and financial specialists. The CVAs are effective for a period of 3 years. As a result the Group is expected to benefit by around £47 million per annum through a combination of earlier closure of loss-making stores and reduced rents and will also benefit from savings in business rates of around £26.3 million through to April 2020.

The CVAs have been achieved with on-going financial support from the majority shareholder both for the Group and for the UK pension schemes (see below).

The CVA rent savings have been achieved with the assistance of a rent subsidy which has been provided by the majority shareholder, which in the first 12 months will be to the value of around £6.4 million. In the subsequent 24 months the majority shareholder will continue to provide support in the form of a rent subsidy, to a maximum value of circa £6.4 million per annum.

The majority shareholder has provided a £50.0 million interest-free loan secured on the new distribution centre (DC) in Daventry (the Aldsworth Equity loan) and has also committed £50.0 million of equity funding to provide £10.0 million of working capital for the business and to fund the £40.0 million Creditors Compensation Fund required to carry out the CVAs. £10.0 million of this equity was received on 25 June 2019, with the balance being received on 2 September 2019.

On 15 July the CVA challenge periods ended with the Group receiving challenges from 3 legal entities representing 2 USA landlords. These challenges were subsequently withdrawn meaning that the CVAs are now challenge free.

AG USA - Appointment of administrators

On 22 May 2019 Arcadia Group (USA) Limited "AG USA" was placed into administration. At 1 September 2018 the carrying value of the net liabilities related to AG USA Ltd operations was £84.2m. AG USA had been responsible for operating the 11 Topshop/Topman retail stand-alone stores in the USA which have now closed. Other USA sales of the Topshop and Topman brands through the wholesale relationship with Nordstrom and digital sales made from the UK are not impacted by the closure of AG (USA) Ltd.

**Notes to the financial statements
for the 53 weeks ended 1 September 2018**

25. Post balance sheet events (continued)

Aldsworth Equity Limited loan

On 22 March 2019 the Company entered into a 3 year loan agreement between Aldsworth Equity Limited as lender and Top Shop/Top Man (Trinity) Limited as borrower. The borrower immediately advanced this facility to Top Shop/Top Man Limited via an intra-group loan. The loan agreement was for £50.0m at 0% interest rate and was secured on the new Distribution Centre at Daventry. Aldsworth Equity Limited is a related party (whose ultimate owner is Lady Cristina Green).

Parkwood

On 12 November 2018 Parkwood Topshop Athletic Limited (PTAL) signed an asset sale agreement in which it sold its intellectual property in the Ivy Park brand to the previous joint venture partner, Parkwood Athletic LLC for \$7,000,000. As part of the transaction, Parkwood Athletic LLC transferred all of its shares in PTAL to Top Shop/Top Man Limited. PTAL has fulfilled all of the orders that it had at that date and has liquidated all of its stock. This entity has now been renamed as Aceves Limited. Once all of its affairs are settled it is intended to conduct a solvent liquidation of Aceves Limited, which is about to begin. The financial impact to the accounts for the period ended 31 August 2019 is unknown.

26. 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, 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 Investments Limited consolidated financial statements can be obtained by writing to the Secretary at Colegrave House, 70 Berners Street, London, W1T 3NL.

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

27. Prior year adjustment

During the period, the Taveta Investments Limited group reviewed its accounting policy in relation to the treatment of USA digital costs. This has resulted in a restatement from Arcadia Group (USA) Limited to Top Shop/Top Man Limited in the prior period profit and loss account for the periods ending 27 August 2016 and 26 August 2017 in order to be consistent with other group companies.

The effect of the restatement has been to increase prior period cost of sales by £4,758,000 and the prior year brought forward reserves by £4,726,000 which has been treated as taxable. The amounts owed by group companies has been increased by £9,484,000.