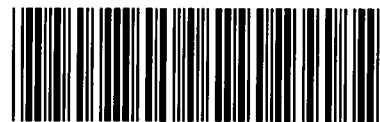


Registered number: 03115188

**CLAIRE'S ACCESSORIES UK LTD**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**CLAIRE'S ACCESSORIES UK LTD**

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**COMPANY INFORMATION**

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<b>Directors</b>	S A Brown S E Watkin S E Huckins G Pratt
<b>Company secretary</b>	S A Brown
<b>Registered number</b>	03115188
<b>Registered office</b>	Unit 4 Bromford Gate Bromford Lane Birmingham B24 8DW
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor The Colmore Building 20 Colmore Circus Birmingham B4 6AT

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**CLAIRE'S ACCESSORIES UK LTD**

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## CLAIRE'S ACCESSORIES UK LTD

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### STRATEGIC REPORT FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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#### Introduction

Claire's® are one of the world's leading specialty retailers of fashionable jewellery and accessories for young women, teens, tweens and kids. Claire's® vision is to be the emporium of choice for all girls (in age or attitude) across the world. Claire's® deliver this by offering a range of innovative, fun and affordable products and services that cater to all of her activities, as she grows up, whenever and wherever.

#### Business review

Claire's® business strategy is designed to maximise our sales opportunities, earnings growth and cash flow:

#### Generate Organic Growth

##### *Continue To Enhance Merchandise and In-Store Experience*

We are focused on enhancing the fashion-orientation and quality of our product offerings to deliver a unique, proprietary assortment that is highly relevant to our target customers. We believe we can drive growth through intensifying key merchandise categories as well as introducing new categories that matter to our customer as her tastes and needs change over time.

##### *Deepen Customer Relationship & Loyalty*

We will continue to drive brand awareness and deepen customer relationships with our branding efforts conducted through in-store marketing collateral, influencer partnerships, and ongoing digital, social media, and email campaigns. Maintaining and improving our leadership in ear piercing also allows us to solidify the customer's experience with Claire's® and establish brand loyalty early. We believe we can leverage our social and email community to drive increased customer engagement for Claire's®

##### *Company-Operated Store Base*

In the UK, the Claire's® brand has significant penetration but we continue to opportunistically pursue additional locations. Historically, our remodel capital expenditures have produced increased sales returns similar to our new store expenditures. We typically target our most productive stores for remodel as they tend to deliver the best return on capital. We also evaluate stores whose leases are up for renewal and are likely to undergo a remodel.

##### *Grow Our E-Commerce Sales*

We believe that, over time, our digital platform represents a valuable tool for engaging with our customer, gathering feedback on her preferences and enhancing our product testing capabilities, all of which should drive higher sales productivity both in-store and online. We have invested in the development of our social media channels and have experienced significant increases in the follower bases of our Instagram®, YouTube®, Snapchat®, WeHeartIt®, Facebook®, Twitter®, and Pinterest® pages and intend to further drive engagement, advertising and sales through these channels.

##### *Expand Concession Store-In-Stores Base*

We partner with prominent retailers and provide our merchandise for sale within the partner's retail location. Most of our concession locations are not located within traditional shopping malls. By partnering, we avail ourselves access to new sales channels that enable us to diversify our dependence on mall based locations. In connection with the concession store sales, we are obligated to pay a commission to the partner when our products are sold within the partner's stores. During the period we closed thirty one concession stores as we realigned our concession partner network to ensure that the company continues to meet its long term strategic initiatives: We will continue to pursue new partners with a view to expanding our concession store-in-stores base in the UK.

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## CLAIRE'S ACCESSORIES UK LTD

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### STRATEGIC REPORT (CONTINUED) FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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#### Merchandising

The Claire's® mission is to be the "Girl's Best Friend" brand for fun, fashionable, and value priced jewellery and accessories targeted at our core demographic of girls between 3-18 years old. To increase this focus, in the prior financial year, we realigned our buying and merchandising teams from three separate teams into one global team, based in the US, with a product focus on our under 12 and over 12 markets. Our merchandising team is keenly aware of the psychographics of our core customer and her ever-changing tastes and attitudes. We strive to connect with her as our "friend" with whom we share her most personal milestones – be it a first ear piercing, a first day at school, a first date, or a first job. We work to present a broad yet curated product assortment in an environment where girls and young women feel encouraged to express their personalities, creativity, and individuality. Our merchandising strategy leverages our authority as a jewellery destination and ear piercing specialist. Besides our core jewellery and accessories products, other important categories include hair accessories, our licensed product assortment, tech accessories and our beauty businesses. Our other accessories categories allow us to reflect seasonal changes in the business and the customer mindset, and we develop strong event assortments to capitalise on key traffic periods, like Prom, Back-To-School, Halloween, and Holiday.

#### Stores

As of February 3, 2018, we operated a total of 371 (2017: 378) stores and 98 (2017: 123) concession stores.

#### *Store Design and Environment*

The in-store shopping experience is integral to the Claire's® brand. Our Claire's® stores are designed and merchandised to allow our customer to discover appealing merchandise in a "treasure hunt" setting. We strive to maintain a consistent look and experience across all of our company-operated, concession stores, and franchised stores through a disciplined plan-o-gram process that coordinates floor plan changes 8-10 times per year.

Each of our stores is typically led by a manager and a full-time assistant manager. In addition, each store has one or more part-time employees, depending on store volume. Concession stores are supported either by their nearby company-operated stores or, by dedicated concession teams when no nearby company-operated stores exist in that market. We utilise a labour scheduling model that optimises the number of hours allocated to appropriately staff for varying sales volumes expected during each week. Our developing concession business provides further opportunities to optimise labour scheduling.

#### *New Stores and Store Economics*

We have a standardised procedure for the efficient opening of new stores and their integration into our information and distribution systems. The floor plan, merchandise layout and marketing efforts are developed specific to each new location. In addition, we maintain qualified store opening teams to provide training to new store employees. On average, we open a new store within one-to-two months from the commencement of construction.

