**Office Holdings Limited**

**Annual Report and Financial Statements**

**for the 52 weeks ended 30 June 2019**

# Office Holdings Limited
# Directors and Advisers
**For the 52 weeks ended 30 June 2019**

| | |
|---|---|
| **Directors** | David Pfaff<br>Kerry Van Der Merwe<br>Lorenzo Moretti |
| **Company number** | 01764341 |
| **Registered office** | Classic House,<br>Martha's Buildings,<br>180 Old Street,<br>London,<br>EC1V 9BP,<br>England |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>The Atrium,<br>1 Harefield Road,<br>Uxbridge,<br>Middlesex,<br>UB8 1EX,<br>England |

# Office Holdings Limited
# Contents

# Office Holdings Limited
# Strategic Report
## For the 52 weeks ended 30 June 2019

The directors present their strategic report for the 52 week period ended 30 June 2019.

**Principal activities**
Office Holdings Limited's (the "Company") principal activity is to trade as a leading omni-channel fashion footwear retailer through its 'Office' and 'Offspring' fascias "Office". It operates through a portfolio of 115 stores and 24 concessions (2018: 116 stores, 40 concessions) across the United Kingdom, the Republic of Ireland and Germany, combined with a growing ecommerce channel that accounted for 34% of total retail sales (2018: 31%).

Concessions are with House of Fraser, Selfridges, Arcadia (Topshop/Topman) and Brown Thomas, while the stores trading in Germany and the Republic of Ireland are operated as branches of the UK business.

**Trading**
Office generated sales of £285.2 million for the 52 weeks to 30 June 2019 (2018: £285.5 million for the 52 weeks to 1 July 2018).

EBITDA (calculated by adding back depreciation and amortisation to operating profit) for the 52 weeks to 30 June 2019 was £9.5 million (£21.0 million for the 52 weeks to 1 July 2018). Gross margin for the 52 weeks to 30 June 2019 was 42.3% (2018: 44.4% for the 52 weeks to 1 July 2018). The fall in sales, gross margin and EBITDA reflected the tough trading environment in the United Kingdom.

As at 30 June 2019 the company had net assets of £147.9 million (2018: £144.2 million).

**Outlook**
The UK retail marketplace remains under pressure due to Brexit uncertainty, challenging economic conditions, increasing rentals and business rates, and rising minimum wages.

Office continues to manage these headwinds with a number of initiatives either already executed or soon to be adopted, including;

- The successful refinance, in September 2019, of the £43 million existing debt of the Office group (comprising Truworths UK Holdco 1 Limited and its subsidiaries, including the Company). This was achieved through the drawdown of a new £32.5 million facility and the utilisation of £10.5 million of existing cash reserves to repay the existing debt that was surplus to operating requirements;
- The transformation of its flagship Oxford Street store in 2019 through the implementation of the 'store of the future' concept;
- The introduction of new handheld technology for store sales staff, which currently allows them to check the availability of stock without leaving the customer's side but also has the potential to take payments as well;
- The enhancement of the Company's merchandising and buying strategy with a view to aligning it to that of a fellow South African subsidiary of its ultimate parent company; and
- Improvements to the overall omni-channel offering such as enhancements to the Office website, an expansion of the 'click & collect' offering, and reductions in transactional friction through the implementation of a new payment gateway platform. A complete revamp of both the Office and Offspring websites is also planned in the next 12 months, along with the acceptance of further international currencies and alternate payments methods.

Given the above the board is confident that the Office group's business has been stabilised and is well placed for the future.

**Principal risks and uncertainties**
The risks and uncertainties described below represent those which the directors consider to be the most significant to delivering the Office group's strategy. These are reviewed on a regular basis and mitigating actions are put in place as required.

*The economy and Brexit*
Most of the Office group's revenue is generated in the UK. As such, the Office group remains exposed to the continued uncertainty surrounding Brexit and depressed consumer confidence, offset by more recent improved employment growth and wage inflation. Management continues to monitor the progress of Brexit negotiations and other macroeconomic indicators to assess the potential impact on the business.

*Fashion trends*
As with all fashion retailers there is a risk that the Office group's product range will not satisfy the needs of its customers, resulting in reduced sales and gross margins, and excess inventory. The Office group has a broad range of both own-brand and third-party branded product, as well as a strong buying team and processes in place to maintain market awareness and understanding of fashion and consumer trends so as to ensure that it can respond to changes in consumer needs. The Office group is in the process of enhancing its merchandising and buying strategy to improve the fashionability and availability of its product ranges.

*Suppliers*
The Office group has a number of key third party suppliers and is reliant on them to provide up to date in–trend product lines. The Office group maintains positive ongoing relationships with all suppliers and seeks to ensure that it is not reliant on a small number of branded product suppliers. Recent store activations with brand partners, such a window takeovers and lead-in tables, have driven brand engagement and resulted in further demand from partners for more collaborative opportunities (both in store and online).

*Retail environment*
The UK retail environment has seen a significant shift in recent years with sales through traditional bricks and mortar channels being replaced by online purchasing. The Office group therefore continues to strengthen and develop its multichannel offering to take advantage of this change.

*People*
Key to the Office group's performance is its ability to attract, retain, develop and motivate the best people with the appropriate capabilities at all levels of the organisation. The loss of key individuals or the inability to obtain suitable replacements in a timely manner could negatively impact business performance. The Office group endeavours to retain key employees by ensuring that appropriate levels of incentivisation are in place and by having a unique work culture and environment.