We have experienced in-house real estate and development capabilities. Sales at our new stores ramp quickly and generate attractive returns. For a new store investment, we generally target a payback period of three years or less. The majority of our new stores have met or exceeded this target.

#### *Company-Operated Store Openings and Closings*

In this period, we opened no new stores and closed seven underperforming stores, for a net decrease of seven stores. When we choose to close a store it is generally because the store has negative or marginally positive cash flow or the store's anticipated future performance or lease renewal terms do not meet the Company's criteria. We also plan to continue opening stores when suitable locations are found and satisfactory lease negotiations are concluded.

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## CLAIRE'S ACCESSORIES UK LTD

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### STRATEGIC REPORT (CONTINUED) FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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#### **Future developments**

We will continue to develop the concession stores income stream both in terms of number of concession stores and new concession partners.

We continue to improve user experience to ensure we provide the best customer experience online to allow us to maximise all sales conversion opportunities.

For own stores, we typically target our most productive stores for remodel as they tend to deliver the best return on capital. We also evaluate stores whose leases are up for renewal and are likely to undergo a remodel.

#### **Principal risks and uncertainties**

The more significant risk factors identified by the company that could affect future trading performance are as follows:

##### *Demand-driven risk*

- Economic conditions may adversely impact demand for our merchandise, which could adversely impact our business, results of operations, financial condition and cash flows.
- Changes in the anticipated seasonal business pattern could adversely affect our sales and profits.
- The failure to expand our distribution channels through our store concession model and other strategic initiatives and to minimise expenses through our cost savings initiatives.
- Fluctuations in consumer preference may adversely affect the demand of our products and result in a decline in sales.
- A decline in the number of people who go to shopping malls/ high streets could reduce the number of our customers and reduce sales.

##### *Supply of goods and services risk*

- Advance purchases of our merchandise make us vulnerable to changes in consumer preferences and pricing shifts and may negatively affect our results of operations.
- A disruption of imports from the group's foreign suppliers may increase our costs and reduce our supply of merchandise.
- Interruptions in distribution of our merchandise from the group's distribution facilities may negatively affect our profitability.

##### *Financial risk*

- Fluctuations in foreign currency exchange rates could negatively impact our financial condition, cash flows, results of operations and our revenue growth.

##### *Regulatory, legal and tax risk*

- Our operations may be adversely affected by regulatory, legal, political and economic risks.
- The company's cost of doing business could increase as a result of changes in taxation and regulations regarding the content of our merchandise.

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**CLAIRE'S ACCESSORIES UK LTD**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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*Industry risk*

- Recalls, product liability claims and government, customer or consumer concerns about product safety could harm our reputation, increase costs or reduce sales.
- If we are unable to renew or replace our store leases or enter into leases for new stores on favourable terms or if any of our current leases are terminated prior to expiration of their stated term and we cannot find suitable locations, our growth and profitability could be adversely affected.
- Our industry is highly competitive.
- We depend on our key personnel.
- Our success depends on our ability to maintain the value of our brands.

*Withdrawal from European Union Risk*

• In June 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union, commonly known as "Brexit." The expected date of Brexit is currently March 2019, although the exact terms of this exit continue to be negotiated. This has created political and economic uncertainty, particularly in the United Kingdom and Ireland (where our stores are located) and the European Union. Risks associated with Brexit include significant disruptions in the free movement of goods, services and people between the United Kingdom and the European Union, increased legal and regulatory complexities, fluctuations in foreign currency exchange rates, as well as higher potential costs of conducting business (such as import and people costs) in the United Kingdom and Ireland.

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**CLAIRE'S ACCESSORIES UK LTD**

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**STRATEGIC REPORT (CONTINUED)  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**Financial key performance indicators**

The results for the period are set out on pages 14 to 40. We prepare our financial statements up to the Saturday nearest to 31 January each year. The financial period ended 3 February 2018 included 53 weeks (financial period 28 January 2017: 52 weeks).

The key performance indicators used within the business and selected financial data are shown below:

	<b>3 February 2018</b>	<b>28 January 2017</b>		
Net Sales	£138,666,000	£126,976,000		
Total Sales change	9.2%	4.3%		
Cost of sales	£46,371,000	£42,221,000		
Gross Profit %	66.6%	66.8%		
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	£10,472,000	£5,226,000		
Capital expenditure	£1,051,000	£1,676,000		
Net interest expense	£3,868,000	£3,515,000		
Own store numbers (at period end)	371	378		
Concession store numbers (at period end)	98	123		
Cash and cash equivalents	£7,233,000	£24,895,000		
Total assets	£123,357,000	£136,655,000		
Total debt (long term only)	£68,919,000	£68,397,000		
Total shareholders' funds	£29,675,000	£27,305,000		
Store portfolio changes	<b>28 January 2017</b>	<b>Open</b>	<b>Closed</b>	<b>3 February 2018</b>
Own stores	378	-	7	371
Concession stores	123	6	31	98
		<b>3 February 2018</b>	<b>28 January 2017</b>	
Product mix	Jewellery	40%	37%	
	Accessories	60%	63%	
Same store sales	Own stores	8.2%	5.5%	
	Concession stores	(1.4)%	(6.0)%	
E Commerce sales		29.2%	22.3%	

For a new store investment, we generally target a payback period of three years or less.

There were a number of factors leading to the increase in total sales of 9.2% compared to the prior period. The increase was attributable to an additional week of net sales, an increase in our E-Commerce sales compared to the prior period and finally an increase in our own same store sales. This was partially offset by a loss of sales revenue as a result of the net decrease in the number of owned stores and concession stores during the period.



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CLAIRE'S ACCESSORIES UK LTD

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STRATEGIC REPORT (CONTINUED)  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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The increase in same store sales was primarily attributable to an increase in average transaction value partially offset by a decrease in average number of transactions per store.

The profit for the financial period of £2,370,000 (2017: £8,255,000) has been added to the profit and loss account reserves. The profit includes a dividend from our French subsidiary of £NIL (2017: £32,546,000). We have paid dividends of £NIL in the current period (2017: £9,161,000). This results in profit and loss reserves of £22,636,000. During the period we received a capital contribution from our parent company for £NIL (2017: £5,889,000). This results in shareholders' funds of £29,675,000 at the balance sheet date.

**Going concern review**

On 19th March 2018 Claire's Stores, Inc. ("Claire's"), the ultimate parent of the Company, had announced that it was pursuing a financial restructuring in order to eliminate a substantial portion of debt from its balance sheet and position Claire's for long-term success pursuant to a chapter 11 reorganisation process commenced in the United States Bankruptcy Court for the District of Delaware by Claire's and certain of its U.S. affiliates.

On 12th October 2018, Claire's successfully completed their financial restructuring and emerged from chapter 11, as their Plan of Reorganisation (the "Plan"), which was previously confirmed by the Bankruptcy Court, went into effect. Under the terms of the Plan, Claire's eliminated a substantial portion of its debt and gained access to a significant amount of additional capital. The management of Claire's are confident that, with its renewed financial strength, it will cement its position as one of the world's leading specialty retailers of fashionable jewellery, accessories, and beauty products for young women, teens, "tweens" and kids for many years to come.

Claire's international subsidiaries, including the Company, are not part of the United States chapter 11 filings. Furthermore, as part of the implementation of the Plan, all third party debt held by the relevant subsidiaries in Europe was fully paid, resulting in the European segment, which includes the Company, being free of external debt.

On the basis of the above and their assessment of the Company's financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, being a period of not less than twelve months from the date of approval of these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

This report was approved by the board on *31st October 2018* and signed on its behalf.

  
S A Brown  
Director

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CLAIRE'S ACCESSORIES UK LTD

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**DIRECTORS' REPORT  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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The directors present their report and the financial statements for the 53 week period ended 3 February 2018.

**Directors' responsibilities statement**

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

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

The 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Principal activity**

The principal activity of the company is that of a specialty retailer of value-priced jewellery and accessories for girls and young women, operating leased stores in the UK and Republic of Ireland. The company has subsidiaries in the United Kingdom, France, Belgium, Spain, Poland, the Czech Republic and Italy with the same principal activity.

The results of the company alone are presented within this Annual Report as the results of the company and its subsidiaries are included in the financial statements of the parent company Claire's Stores, Inc.

**Results and dividends**

The profit for the 53 week period, after taxation, amounted to £2,370,000 (2017 - £8,255,000).

No dividends were paid in the 53 week period (2017: £9,161,000)

**Directors**

The directors who served during the 53 week period were:

S A Brown  
S E Watkin  
S E Huckins  
G Pratt

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**CLAIRE'S ACCESSORIES UK LTD**

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**DIRECTORS' REPORT (CONTINUED)  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**Charitable contributions**

We have paid over donations to UK charities amounting to £54,923 during the period (2017: £50,977). There were no political donations in either period.

**Employee involvement**

We have developed and maintained arrangements whereby employees are consulted and provided with information about current activities and progress within the company and with training to improve our operational efficiency.

**Directors indemnity arrangements**

The directors indemnity insurance is included as part of a group wide policy in the name of Claire's Stores, Inc., the ultimate parent company. Such qualifying indemnity provisions remain in force at the date of approving the Director's Report.

**Disclosure of information to auditor**

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 auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Auditor**

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on *31<sup>st</sup> October 2018* and signed on its behalf.



S A Brown  
Director

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## CLAIRE'S ACCESSORIES UK LTD

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLARE'S ACCESSORIES UK LTD

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#### **Our opinion on the financial statements is unmodified**

We have audited the financial statements of Claire's Accessories UK Limited (the 'company') for the 53 week period ended 3 February 2018 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 3 February 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Who we are reporting to**

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

#### **Conclusion relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- 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.

#### **Overview of our audit approach**

- Overall materiality: £2,080,000, which represents 1.5% of the company's total revenue;
- One key audit matter was identified as impairment of capital assets; and
- We performed full-scope audit procedures on the company.

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## CLAIRE'S ACCESSORIES UK LTD

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLARE'S ACCESSORIES UK LTD

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#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significant in our audit of the company's financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key Audit Matter

##### Impairment of capital assets

As at 3 February 2018 the company held short term leasehold property at a carrying value of £5.3m (2017: £6.0m).

The valuation of the property portfolio at the reporting date requires management to make judgements and estimates about the impairment of capital assets.

Management conducts a quarterly review over the performance of their stores across the UK and in particular considers stores that are loss making. This review is conducted by geographic area, being the collection of stores in reasonably close proximity to each other. Loss making geographic areas are calculated by reviewing their contribution which is calculated as sales less direct costs an allocation of shared service costs and distribution costs.

Given the high level of judgement regarding the impairment of capital assets, we identified the valuation of capital assets as a significant risk, which was one of the most significant assessed risks of material misstatement.

#### How the matter was addressed in the audit

- Our audit work included, but was not restricted to: documenting our understanding of management's process for assessing the indicators of impairments of capital assets and assessing it for appropriateness under FRS 102;
- assessing the appropriateness and reasonableness of store provisions based on discussion with the real estate team, reviewing revenue levels by geographic area and reviewing stores with negative or marginally positive cashflows
- reperforming management's inputs of the underlying data into the provision calculations, ensuring these are accurately transferred to the ledgers and challenging this calculation by ensure that the assumptions were consistent with those potential impairment factors identified through our procedures with the real estate team;
- assessing and challenging the accuracy of provisions by comparison to historical cash flow trends on a store by store basis, and to any post year end evidence obtained such as management accounts or matters that may have suggested additional provisions may be required (such as store closures).

#### Key observations

Based on our audit work, we found that the assumptions and judgements used in management's estimation of the impairment of capital assets recognised at period end were performed in line with their accounting policies. We also found no errors in the underlying calculations.