*Disaster recovery plans*
Any significant interruption to the activities of the Office group's IT systems, distribution centres or head office could be highly disruptive to the business and result in a loss of revenue, data and inventory. The Office group maintains usual commercial insurance policies for a business of this type and has processes in place to ensure any such disruptions are addressed appropriately, ensuring minimum disruption to the business and potential loss of data. Disaster recovery plans are reviewed annually and are in the process of ongoing development.

*Health and safety*
The health and safety of all employees, customers and contractors is very important to the Office group and breaches in health and safety procedures could result in injuries and also potentially damage brand reputation. The Office group has processes and procedures in place to mitigate health and safety risks, including risk assessments, accident reporting and nominated health and safety representatives across the business. Policies and procedures are reviewed regularly to ensure that health and safety management is robust and up to date.

**Key performance indicators**
The executive management team reviews detailed daily, weekly and monthly information covering a range of financial and non-financial indicators. Sales of £285.2 million (2018: £285.5 million), gross margin of 42.3% (2018: 44.4%) and EBITDA of £9.5 million (2018: £21.0 million) are deemed to be the key indicators of performance.

On behalf of the Board

Kerry Van Der Merwe
**Chief Financial Officer**
20 November 2019

# Office Holdings Limited
# Directors' Report
## For the 52 weeks ended 30 June 2019

The directors present their report and audited financial statements for the 52 weeks ended 30 June 2019.

**Principal activities and review of the business**
The principal activity of the company is that of a retailer of footwear. Office is a leading UK young fashion footwear retailer. Office trades from 115 stores and 24 concessions (2018: 116 stores, 40 concessions), primarily in the United Kingdom, the Republic of Ireland and Germany, through the 'Office' and 'Offspring' fascias.

These annual financial statements are in compliance with the Companies Act 2006 and applicable accounting standards in the United Kingdom including FRS 101.

A full review of the operating business of the Office group of companies is included in the audited annual financial statements of Truworths UK Holdco 2 Limited, a parent company.

**Results and dividends**
The profit for the financial period is £3.7 million (2018: £12.3 million).

The directors do not recommend payment of an ordinary dividend (2018: £nil).

**Future developments and principal risks**
Please refer to the outlook section of the Strategic Report.

**Post balance sheet events**
In September 2019 £43 million existing debt of the Office group (comprising Truworths UK Holdco 1 Limited and its subsidiaries, including the Company) was successfully refinanced. This was achieved through the drawdown of a new £32.5 million facility, and the utilisation of £10.5 million of existing cash reserves that were surplus to operating requirements of the Company.

**Treasury operations and financial instruments**
The Office group of which the Company forms a part finances its operations through a mixture of cash generated from operating activities and bank borrowings. Management's objectives in this regard are to:

- Retain sufficient liquid funds to enable the Company and group to meet its day-to-day obligations as they fall due; and
- Match the repayment schedule of external borrowings with the expected future cash flows arising from trading activities.

In addition, detailed reporting and cash forecasting ensures that the Company and group's liquidity is maintained in the short and medium term. The Office group's financing arrangements include conventional covenant tests as is customary with agreements of this type. The Office group's performance against these tests is measured on a quarterly basis and ongoing forecasts of performance are maintained to ensure that all tests can be met.

**Financial risk management**
The Company's principal financial instruments comprise cash and intercompany balances. The main purpose of these financial instruments is to provide funds for the Company's operations. The Company's only other financial instruments are trade receivables and trade creditors that arise directly from its operations.

*Currency risk*
The Company's product sourcing strategy exposes a portion of its operations to the financial risks of changes in foreign exchange rates, in particular the Euro and US Dollar. The Company closely monitors movements in these foreign exchange rates and uses foreign exchange forward contracts to minimize the risk against business plans over a six month projected period.

*Liquidity risk*
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Office group of which the Company forms a part uses a mixture of cash generated from its operations and bank borrowings. Management closely monitor both actual and forecast movements in interest rates with a view to implementing appropriate risk mitigation procedures should they be deemed necessary.

**Disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) each director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

**Directors' indemnities**

As permitted by the Company's 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 prior financial period and is currently in force. The Company also purchased and maintained throughout the financial period Directors' and Officers' liability insurance in respect of its directors.

**Directors**

The directors who held office during the period and up to the date of signing were as follows:

David Pfaff
Kerry Van Der Merwe
Lorenzo Moretti (appointed on 14 November 2018)
Michael Mark (resigned on 17 October 2019)
Brian McCluskey (resigned on 14 November 2018)

**Employees**

*Diversity*

Office values diversity in its human resources, thereby seeking to ensure the effective use of people in the best interests of both the Company and its employees. It is our policy to provide employment and development opportunities to persons regardless of age, race, colour, religion, gender, sexual preference, marital status, nationality, ethnic origin or disability. It is Company policy to, wherever possible, retain in employment employees who become disabled, providing retraining opportunities where appropriate.

*Employee involvement*

Office has a policy of providing employees with financial and other information about the Office business through regular emails and ensures that the suggestions and views of employees are taken into account. Senior management is always available to discuss matters of concern with employees or their representatives. The Group encourages colleagues to become involved in the financial performance of the business through a variety of bonus and commission schemes.

**Statement of directors' responsibilities in respect of the financial statements**

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

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 101 "Reduced Disclosure Framework", 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;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, 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 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.

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.

On behalf of the Board

Kerry Van Der Merwe
**Chief Financial Officer**
20 November 2019

# Office Holdings Limited
# Independent Auditors' Report to the members of Office Holdings Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Office Holdings Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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, which comprise: the statement of financial position as at 30 June 2019; the statement of comprehensive income, the statement of changes in equity for the year 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.

### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

### 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, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

# Office Holdings Limited
# Independent Auditors' Report to the members of Office Holdings Limited (continued)

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*

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 year ended 30 June 2019 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.

### 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, 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.

*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.

Suzanne Woolfson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
21 November 2019

# Office Holdings Limited
# Statement of Comprehensive Income
### For the 52 weeks ended 30 June 2019

| | Note | 52 weeks ended 30 June 2019 £'000 | 52 weeks ended 1 July 2018 £'000 |
|---|---|---|---|
| **Revenue** | 3 | **285,194** | **285,463** |
| Cost of sales | | (164,656) | (158,702) |
| **Gross profit** | | **120,538** | **126,761** |
| Distribution costs | | (8,402) | (7,836) |
| Administrative expenses | | (107,793) | (103,917) |
| Other operating income | | 397 | 328 |
| **Operating profit** | 4 | **4,740** | **15,336** |
| Finance income | 5 | 155 | 70 |
| **Profit before taxation** | | **4,895** | **15,406** |
| Tax on profit | 8 | (1,210) | (3,095) |
| **Profit and total comprehensive income for the financial period** | | **3,685** | **12,311** |

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

# Office Holdings Limited
# Statement of Financial Position
### As at 30 June 2019

| | Note | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|---|
| **Fixed Assets** | | | |
| Intangible assets | 10 | 2,734 | 2,339 |
| Property, plant and equipment | 11 | 6,786 | 9,537 |
| Deferred tax asset | 12 | 1,305 | 1,294 |
| | | **10,825** | **13,170** |
| **Current Assets** | | | |
| Inventories | 13 | 51,224 | 49,417 |
| Trade and other receivables | 14 | 109,943 | 105,679 |
| Current tax receivable | | 224 | - |
| Cash and cash equivalents | | 17,948 | 26,965 |
| | | **179,339** | **182,061** |
| **Current Liabilities** | | | |
| Trade and other payables | 15 | (32,064) | (40,682) |
| Current tax payable | | - | (1,388) |
| **Net Current Assets** | | **147,275** | **139,991** |
| **Total assets less current liabilities** | | **158,100** | **153,161** |
| Creditors – amounts falling due after more than one year | 16 | (4,387) | (5,794) |
| Provisions | 17 | (5,797) | (3,189) |
| **Net Assets** | | **147,916** | **144,178** |
| **Equity** | | | |
| Share capital | 19 | 26 | 26 |
| Share premium | 20 | 194 | 194 |
| Share options reserve | 20 | 170 | 117 |
| Retained earnings | 20 | 147,526 | 143,841 |
| **Total equity** | | **147,916** | **144,178** |

The financial statements on pages 8 to 26 were approved by the Board of Directors on 20 November 2019 and signed on its behalf by

Kerry Van Der Merwe

**Chief Financial Officer**
20 November 2019

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

Company number 01764341

# Office Holdings Limited
# Statement of Changes in Equity
**For the 52 weeks ended 30 June 2019**

| | Share Capital | Share Premium | Share options reserve | Retained Earnings | Total equity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Balance at 2 July 2017** | **26** | **194** | **29** | **131,530** | **131,779** |
| **Transactions with owners** | | | | | |
| Equity settled share-based payment | - | - | 88 | - | 88 |
| **Comprehensive income** | | | | | |
| Profit for the financial period | - | - | - | 12,311 | 12,311 |
| **Total comprehensive income** | **-** | **-** | **-** | **12,311** | **12,311** |
| **Balance at 1 July 2018** | **26** | **194** | **117** | **143,841** | **144,178** |
| **Transactions with owners** | | | | | |
| Equity settled share-based payment | - | - | 53 | - | 53 |
| **Comprehensive income** | | | | | |
| Profit for the financial period | - | - | - | 3,685 | 3,685 |
| **Total comprehensive income** | **-** | **-** | **-** | **3,685** | **3,685** |
| **Balance at 30 June 2019** | **26** | **194** | **170** | **147,526** | **147,916** |

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

# Office Holdings Limited
# Notes to the Financial Statements
**For the 52 weeks ended 30 June 2019**

## 1 General information

Office Holdings Limited (the "Company") is a private company limited by shares incorporated, domiciled and registered in the United Kingdom. The address of the registered office is Classic House, Martha's Buildings, 180 Old Street, London, England, EC1V 9BP.

The Company is a retailer of footwear and related goods trading principally through the established 'Office' and 'Offspring' stores and concessions, in the United Kingdom, the Republic of Ireland and Germany. The Company also operates a successful e-commerce business. Concessions are with House of Fraser, Selfridges, Arcadia (Topshop/Topman) and Brown Thomas.

## 2 Summary of significant accounting policies

### Basis of preparation

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 and Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101").

The financial statements have been prepared on a going concern basis under the historical cost convention as modified by financial assets and liabilities (including derivative financial instruments) at fair value through profit and loss, and are presented in Sterling (£'000's).

The following exemptions from the requirements of International Financial Reporting Standards (IFRS) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows),
  - 16 (statement of compliance with all IFRS),
  - 38A (requirement for minimum of two primary statements, including cash flow statements),
  - 38B-D (additional comparative information),
  - 111 (cash flow statement information), and
  - 134-136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective); and
- The requirements of IAS 24, 'related party disclosures' to disclose related party transactions entered into between two or more members of a group and remuneration of key management personnel.

The Company is an 88.9% indirectly-held subsidiary of Truworths UK Holdco 1 Limited and its financial position and performance is included in this company's consolidated financial statements , which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

### Accounting policies and methods of computation

The accounting policies and methods of computation applied in the preparation of these financial statements comply with FRS 101 and are consistent with those applied in the preparation of the Company's annual financial statements for the prior period ended 1 July 2018.