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## CLAIRE'S ACCESSORIES UK LTD

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### INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLAIR'S ACCESSORIES UK LTD

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#### Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

#### Materiality was determined as follows:

##### Materiality Measure

Financial statements as a whole

##### Company only

We determined materiality for the audit of the company financial statements as a whole to be £2,080,000 which is 1.5% of total revenue. This benchmark is considered the most appropriate because it is the main key performance indicator and the focus of the user of the accounts. Further, it reflects our assessment of the inherent risks of the audit.

Performance materiality used to drive the extent of our testing

We use a different level of materiality, performance materiality, to drive the extent of our testing and this was set at 70% of financial statement materiality.

Communication of misstatements to those charged with governance

We determined the threshold at which we will communicate misstatements to those charged with governance to be £104,000. In addition, we communicate misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

#### An overview of the scope of our audit

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland). Our responsibilities under those standards are further described in the 'Auditor's 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.

- our audit approach was a risk-based approach founded on a thorough understanding of the business, its environment and risk profile;
- we undertook procedures and an evaluation of the internal control environment of the business. This included an assessment of the IT systems and general controls;
- we evaluated the processes and controls over the financial reporting system on areas identified as part of our risk assessment; being capital assets, revenue, cash and inventory;
- the company is based and managed in the UK, and all procedures were undertaken by Grant Thornton UK LLP;
- there were no changes to our planned procedures that we executed during the course of our work.

We are independent of the company in accordance with the Auditing Practices Board's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with those Ethical Standards.

#### Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 8, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine where there is a material

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**CLAIRE'S ACCESSORIES UK LTD**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLARE'S ACCESSORIES UK LTD**

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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 in this regard.

**Our opinion on other matters prescribed by the Companies Act 2006 is unmodified**

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report to be audited has been properly prepared in accordance with the Companies Act 2006 and applicable legal requirements.

**Matter on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

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

**Responsibilities of directors for the financial statements**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

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CLAIRE'S ACCESSORIES UK LTD

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CLARE'S ACCESSORIES UK LTD

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**Auditor's 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 auditor's 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 Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

Grant Thornton UK LLP

Rebecca Eagle FCA  
Senior statutory auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Birmingham

1 November 2018



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CLAIRE'S ACCESSORIES UK LTD

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STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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	Note	53 weeks ended 3 February 2018 £000	52 weeks ended 28 January 2017 £000
Turnover	4	138,666	126,976
Cost of sales		(46,371)	(42,221)
<b>Gross profit</b>		<b>92,295</b>	<b>84,755</b>
Distribution costs		(68,163)	(67,978)
Administrative expenses		(15,670)	(14,423)
<b>Operating profit</b>	5	<b>8,462</b>	<b>2,354</b>
Income from shares in group undertakings		-	32,546
Interest receivable and similar income	10	261	2,894
Interest payable and similar charges	11	(6,042)	(30,152)
<b>Profit before tax</b>		<b>2,681</b>	<b>7,642</b>
Tax (charge)/ credit on profit	12	(311)	613
<b>Profit for the financial 53 week period</b>		<b>2,370</b>	<b>8,255</b>

All amounts relate to continuing activities.

The notes on pages 18 to 40 form part of these financial statements.

**CLAIRE'S ACCESSORIES UK LTD**  
**REGISTERED NUMBER: 03115188**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 3 FEBRUARY 2018**

	Note	3 February 2018 £000	<i>Restated amounts at 28 January 2017 £000</i>
<b>Fixed assets</b>			
Intangible assets	14	60	80
Tangible assets	15	6,816	7,750
Investments	16	60,042	60,042
		<u>66,918</u>	<u>67,872</u>
<b>Current assets</b>			
Stocks	17	11,937	11,769
Debtors: amounts falling due after more than one year	18	2,919	2,820
Debtors: amounts falling due within one year	18	34,350	29,299
Cash at bank and in hand	19	7,233	24,895
		<u>56,439</u>	<u>68,783</u>
Creditors: amounts falling due within one year	20	(24,164)	(40,346)
<b>Net current assets</b>		<u>32,275</u>	<u>28,437</u>
<b>Total assets less current liabilities</b>		<u>99,193</u>	<u>96,309</u>
Creditors: amounts falling due after more than one year	21	(68,919)	(68,397)
<b>Provisions for liabilities</b>			
Other provisions	23	(599)	(607)
		<u>(599)</u>	<u>(607)</u>
<b>Net assets</b>		<u><u>29,675</u></u>	<u><u>27,305</u></u>
<b>Capital and reserves</b>			
Called up share capital	24	1,150	1,150
Other reserves	25	5,889	5,889
Profit and loss account	25	22,636	20,266
<b>Shareholders funds</b>		<u><u>29,675</u></u>	<u><u>27,305</u></u>

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CLAIRE'S ACCESSORIES UK LTD  
REGISTERED NUMBER: 03115188

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STATEMENT OF FINANCIAL POSITION (CONTINUED)  
AS AT 3 FEBRUARY 2018

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The financial statements were approved and authorised for issue by the board and were signed on its behalf on  
*31<sup>st</sup> October 2018.*



**S A Brown**  
Director

The notes on pages 18 to 40 form part of these financial statements.

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**CLAIRE'S ACCESSORIES UK LTD**

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**STATEMENT OF CHANGES IN EQUITY  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 29 January 2017	1,150	5,889	20,266	27,305
Profit for the period	-	-	2,370	2,370
<b>Total comprehensive income for the 53 week period</b>	-	-	2,370	2,370
<b>At 3 February 2018</b>	<b>1,150</b>	<b>5,889</b>	<b>22,636</b>	<b>29,675</b>

The notes on pages 18 to 40 form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE 52 WEEK PERIOD ENDED 28 JANUARY 2017**

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	Called up share capital	Other reserves	Profit and loss account	Total equity
	£000	£000	£000	£000
At 31 January 2016	1,150	-	21,172	22,322
Profit for the period	-	-	8,255	8,255
<b>Total comprehensive income for the 52 week period</b>	-	-	8,255	8,255
Capital contribution	-	5,889	-	5,889
Dividends: Equity capital	-	-	(9,161)	(9,161)
<b>Total transactions with shareholders</b>	-	5,889	(9,161)	(3,272)
<b>At 28 January 2017</b>	<b>1,150</b>	<b>5,889</b>	<b>20,266</b>	<b>27,305</b>

The notes on pages 18 to 40 form part of these financial statements.