### IFRS, amendments and IFRS Interpretations Committee (IFRS IC) interpretations

The impact of the new and amended IFRS and IFRIC interpretations that have been issued and that are effective in the reporting period that are applicable to the Company's activities is disclosed under the section "Adoption of new accounting standard" at the end of this note 2.

**2 Summary of significant accounting policies (continued)**

**Use of estimates and judgements in the preparation of annual financial statements**

In the preparation of the annual financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement are inherent in the formation of estimates. Actual results in the future could differ from these estimates and these differences may be material to the financial statements within the next reporting period. The key assumptions concerning estimation uncertainties at the reporting date are discussed below.

***Allowance for inventories***

The allowance for markdown of inventory takes into account historic information related to sales trends and represents the expected markdown between the original cost and the estimated net realisable value. The net realisable value assigned to this inventory is the net selling price in the ordinary course of business less the estimated costs to make the sale.

***Returns provision***

The Company makes a provision to reflect the expected level of sales returns from customers based upon the historical rate of returns and management's best estimates. This returns provision is recorded so as to allocate returns to the same period in which the original revenue is recorded. The returns provision is calculated separately for e-commerce sales and those made through stores and concessions.

***Occupancy costs provision***

The Company makes a provision to reflect unavoidable costs in fulfilling lease commitments as well as the estimated cost that will be required to restore leased stores to their original condition on lease termination (based on either actual quotes or internal estimates).

**Foreign currency translation**

*The functional and presentation currency of the Company is Sterling.*

Transactions denominated in foreign currencies are translated into Sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange ruling at the statement of financial position date. All differences are presented in the statement of comprehensive income.

**Revenue**

Revenue represents the fair value of amounts receivable for footwear and related goods supplied net of Value Added Tax and discounts. An estimate of the sales value of expected returns is excluded from revenue; this estimate is based on the historic returns experience of the Company. Revenue from the sale of gift cards is deferred until their redemption. This contract liability is presented within accrued expenses and deferred income within trade and other payables. Revenue is recognised when the control of the goods is transferred to the customer under IFRS 15.

*Standalone store revenue*

Standalone store revenue from the sale of goods is recognised at the point of sale of a product to the customer. It is the Company's policy to sell its products to the customer with rights to a refund or exchange within 28 days, subject to certain conditions being satisfied.

*Concession revenue*

Concession revenue from the sale of goods in concession outlets is recognised gross at the point of sale of a product to the customer. Concession revenues are settled in cash by the concession grantors net of commissions or other fees payable. Such commissions or other fees payable are not classified as revenue but as administrative expenses. It is the Company's policy to sell its products to the customer in line with the concession grantors' right to exchange policy, which varies across concessions.

*E-commerce revenue*

E-commerce revenue from the sale of goods on the internet and associated postage income is recognised at the point that the control of a product has passed from the Company, which is the point of dispatch. It is the Company's policy to sell its products to the customer with rights to a refund or exchange within 28 days, subject to certain conditions being satisfied.

**2 Summary of significant accounting policies (continued)**

*Wholesale revenue*

Wholesale revenue from the sale of goods to wholesale partners is recognised at the point that the control of a product has passed from the Company, which is the point of dispatch.

**Cost of sales**

Cost of sales includes all costs of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition. Costs of purchase include the purchase price, import duties and other taxes (to the extent that they are not recoverable), as well as relevant depreciation, employment, occupancy and other operating costs relating to transport and distribution.

Inventory write-downs are included in cost of sales when recognised. Trade discounts, settlement discounts and other similar items are deducted in determining the costs of purchase. Cost of sales is recognised as an expense when the control of ownership related to the merchandise sold pass to the customer.

**Leasing and similar commitments**

All leases are accounted for as operating leases as the risks and rewards of ownership are retained by the lessor and the rental costs in respect of operating leases are charged to the statement of comprehensive income on a straight line basis over the full lease term. Contingent rentals payable based on store revenues are accrued in line with the related sales.

Lease incentives in the form of rent-free periods and capital contributions receivable on entering an operating lease are released to income on a straight line basis over the full lease term.

**Other income**

*Lease income*

Sublet properties are accounted for as operating leases as the risks and rewards of ownership of the leased premises remain with the lessor and the rental income in respect of these operating leases is taken to the statement of comprehensive income on a straight line basis over the full lease term.

**Exceptional items**

Exceptional items are defined as material items arising from events or transactions that fall within the ordinary activities of the Company and which individually or, if of similar type, in aggregate, need to be disclosed by virtue of their size or incidence.

**Intangible assets: Computer software and website costs**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years within administrative expenses.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

**Property, plant and equipment**

Property, plant and equipment are stated at historic cost less accumulated depreciation and are reviewed annually for impairment. Cost includes the original purchase price of the asset and expenditure directly attributable to the acquisition of the item. Depreciation on tangible fixed assets is provided at rates calculated to write off the cost of those assets, less their estimated residual value, over the expected useful economic lives on the following bases:

| | |
|---|---|
| Leasehold land and buildings | - straight line over the life of the lease |
| Shop fixtures & fittings | - 20% straight line |
| Other fixtures, fittings & equipment | - 20% straight line |
| Computer equipment | - 20% straight line |
| Motor vehicles | - 25% straight line |

The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

**Investments**

Investments in subsidiaries and associates are stated at cost less provision for impairment. The carrying values of investments are reviewed annually by the directors to see if any impairment charge is required.