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**CLAIRE'S ACCESSORIES UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**1. General information**

Claire's Accessories UK Ltd is a private company, limited by shares, incorporated, registered and domiciled in England and Wales, registration number 06540994. The registered office is Unit 4 Bromford Gate, Bromford Lane, Birmingham, West Midlands, B24 8DW.

The company prepares its financial statements up to the Saturday nearest to 31st January each year. The financial period ended 3 February 2018 includes 53 weeks and the financial period ended 28 January 2017 includes 52 weeks.

The company's financial statements have been prepared in compliance with FRS 102.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

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

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

The following principal accounting policies have been applied:

**2.2 Financial reporting standard 102 - reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Claire's Stores Inc. as at 3 February 2018 and these financial statements may be obtained from Claire's Corporate Plaza, 3 SW129th Avenue, Pembroke Pines, FL 33027, United States of America.

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CLAIRE'S ACCESSORIES UK LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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2. Accounting policies (continued)

2.3 Foreign currency translation

**Functional and presentation currency**

The Company's functional and presentational currency is GBP.

**Transactions and balances**

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of comprehensive income within 'other operating income'.

2.4 Revenue

Revenue represents the fair value of amounts receivable for goods and services and is stated net of discounts, value added taxes and returns. Sale of goods are recognised when purchased by the customer or on delivery.

It is the company's policy to sell its products to the retail customer with a right to return within 30 days. Revenue is adjusted for the value of expected returns. The estimated liability for sales returns is based on the historical return levels.

Revenue from the sale of gift cards is deferred until their redemption.

Commission sales are stated net of commission discounts, value added taxes and returns. The commission payable to our concession partners is recognised on an accruals basis in accordance with the terms of the relevant concession agreement.

2.5 Interest income

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

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CLAIRE'S ACCESSORIES UK LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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**2. Accounting policies (continued)**

**2.6 Finance costs**

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

**2.7 Pensions**

**Defined contribution pension plan**

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

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

**2.8 Intangible assets**

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Income statement over its useful economic life of 20 years.

Software included as intangible assets are amortised over their useful life on a straight line basis, which is considered to be a period of 5 years.

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CLAIRE'S ACCESSORIES UK LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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**2. Accounting policies (continued)**

**2.9 Tangible fixed assets**

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.

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.

The estimated useful lives range as follows:

Short Leasehold Property - 2 - 10 years  
Fixtures, fittings and equipment - 3 - 10 years

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

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

**2.10 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

**2.11 Stocks**

Stocks are stated at the lower of cost and net average value, being the estimated selling price less costs to complete and sell. Cost is based on the average cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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

**2.12 Debtors**

Short term debtors are measured at transaction price, less any impairment.

**2.13 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.

**2.14 Creditors**

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



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**CLAIRE'S ACCESSORIES UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**2. Accounting policies (continued)**

**2.15 Provisions for liabilities**

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

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

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

**2.16 Financial instruments**

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

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CLAIRE'S ACCESSORIES UK LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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**3. Judgments in applying accounting policies and key sources of estimation uncertainty**

Our Financial Statements have been prepared in accordance with accounting principles generally accepted in the UK and Republic of Ireland, which require us to make certain estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures regarding contingent assets and liabilities and reported amounts of revenues and expenses. Such estimates include, but are not limited to, the value of inventories, goodwill, tangible assets, legal contingencies and assumptions used in the calculation of corporate taxes and other items. These estimates and assumptions are based on our best estimates and judgment. We evaluate our estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which we believe to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in those estimates will be reflected in the financial statements in those future periods when the changes occur.

**Stocks**

Our stocks are accounted for under the lower of cost or retail market value, with cost determined using the average cost method at an individual item level. Retail market value is determined based on the estimated net realisable value, which is generally the merchandise selling price. Stock valuation is impacted by the estimation of slow moving goods, shrinkage and markdowns. Management monitors merchandise stock levels to identify slow-moving items and uses markdowns to clear such stocks. Changes in consumer demand of our products could affect our retail prices, and therefore impact the retail method and lower of cost or retail market valuations.

The carrying value of stock is as follows:

	3 February 2018	28 January 2017
Goods for resale	£11,778,000	£11,639,000

**Fixed assets**

We evaluate the carrying value of intangible assets, tangible assets and investments whenever events or changes in circumstances indicate that a potential impairment has occurred. A potential impairment has occurred if the projected future undiscounted cash flows are less than the carrying value of the assets. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of the asset in operations. When a potential impairment has occurred, an impairment charge is recorded if the carrying value of asset exceeds its fair value. Fair value is measured based on a projected discounted cash flow model using a discount rate we feel is commensurate with the risk inherent in our business. A prolonged decrease in consumer spending would require us to modify our models and cash flow estimates, and could create a risk of an impairment triggering event in the future. Our impairment analyses contain estimates due to the inherently judgmental nature of forecasting long-term estimated cash flows and determining the ultimate useful lives of assets. Actual results may differ from those estimates, which could materially impact our impairment assessment. We did not recognise any impairment charges during the period (2017: £19,121,000).

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**CLAIRE'S ACCESSORIES UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**3. Judgments in applying accounting policies (continued)**

The carrying values of fixed assets are as follows:

	<b>3 February 2018</b>	<b>28 January 2017</b>
Intangible assets	£60,000	£80,000
Tangible assets	£6,816,000	£7,750,000
Investments	£60,042,000	£60,042,000

**Corporate Income Taxes**

Our provision for corporate income taxes is determined based on our income, statutory tax rates and the tax implications of items treated differently for tax purposes than for financial reporting purposes. Tax law requires certain items to be included in the tax return at different times than the items are reflected on the financial statements. Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences are temporary, reversing over time, such as depreciation expense. We establish deferred tax assets and liabilities as a result of these temporary differences.

We establish accruals for uncertain tax positions in our Financial Statements based on tax positions that we believe are supportable, but are potentially subject to successful challenge by the taxing authorities. We believe these accruals are adequate based on our assessment of many factors including past experience, progress of ongoing tax audits and interpretations of tax law. If changing facts and circumstances cause us to adjust our accruals, or if we prevail in tax matters for which accruals have been established, or we are required to settle matters in excess of established accruals, our income tax expense for a particular period will be affected.

The carrying values of corporate income taxes are as follows:

	<b>3 February 2018</b>	<b>28 January 2017</b>
Deferred tax asset	£364,000	£518,000
Corporation tax asset	£128,000	£238,000

**4. Turnover**

The whole of the turnover is attributable to the principal activity of the company and arose entirely within Europe.

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CLAIRE'S ACCESSORIES UK LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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5. Operating profit

The operating profit is stated after charging:

	53 weeks ended 3 February 2018 £000	52 weeks ended 28 January 2017 £000
Depreciation of tangible fixed assets	1,985	2,846
Amortisation of intangible assets, including goodwill	25	26
Other operating lease rentals	22,278	22,721
Defined contribution pension cost (note 28)	147	137

6. Auditor's remuneration

	53 weeks ended 3 February 2018 £000	52 weeks ended 28 January 2017 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	42	48

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CLAIRE'S ACCESSORIES UK LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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7. Employees

Staff costs were as follows:

	53 weeks ended 3 February 2018 £000	52 weeks ended 28 January 2017 £000
Wages and salaries	24,518	22,973
Social security costs	1,642	1,396
Cost of defined contribution scheme	147	137
	<u>26,307</u>	<u>24,506</u>

Wages and salaries (including social security costs) shown above include the full employment costs of staff who work for both Claire's Accessories UK Ltd and other group companies. Amounts receivable from those group companies for the period total £361,000 (2017: £388,000) and are set against the expense in the profit and loss account.

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

	53 weeks ended 3 February 2018 No.	52 weeks ended 28 January 2017 No.
Administration	17	15
Selling and Distribution	2,316	2,451
	<u>2,333</u>	<u>2,466</u>

8. Directors' remuneration

No director received any emoluments from Claire's Accessories UK Ltd in either the current or the prior period for their services to the company. Remuneration paid through Claire's European Services Limited is disclosed in the accounts of that company.

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**CLAIRE'S ACCESSORIES UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**9. Income from shares in group undertakings**

	<b>53 weeks ended 3 February 2018 £000</b>	<b>52 weeks ended 28 January 2017 £000</b>
Dividends received from group undertakings	-	32,546
	-	32,546
	-	32,546

**10. Interest receivable and similar income**

	<b>53 weeks ended 3 February 2018 £000</b>	<b>52 weeks ended 28 January 2017 £000</b>
Interest on loans to group undertakings	261	2,538
Bank interest	-	1
Other interest receivable	-	355
	261	2,894
	261	2,894

**11. Interest payable and similar expenses**

	<b>53 weeks ended 3 February 2018 £000</b>	<b>52 weeks ended 28 January 2017 £000</b>
Bank interest payable	-	912
Loans from group undertakings	4,129	4,305
Other interest payable	-	1,192
Unwinding of discount on provisions	2	3
Net foreign exchange losses	1,911	4,619
Impairment of investments	-	19,121
	6,042	30,152
	6,042	30,152

The amounts included above within impairment of investments relate to the reduction in the carrying value of investments in group undertakings (note 16).

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CLAIRE'S ACCESSORIES UK LTD

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

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12. Taxation

	53 weeks ended 3 February 2018 £000	52 weeks ended 28 January 2017 £000
<b>Corporation tax</b>		
Current tax on profits for the period	138	(338)
Adjustments in respect of previous periods	19	24
	<u>157</u>	<u>(314)</u>
<b>Foreign tax</b>		
Foreign tax on income for the period	-	7
	<u>157</u>	<u>(307)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	140	(238)
Adjustments in respect of prior periods	15	(80)
Restatement of deferred tax balances for change in statutory rate	(1)	12
	<u>154</u>	<u>(306)</u>
<b>Taxation charge/ (credit) on ordinary activities</b>	<u>311</u>	<u>(613)</u>

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**CLAIRE'S ACCESSORIES UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**12. Taxation (continued)**

**Factors affecting tax charge for the 53 week period**

The tax charge assessed for the period is lower than (2017 - lower than) the standard rate of corporation tax in the UK of 19.16% (2017 - 20%). The differences are explained below:

	<b>53 weeks ended 3 February 2018 £000</b>	<b>52 weeks ended 28 January 2017 £000</b>
Profit on ordinary activities before tax	<b>2,681</b>	<b>7,642</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.16% (2017 - 20%)	<b>513</b>	<b>1,528</b>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	<b>122</b>	<b>3,678</b>
Depreciation of non-qualifying assets	<b>36</b>	<b>52</b>
Branch loss relief and other differences	<b>(278)</b>	<b>7</b>
Adjustments to tax charge in respect of prior periods	<b>34</b>	<b>(57)</b>
Dividends received not taxable	<b>-</b>	<b>(6,509)</b>
Effect of change in UK tax rate	<b>(1)</b>	<b>12</b>
Brought forward losses utilised	<b>(115)</b>	<b>-</b>
Unrelieved losses carried forward	<b>-</b>	<b>152</b>
Group relief	<b>-</b>	<b>524</b>
<b>Total tax charge for the 53 week period/52 week period</b>	<b>311</b>	<b>(613)</b>

**Factors that may affect future tax charges**

The standard rate of UK Corporation Tax is 19% (2017: 20%).

At the Summer Budget 2015, the government announced legislation setting the corporation tax rate (for all profits except ring fenced profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. At the Budget 2016, the government announced a further reduction to the corporation tax rate (for all profits except ring fenced profits) for the year starting 1 April 2020, setting the rate at 17%. Deferred tax at 3 February 2018 has been calculated accordingly at the balance sheet date.