## 2 Summary of significant accounting policies (continued)

### Impairment of non-financial assets

Assets not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

### Inventories

Inventories are valued at the lower of cost of purchase cost net realisable value. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts. Inventory cost is calculated on a weighted average basis.

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs to make the sale. Adjustments are made for any allowances for markdown and shrinkage, where appropriate.

### Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the sale of goods to customers via concession outlets. They are non-interest bearing and are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest rate method, where the impact is material. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period.

Trade receivables are reported net of any provisions. Such provisions are recorded in a separate provision account with the write-down expense being recognised within operating costs in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

### Derivative financial instruments

The Company uses forward exchange contracts to reduce exposure to foreign exchange risks on import orders in hand and amounts owed to the Company in foreign currencies. Gains and losses on such forward exchange contracts are taken to other gains / (losses) in the statement of comprehensive income. The Company does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are recognised initially at their fair value on the date that a derivative contract is entered into and subsequently re-measured at each period end. The gain or loss on re-measurement to fair value is recognised immediately in the statement of comprehensive income.

The Company does not apply hedge accounting.

### Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks with an original maturity of three months or less.

### Impairment of financial assets

The carrying amounts of the Company's financial assets are reviewed at each reporting date. The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss (FVTPL). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Company expects to receive, discounted using the original effective interest rate applicable to financial assets held at amortised cost. The Company has adopted the general approach, which involves a three-stage approach to the recognition of credit losses and interest:

## 2 Summary of significant accounting policies (continued)

### Impairment of financial assets (continued)

• Stage 1: Credit risk has not increased significantly since initial recognition. The ECL is recognised on initial recognition and measured at an amount equal to the portion of lifetime credit losses that result in possible default events within the next 12 months. Effective interest is recognised on a gross receivables basis.
• Stage 2: At each reporting date the Company assesses whether there has been a significant increase in credit risk since initial recognition. The Company considers that there is a significant increase in credit risk when a receivable is in arrears for more than 30 days based on contractual payment requirements. Where there is evidence of significant increase in credit risk, the ECL is based on lifetime expected credit losses. Effective interest is recognised on a gross receivables basis.
• Stage 3: At each reporting date the Company assesses whether financial assets are credit-impaired. The Company's definition of credit-impaired is aligned to its internal definition of default which occurs when a receivable is in arrears for more than 90 days based on contractual payment requirements. ECL is measured over the lifetime of the financial asset. Effective interest is recognised on a net receivables basis (i.e. the gross carrying amount less the impairment provision).

If, in a subsequent period, the amount of the impairment decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed. Any subsequent reversal of an impairment is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed what the amortised cost would have been at the reversal date had no impairment been recognised.

### Trade and other payables

Trade and other payables are non-interest bearing and are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method, where the impact is material. They are included in current liabilities, except for those with maturities greater than 12 months after the end of the reporting period.

### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to taxes payable in respect of previous periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and the amounts used for taxation purposes.

Temporary differences are not provided for in respect of the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured on an undiscounted basis as the time value of money is considered immaterial in this regard.

**2 Summary of significant accounting policies (continued)**

**Retirement benefits**

The Company participates in a defined contribution money purchase scheme, the assets of which are held in an independently administered fund. The expense recorded in the statement of comprehensive income represents the contributions payable by the Company to the fund.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Segmental reporting**

The directors consider the Company to operate as one segment only (i.e. as a retailer of footwear and related goods) and as such central costs are not allocated out but rather retained in the one operating segment consistent with the Company's internal reporting.

**Share based payment plans**

*Equity settled share options*

Certain employees of the Company, including directors, receive remuneration in the form of awards of options in respect of shares in Truworths UK Holdco 2 Limited (an indirect parent entity of the Company), whereby they render services in exchange for such equity-based awards.

The cost of the services to be received from employees and the corresponding increase in the share options reserve within total equity are measured with reference to the fair value of Truworths UK Holdco 2 Limited's shares on the date on which the equity-based awards are granted. The fair value of the share options is determined using an equity valuation method.

The cost of these equity-based awards is recognised in profit or loss, together with a corresponding increase in total equity under the share options reserve, over the vesting period. The cumulative expense recognised for equity based awards granted at each reporting date until the vesting date reflects the extent to which the vesting period has expired, as well as management's best estimate of the number of equity-based awards that will ultimately vest. The estimate is revised if subsequent information indicates that the number of equity-based awards expected to vest differs from previous estimates.

**Adoption of new accounting standards**

**Amendments to IFRS 2: Share-based Payment - Classification and Measurement**
*Effective for annual periods beginning on or after 1 January 2018*
The amendments contain requirements regarding the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

These amendments did not impact the Company, as the principles required by the amendments were either already applied by the Company in the case of the amendments related to the accounting for cash-settled share-based payment transactions that include a performance condition, or they were not applicable to the Company in the case of the amendments related to the classification of share-based payment transactions with net settlement features and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

## 2 Summary of significant accounting policies (continued)

**IFRS 15: Revenue Recognition**
*Effective for annual periods beginning on or after 1 January 2018*

IFRS 15 provides a single control-based revenue recognition model and clarifies the principles for recognising revenue from contracts with customers

The Company has adopted IFRS 15 with effect from the commencement of the current reporting period on a modified retrospective basis. Accordingly, the comparative information in this report has not been restated and continues to be reported under IAS 18: Revenue.

The core principle of IFRS 15 is that the Company should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Revenue is recognised when performance conditions are satisfied and a customer obtains control of a good or service, from which point in time the customer has the ability to direct the use and obtain the benefits from the good or service.