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**CLAIRE'S ACCESSORIES UK LTD**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018**

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**13. Dividends**

	<b>3 February 2018 £000</b>	<i>3 February 2017 £000</i>
Dividends paid to shareholders	-	9,161
	-	9,161
	-	9,161

**14. Intangible assets**

	<b>Software £000</b>	<b>Goodwill £000</b>	<b>Total £000</b>
<b>Cost</b>			
At 29 January 2017	660	529	1,189
Additions	5	-	5
	665	529	1,194
At 3 February 2018	665	529	1,194
	665	529	1,194
<b>Amortisation</b>			
At 29 January 2017	659	450	1,109
Charge for the period	2	23	25
	661	473	1,134
At 3 February 2018	661	473	1,134
	661	473	1,134
<b>Net book value</b>			
At 3 February 2018	4	56	60
	4	56	60
At 28 January 2017	1	79	80
	1	79	80

CLAIRE'S ACCESSORIES UK LTD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE 53 WEEK PERIOD ENDED 3 FEBRUARY 2018

15. Tangible fixed assets

	Short term leasehold property £000	Fixtures & fittings £000	Total £000
<b>Cost</b>			
At 29 January 2017	32,017	29,224	61,241
Additions	742	309	1,051
Disposals	(886)	(465)	(1,351)
At 3 February 2018	<u>31,873</u>	<u>29,068</u>	<u>60,941</u>
<b>Depreciation</b>			
At 29 January 2017	26,003	27,488	53,491
Charge for the 53 week period on owned assets	1,371	614	1,985
Disposals	(886)	(465)	(1,351)
At 3 February 2018	<u>26,488</u>	<u>27,637</u>	<u>54,125</u>
<b>Net book value</b>			
At 3 February 2018	<u>5,385</u>	<u>1,431</u>	<u>6,816</u>
At 28 January 2017	<u>6,014</u>	<u>1,736</u>	<u>7,750</u>

The net book value of land and buildings may be further analysed as follows:

	3 February 2018 £000	28 January 2017 £000
Short term leasehold property	5,385	6,014
	<u>5,385</u>	<u>6,014</u>

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**16. Fixed asset investments**

	<b>Investments in group undertakings £000</b>
<b>Cost</b>	
At 29 January 2017	79,163
At 3 February 2018	79,163
<b>Impairment</b>	
At 29 January 2017	19,121
At 3 February 2018	19,121
<b>Net book value</b>	
At 3 February 2018	60,042
At 28 January 2017	60,042

**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Principal activity
Claire's France SAS	France	100 %	100% fashion jewellery and accessory retailer
Claire's Accessories Spain SL	Spain	100 %	100% fashion jewellery and accessory retailer
Claire's Belgium BVBA	Belgium	100 %	100% fashion jewellery and accessory retailer
Claire's Poland sp. z o.o.	Poland	99 %	100% fashion jewellery and accessory retailer
Claire's Czech Republic s.r.o	Czech Republic	90 %	100% fashion jewellery and accessory retailer
Claire's Italy S.r.l.	Italy	100 %	100% fashion jewellery and accessory retailer
Claire's European Distribution Limited	England & Wales	100 %	Wholesaling, warehousing & logistic services

The company owns ordinary shares in all of the above companies.

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17. Stocks

	3 February 2018 £000	28 January 2017 £000
Goods for resale	11,778	11,639
Consumables	159	130
	<u>11,937</u>	<u>11,769</u>

Stocks recognised in cost of sales during the 53 week period as an expense was £44,439,000 (2017 - £41,589,000) .

An impairment loss of £561,000 (2017 - £13,000) was recognised in cost of sales against stock during the 53 week period due to slow-moving and obsolete stock.

An impairment loss of £1,232,000 (2017 - £1,367,000) was recognised in cost of sales against stock during the 53 week period due to stolen stock.

18. Debtors

	3 February 2018 £000	28 January 2017 £000
<b>Due after more than one year</b>		
Amounts owed by group undertakings	2,919	2,820
	<u>2,919</u>	<u>2,820</u>

Included within amounts owed by the group undertakings are amounts totalling £2,919,000 (2017: £2,820,000) that fall due for repayment after more than one year from the balance sheet date. The loans incur interest at a fixed rate of 5%. The balance of the amounts owed by group undertakings are short term, interest free trading balances. These amounts are unsecured.

There are no amounts included within amounts owed by undertakings that fall due for repayment more than five years from the balance sheet date in either the current or preceding period.

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18. Debtors (continued)

	3 February 2018 £000	28 January 2017 £000
<b>Due within one year</b>		
Amounts owed by group undertakings	26,726	21,331
Other debtors	819	911
Prepayments and accrued income	6,313	6,301
Corporation tax	128	238
Deferred taxation asset (note 22)	364	518
	<u>34,350</u>	<u>29,299</u>

Included within amounts owed by the group undertakings are loan amounts totalling £Nil (2017: £2,163,000) that fall due for repayment within one year from the balance sheet date. The loans incur interest at a fixed rate of 5%. The balance of the amounts owed by group undertakings are short term, interest free trading balances. These amounts are unsecured.

19. Cash and cash equivalents/bank overdrafts

	3 February 2018 £000	28 January 2017 £000
Cash at bank and in hand	7,233	24,895
	<u>7,233</u>	<u>24,895</u>

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20. Creditors: Amounts falling due within one year

	3 February 2018 £000	28 January 2017 £000
Trade creditors	740	2,085
Amounts owed to group undertakings	12,220	26,829
Other taxation and social security	3,505	2,880
Accruals and deferred income	7,699	8,552
	<u>24,164</u>	<u>40,346</u>

The bank overdraft facility is part of a cash pool arrangement we share with fellow subsidiaries. This arrangement allows for a right of set-off and that no debit or credit interest shall accrue in respect of any balance within the group.

Amounts owed to group undertakings are short term, interest free trading balances. These amounts are unsecured.