The impact of the new standard is limited to the recognition of the Company's provision for sales returns. Inventories and provisions have to be adjusted for the expected merchandise returns. The Company previously recognised the adjusted selling and cost prices and therefore there will be no impact on the statement of comprehensive income. The impact of the statement of financial position is as follows:

| | 52 weeks to 30 June 2019 | | 52 weeks to 30 June 2019 |
|---|---|---|---|
| | IAS 18 | IFRS 15 adjustments | IFRS 15 |
| | £'000 | £'000 | £'000 |
| **Statement of financial position** | | | |
| Inventories | 50,433 | 791 | 51,224 |
| Provisions | (5,006) | (791) | (5,797) |

**IFRS 9: Financial Instruments**
*Effective for annual periods beginning on or after 1 January 2018*

IFRS 9 replaces IAS 39: Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and derecognition of financial assets and liabilities, and introduces new rules for hedge accounting and a new impairment model for financial assets.

The Company has adopted IFRS 9 and there was no material impact.

## 3 Revenue

The total revenue of the Company for the financial period has been derived from its principal activity of being a retailer of footwear and related goods.

**Revenue analysis by geographical market**

The analysis by geographical area of the Company's revenue is set out as below:

| | 52 weeks ended 30 June 2019 £'000 | 52 weeks ended 1 July 2018 £'000 |
|---|---|---|
| United Kingdom | 253,314 | 256,507 |
| Europe | 30,832 | 27,918 |
| Rest of the World | 1,048 | 1,038 |
| | **285,194** | **285,463** |

## 4 Operating profit

| | 52 weeks ended 30 June 2019 £'000 | 52 weeks ended 1 July 2018 £'000 |
|---|---|---|
| *The following have been included in arriving at operating profit:* | | |
| Employment costs (see note 7) | 37,931 | 39,111 |
| Depreciation of tangible fixed assets | 3,904 | 4,898 |
| Amortisation of intangible fixed assets | 932 | 727 |
| Operating lease expenses | 33,322 | 31,259 |
| Foreign exchange (gain)/loss | (113) | 178 |
| Foreign exchange derivative loss/(gain) | 139 | (159) |
| Cost of inventories recognised as an expense (included in cost of sales) | 154,148 | 149,827 |
| Write-down of inventories to net realisable value and reversal of impairments in inventories | 1,419 | 355 |
| Fees payable to the Company's auditors for the audit of the Company's annual financial statements | 50 | 42 |
| Fees payable to the Company's auditors for other services: | | |
| - taxation | 39 | 108 |
| - other | 9 | 9 |

## 5 Finance income

| | 52 weeks ended 30 June 2019 £'000 | 52 weeks ended 1 July 2018 £'000 |
|---|---|---|
| On bank deposits | 155 | 70 |
| | **155** | **70** |

## 6 Directors' remuneration

The directors of the Company are employed and remunerated by Truworths UK Holdco 3 Limited and the directors' remuneration is disclosed within that company's financial statements.

## 7 Employees

| | 52 weeks ended 30 June 2019 £'000 | 52 weeks ended 1 July 2018 £'000 |
|---|---|---|
| Wages and salaries | 35,118 | 36,208 |
| Social security costs | 2,453 | 2,640 |
| Other pension costs – defined contribution scheme | 307 | 175 |
| Share options expense | 53 | 88 |
| **Total employment cost expense** | **37,931** | **39,111** |

The average monthly number of employees employed was:

| | 52 weeks ended 30 June 2019 Number | 52 weeks ended 1 July 2018 Number |
|---|---|---|
| Administration | 181 | 177 |
| Warehouse | 211 | 206 |
| Sales | 2,332 | 2,512 |
| | **2,724** | **2,895** |

**Retirement benefits**

The Company participates in a defined contribution money purchase scheme, the assets of which are held in an independently administered fund. The expense recorded in the statement of comprehensive income represents the contributions payable by the Company to the fund.

## 8 Tax on profit

| | 52 weeks ended 30 June 2019 £'000 | 52 weeks ended 1 July 2018 £'000 |
|---|---|---|
| **Domestic current period tax** | | |
| U.K. corporation tax | 1,150 | 3,261 |
| Adjustment in respect of prior periods | 71 | (17) |
| **Total current tax charge** | **1,221** | **3,244** |
| | | |
| **Deferred tax (note 12)** | | |
| Origination and reversal of temporary differences | (11) | (149) |
| Adjustment in respect of prior periods | - | - |
| **Total deferred tax credit** | **(11)** | **(149)** |
| **Taxation charge on profit** | **1,210** | **3,095** |

### 8 Tax on profit (continued)

The Finance Act (No.2) 2015, which became substantively enacted on 26 October 2015, provides for a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. On 6 September 2016 the Finance Act 2016 was substantively enacted and reduced the 18% rate applicable from 1 April 2020 to 17%. Therefore a rate of 19.00% (2018: 19.00%) has been utilised in determining the tax charge reflected in these financial statements, whilst deferred tax assets and liabilities have been measured at the rate expected to be in effect when the deferred tax asset or liability reverses.

The tax charge for the period differs from the tax charge on profit before tax calculated at the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

| | 52 weeks ended 30 June 2019 £'000 | 52 weeks ended 1 July 2018 £'000 |
|---|---|---|
| Profit before taxation | 4,895 | 15,406 |
| *Profit before taxation multiplied by standard rate of UK corporation tax of* 19.00% (2018: 19.00%) | 930 | 2,927 |
| Effects of : | | |
| Permanent tax differences | 215 | 167 |
| Change in tax rates | 1 | 18 |
| Adjustment in respect of prior periods | 71 | (17) |
| Group relief claimed | (7) | - |
| **Tax charge for the period** | **1,210** | **3,095** |

### 9 Investments

| | Shares in subsidiary undertaking £'000 |
|---|---|
| **Cost and net book value** | - |
| At 1 July 2018 and 30 June 2019 | - |

The Company directly holds the share capital of the following companies:

| Company | Principal activity | Country of incorporation | Effective Holding |
|---|---|---|---|
| Leatherfolk Limited | Dormant | England and Wales | 100% |
| Offspring Limited | Dormant | England and Wales | 100% |
| Office Internet Limited | Dormant | England and Wales | 100% |
| Office Holdings (US) Inc | Retailing of shoes and related goods | USA | 100% |

The registered office address of each subsidiary is the same as that of the Company, except Office Holdings (US) Inc which is registered at 160 Greentree Dr, Dover, Delaware, USA.

## 10 Intangible assets

| | Computer software | Total |
|---|---|---|
| | £'000 | £'000 |
| **Cost:** | | |
| At 1 July 2018 | **4,373** | **4,373** |
| Additions | 1,327 | 1,327 |
| Disposals | (1) | (1) |
| **At 30 June 2019** | **5,699** | **5,699** |
| **Accumulated amortisation:** | | |
| At 1 July 2018 | **2,034** | **2,034** |
| Charge for the period | 932 | 932 |
| Disposals | (1) | (1) |
| **At 30 June 2019** | **2,965** | **2,965** |
| **Net book value:** | | |
| At 1 July 2018 | **2,339** | **2,339** |
| **At 30 June 2019** | **2,734** | **2,734** |

## 11 Property, plant and equipment

| | Leasehold land and buildings | Fixtures, fittings and equipment | Computer equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost:** | | | | | |
| At 1 July 2018 | **11,681** | **36,953** | **2,250** | **49** | **50,933** |
| Additions | 177 | 650 | 341 | - | **1,168** |
| Disposals | (244) | (534) | (1) | (21) | **(800)** |
| **At 30 June 2019** | **11,614** | **37,069** | **2,590** | **28** | **51,301** |
| **Accumulated Depreciation:** | | | | | |
| At 1 July 2018 | **8,762** | **30,716** | **1,910** | **8** | **41,396** |
| Charge for the period | 799 | 2,906 | 188 | 11 | **3,904** |
| Disposals | (244) | (534) | (1) | (6) | **(785)** |
| **At 30 June 2019** | **9,317** | **33,088** | **2,097** | **13** | **44,515** |
| **Net book value:** | | | | | |
| 1 July 2018 | **2,919** | **6,237** | **340** | **41** | **9,537** |
| 30 June 2019 | **2,297** | **3,981** | **493** | **15** | **6,786** |

## 12 Deferred tax asset

The analysis of deferred tax assets is as follows:

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| Brought forward | 1,294 | 1,145 |
| Income statement credit | 11 | 149 |
| **Carried forward** | **1,305** | **1,294** |

The movement in deferred tax assets during the year is as follows:

| | Accelerated capital allowances £'000 | Short-term timing differences £'000 | Total £'000 |
|---|---|---|---|
| At 2 July 2017 | 1,138 | 7 | 1,145 |
| Credited to the statement of comprehensive income | 132 | 17 | 149 |
| At 1 July 2018 | 1,270 | 24 | 1,294 |
| Credited/(charged) to the statement of comprehensive income | 19 | (8) | 11 |
| **At 30 June 2019** | **1,289** | **16** | **1,305** |

Recognition of deferred tax assets is based upon the expected generation of future taxable profits. There are no unrecognised deferred tax assets.

## 13 Inventories

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| Gross inventories | 62,105 | 58,879 |
| Allowances for markdown and shrinkage | (10,881) | (9,462) |
| **Net inventories** | **51,224** | **49,417** |

All inventories are carried at cost less a provision to take account of slow moving and obsolete items.

## 14 Trade and other receivables

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| Trade debtors | 5,435 | 4,082 |
| Amounts owed by group companies | 90,514 | 86,930 |
| Other debtors | 940 | 1,147 |
| Derivative financial assets | 20 | 157 |
| Prepayments and accrued income | 13,034 | 13,363 |
| | **109,943** | **105,679** |

Amounts owed by group companies are unsecured, repayable on demand and non-interest bearing.

The provision for expected credit losses for trade receivables was £147k as at 30 June 2019. None of the receivables are interest bearing. The fair value of trade and other receivables is not materially different to their carrying value and all are presented as current assets.

## 15 Trade and other payables

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| Trade creditors | 17,910 | 24,546 |
| Other taxation and social security | 1,106 | 2,783 |
| Other creditors | 937 | 881 |
| Amounts owed to group companies | 500 | 2,474 |
| Derivative financial liability | 13 | 18 |
| Accruals and deferred income | 10,404 | 8,528 |
| Deferred cash contributions and rent free periods | 1,194 | 1,452 |
| | **32,064** | **40,682** |

Amounts owed to group companies are unsecured, repayable on demand and non-interest bearing.

Deferred income of £0.9 million (2018: £0.9 million) relates to revenue from gift cards unredeemed at the year end. Revenue recognised that was included in deferred income at the beginning of the period was £0.9 million (2018: £0.6 million).

## 16 Creditors – amounts falling due after more than one year

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| Deferred cash contributions and rent free periods | 4,387 | 5,794 |
| | **4,387** | **5,794** |

## 17 Provisions

| | Sales returns £'000 | Occupancy costs £'000 | Total £'000 |
|---|---|---|---|
| Opening balance at 1 July 2018 | 641 | 2,548 | 3,189 |
| Provisions made in the period | 1,362 | 4,435 | 5,797 |
| Utilisation of provisions | (641) | (2,548) | (3,189) |
| **Closing balance at 30 June 2019** | **1,362** | **4,435** | **5,797** |

## 18 Employee benefits

**Equity settled options**

The Company introduced a share option scheme for certain directors and employees in a prior year.