21. Creditors: Amounts falling due after more than one year

	3 February 2018 £000	28 January 2017 £000
Amounts owed to group undertakings	68,919	68,397
	<u>68,919</u>	<u>68,397</u>

Included within amounts owed to group undertakings are amounts totalling £52,200,000 (2017: £52,200,000) that fall due for repayment more than five years from the balance sheet date. On 27 January 2017, as part of a restructuring of group entities, the company and the lending group entity agreed that this loan should be refinanced by way of issuance of loan notes. The loan notes fall due for repayment in 2023 and incur interest at a fixed rate of 6%. These loan notes are listed on The International Stock Exchange (TISE).

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22. Deferred tax asset

	3 February 2018 £000	28 January 2017 £000
At beginning of period	518	212
Charged to profit or loss	(154)	306
<b>At end of the period</b>	<b>364</b>	<b>518</b>

The deferred tax asset is made up as follows:

	3 February 2018 £000	28 January 2017 £000
Accelerated capital allowances	266	287
Short-term timing differences	98	87
Unrelieved losses	-	144
	<b>364</b>	<b>518</b>

The deferred tax asset has been recognised since, taking into account all available evidence including current trading levels and expectations of future trading, it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

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23. Provision for liabilities

	Lease expiry obligations £000
At 29 January 2017	607
Exchange rate variances	2
Utilised in the period	(12)
Unwinding of discount	2
<b>At 3 February 2018</b>	<b>599</b>

**Lease expiry obligations**

A provision is recognised for expected dilapidation costs on vacation of the properties rented by Claire's Accessories UK Ltd. The provision has been based upon a standard cost per store type estimating the works necessary and projected cost to return the properties to the condition identified in the lease. The standard cost will vary by type of store and location. These are applied to all stores at expiry of the lease, discounted to present value.

24. Share capital

	3 February 2018 £000	28 January 2017 £000
<b>Allotted, called up and fully paid</b>		
1,150,000 (2017 - 1,150,000) Ordinary shares shares of £1.00 each	<u>1,150</u>	<u>1,150</u>

Each share is entitled to one vote in any circumstance.

25. Reserves

**Capital contribution reserve**

On 27 January 2017, the company has received a capital contribution of £5,889,000 from Claire's Holding GmbH the immediate parent undertaking.

**Profit & loss account**

Includes all current and prior period retained profits and losses less dividends paid in the period.



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**26. Contingent liabilities**

The company, along with Claire's (Gibraltar) Holdings Limited, an indirect parent undertaking and other subsidiaries of the Claire's Group, has entered into a composite cross-guarantee agreement. The guarantee was undertaken in connection with group banking arrangements, and no liability is expected to arise as a result of this guarantee in the foreseeable future.

**27. Capital commitments**

At 3 February 2018 the Company had capital commitments as follows:

	<b>3 February 2018 £000</b>	<i>28 January 2017 £000</i>
Contracted for but not provided in these financial statements	<b>151</b>	<i>362</i>
	<b>151</b>	<i>362</i>

**28. Pension commitments**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £147,000 (2017: £137,000). Contributions totalling £23,000 (2017: £33,000) were payable to the fund at the balance sheet date.

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29. Commitments under operating leases

At 3 February 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	<b>3 February 2018 £000</b>	<i>28 January 2017 £000</i>
Land and buildings		
Not later than 1 year	1,783	2,066
Later than 1 year and not later than 5 years	29,672	33,951
Later than 5 years	55,198	60,114
	<u>86,653</u>	<u>96,131</u>
Plant and machinery		
	<b>3 February 2018 £000</b>	<i>28 January 2017 £000</i>
Not later than 1 year	24	13
Later than 1 year and not later than 5 years	371	406
	<u>395</u>	<u>419</u>

30. Prior year adjustment

The company has made a prior year adjustment to reflect a capital contribution made by its immediate parent undertaking, Claire's Holding GmbH and to correct the investment made in its subsidiary, Claire's European Distribution Limited. The result of the prior year adjustment is to increase investments in group undertakings by £5,889,000 while also including a capital contribution for the same value.

31. Related party transactions

No transactions with related parties were undertaken during the period such as are required to be disclosed under Section 33 of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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**32. Guarantees**

The Company has entered into a credit agreement dated 5th January 2017 for \$50 million ("The Europe Credit Agreement") between among others, (1) Claire's (Gibraltar) Intermediate Holdings Limited and Claire's Germany GmbH as borrowers, (2) the Company and other direct and indirect subsidiaries of Claire's (Gibraltar) Intermediate Holdings Limited as guarantors, (3) the Lenders party thereto from time to time, (4) Botticelli LLC as administrative agent (5) Cortland Capital Market Services LLC, as collateral agent. The Company has pledged its assets and bank accounts as security to the Europe Credit Agreement.

On 12th October 2018, the borrowers, as defined in Europe Credit Agreement, informed the Agents that they have paid in full all obligations and other amounts outstanding as specified in the Europe Credit Agreement. The Agents, under the terms of the Europe Credit Agreement, will promptly execute and deliver all relevant release documents and other instruments of release and discharge all such security interest, mortgages and lien for all parties to the Europe Credit Agreement, including the Company.

**33. Post balance sheet events**

The company has entered into a revolving Credit Agreement dated 12th October 2018 for \$75 million ("The Revolving Credit Agreement") between among others, (1) Claire's Holdings LLC and Claire' Stores Inc. (US borrowers), (2) Claire's (Gibraltar) Holdings Limited and each of the Claire's Stores Inc. subsidiaries incorporated in the UK including the Company (UK borrowers), (3) the Lenders party thereto from time to time, (4) Citibank, as administrative and collateral agent of the Lenders. The Company has pledged its assets and bank accounts as security for the revolving Credit Agreement. The Company presently has no plans to draw on the facility.

**34. Controlling party**

The immediate parent undertaking is Claire's Holdings GmbH, a company incorporated in Switzerland. The ultimate parent undertaking is Claire's Stores Inc. which is incorporated in the United States. The smallest and largest group for which group financial statements are prepared that include and consolidate the results of Claire's Accessories UK Ltd for the period ended 3 February 2018 is Claire's Stores, Inc. Copies of these financial statements can be obtained from the company's website, [www.clairestores.com](http://www.clairestores.com).