Options are in respect of shares in Truworths UK Holdco 2 Limited and were issued at nil strike price, therefore the fair value of these at grant date equates to that company's value that was determined by management using a discounted cash flow model, divided by the number of shares of that company in issue at grant date.

| | 30 June 2019 000's | 1 July 2018 000's |
|---|---|---|
| **Number of options** | | |
| Options held by participants at the beginning of the period | 425 | 297 |
| Options granted during the period | - | 218 |
| Options forfeited during the period | (95) | (91) |
| **Options held by participants at the reporting date** | **330** | **424** |

| **Weighted average fair value of options** | 30 June 2019 | 1 July 2018 |
|---|---|---|
| Granted during the period | - | £1.15 |
| Forfeited during the period | £1.14 | £1.14 |

**Summarised exercise conditions applicable to options**

| | |
|---|---|
| Earliest date by which options become exercisable | 5 December 2019 |
| Latest date by which options become exercisable | 1 August 2022 |
| Latest date by which options will lapse if not exercised | 1 August 2026 |

## 19 Share Capital

| | Allotted, called up and fully paid | |
|---|---|---|
| | Number | £'000 |
| Ordinary A Shares of £1 each | 10,120 | 10 |
| Ordinary B Shares of £1 each | 2,073 | 2 |
| Ordinary C Shares of £1 each | 12,197 | 12 |
| Ordinary D Shares of £1 each | 675 | 1 |
| Ordinary E Shares of £1 each | 1,350 | 1 |
| Ordinary F Shares of £1 each | 10 | - |
| **At 1 July 2018 and 30 June 2019** | **26,425** | **26** |

## 20 Reserves

The following describes the nature and purpose of each reserve within shareholders' equity. Details of movements in the reserves are contained in the statement of changes in equity.

*Share premium*

The amount subscribed for share capital in excess of nominal value less any costs directly attributable to the issue of new shares.

*Retained earnings*

Cumulative net gains and losses recognised in the Company's statement of comprehensive income.

*Share options reserve*

The accumulated charge in respect of equity settled share options awarded.

## 21 Operating lease commitments

At 30 June 2019 the Company had outstanding commitments for future aggregate minimum lease payments under non-cancellable operating leases which fall due as follows:

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| Within one year | 23,160 | 22,811 |
| Between one and five years | 63,444 | 62,978 |
| In over five years | 20,003 | 21,608 |
| **Total** | **106,607** | **107,397** |

The Company's operating leases relate to retail stores, equipment, warehousing and office space. Contingent rentals are payable on certain retail store leases based on store revenue. The majority of the Company's operating leases provide for their renewal by mutual agreement at the expiry of the term.

## 22 Capital commitments

Capital expenditure contracted for at the end of the reporting period but not incurred as at period end is as follows:

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| Property, plant and equipment | 1,051 | 450 |

## 23 Financial instruments

| | 30 June 2019 £'000 | 1 July 2018 £'000 |
|---|---|---|
| **Current assets** | | |
| Forward exchange contracts | 20 | 157 |
| **Current liabilities** | | |
| Forward exchange contracts | 13 | 18 |

As at 30 June 2019 the company held the following foreign exchange open forward contracts with the following terms:

| Trade Date | Type | Currency | Fixed rate units per £ | GBP amount £'000 | Maturity date |
|---|---|---|---|---|---|
| 22 May 2019 | Open forward | EUR | 1.1298 | 575 | 27 Sep 2019 |
| 22 May 2019 | Open forward | USD | 1.2685 | 630 | 27 Sep 2019 |
| 22 May 2019 | Open forward | EUR | 1.1289 | 354 | 25 Oct 2019 |
| 22 May 2019 | Open forward | USD | 1.2703 | 787 | 25 Oct 2019 |
| 22 May 2019 | Open forward | EUR | 1.1274 | 488 | 29 Nov 2019 |
| 22 May 2019 | Open forward | USD | 1.2736 | 628 | 29 Nov 2019 |

The forward exchange contracts are designated as financial instruments at fair value through profit or loss at initial recognition. The fair value of the Company's forward exchange contracts is calculated as the present value of the forward contract value at market related rates at the statement of financial position date. This valuation is obtained from the counterparty bank.

## 24 Related party relationships and transactions

### *(a) Identity of related parties*

The immediate parent of the Company is Office Retail Limited, incorporated in England and Wales.

The ultimate parent company, controlling party, and largest company to consolidate the results of Office Holdings Limited is Truworths International Limited, incorporated in South Africa. The financial statements of this company are available to the public and may be obtained from the company secretary, No.1 Mostert Street, CBD, Cape Town, 8001, South Africa and the company website www.truworthsinternational.com.

The smallest company to consolidate the results of Office Holdings Limited is Truworths UK Holdco 2 Limited. The financial statements of this company are available to the public and may be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ, Wales.

Full details of other related fellow subsidiaries of the Company are given in the financial statements of Truworths International Limited and Truworths UK Holdco 2 Limited.

### *(b) Transactions with related parties*

The Company has taken advantage of the exemption available in FRS 101 whereby it has not disclosed transactions with the ultimate parent company or any subsidiary undertaking of that company.

## 25 Security

The assets of the Company are encumbered by way of a notarial bond as security for the third party loan facilities held in Truworths UK Holdco 3 Limited, an indirect parent company of the Company.