Company No: 00164291

AUSTIN REED GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2013

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DIRECTORS' REPORT

BUSINESS ACTIVITIES

Austin Reed Group is a specialist retailer and licensor in quality business and leisure clothing and other related products for men and women It has licensing operations in the UK, North America, Japan, China, Republic of Korea, South East Asia, India, Columbia and Brazil

The results for the year are set out in the Consolidated Profit and Loss Account on page 7

Business Review

Since being taken private and de-listed from the London Stock Exchange in January 2007, the owners and management team have been able to increase investment in the long-term growth of the business The focus being to maximise the potential of the Group's brands both in the UK and internationally, the development of online revenues for both Austin Reed, CC and Viyella, and the targeting of acquisitions to increase the size and scale of the Group

The company has three principal brands, Austin Reed, CC (formerly Country Casuals) and Viyella and operates 267 stores and concessions in the UK It has a significant international business through licensing agreements

Financial performance

For the year to January 2013 the group recorded EBITDA of £5 7m (2012 £5 1m pre-exceptional) The individual performance of each brand is covered in more detail in their respective financial statements

Total Group turnover in the year to 31 January 2013 was £113m, representing a decrease of £2 8m (2%) compared to £115 8m achieved for the year to 31 January 2012 The turnover reduction is explained by the closure of a number of loss making stores in the year On a like-for-like basis sales were ahead of last year by 5 2%

Key Performance Indicators

A range of performance measures are used by the Group's management to monitor and manage the business Certain of these are of key importance in measuring past performance and providing information for the future development of the business, Return on Capital Employed (pre-exceptional), Sales Density (gross sales per sq ft), Units per Customer, Return on Sales, Branch Contribution and Payback

E-commerce

The Web became the Group's biggest store in 2012 and this sizeable operation is bringing new opportunities and challenges The overall group sales increased by 43% year on year Email acquisition was one of the major wins doubling the email file size resulting in a significant uplift in new online traffic The focus for 2013 is on building strategic multi-channel platforms (web and email) that provide powerful customer interactions and support international expansion

Marketing Strategy

The brands within the Austin Reed Group have strengthened their brand identities within their retail markets Each brand's marketing and creative direction strategy reinforces their brand positioning

International

During 2013, Austin Reed entered into a new franchise agreement with the Apparel Group, covering the Middle East The first Austin Reed store in Central Europe opened in Bratislava as part of a new franchise partnership Japanese womenswear continued to enjoy strong growth In Canada, a new casualwear Licensee was signed up to complement our successful formalwear business

Principal Risks and Uncertainties

The Group continues to be exposed to the risks of the economic downturn in the UK, which has led to reduced consumer demand and reduced income The success of the Group is dependent on its ability to provide quality designs and fashions and to anticipate and respond to changing consumer taste and fashion trends

The Group also purchases finished goods from the Far East in US dollars and is therefore exposed to movements in the US$ to Sterling exchange rate The Finance Director monitors the net exposure and takes out fixed forward contracts to ensure that the majority of the Group's requirements for between 12 and 18 months are covered

Licensing revenue is received from Japan in Yen and a significant proportion is covered by minimum guarantees The timings of receipts are known in advance and the minimum guaranteed income is sold forward up to a maximum of 12 months at any point

Debt and Gearing

The Company has guaranteed the loans to its ultimate parent company Gajan Holdings Ltd These loans with Landsbanki Commercial Finance totalling £7 3m (2012 £8 7m) and bear interest charged at LIBOR plus a margin

DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 January 2013 (2012 £nil)

DIRECTORS

The Directors in the year were.

Nick Hollingworth
Alan Charlton
Alan Jacobs
Jonathan Naggar

As at the date of this Report a third party indemnity provision is in force for the benefit of all of the Directors of the Company The terms of that indemnity are set within the Company's Articles of Association copies of which are available for inspection at the Company's registered office

EMPLOYEE COMMUNICATION

The Austin Reed, CC and Viyella businesses, together with the Support Services functions, based in Thirsk, have maintained their commitment to communication to employees through weekly newsletters, bulletins, periodic reports and the intranet The three brands conduct annual product road shows and business briefings continued to be used aimed at keeping employees better informed about Company initiatives and performance

DISABLED EMPLOYEES

The Group continues to provide full and sympathetic consideration to the employment, training, career development and promotion of disabled employees This includes those employees who may become disabled during their employment and each case is considered on its individual circumstances

HEALTH AND SAFETY AND ENVIRONMENTAL POLICIES

The Group remains committed to ensuring a safe place to work and shop for all staff, customers and suppliers The Health and Safety Committee meets regularly to consider a variety of health and safety issues applicable to the group The Policy Manuals and Training Resources for both Store and Office Health and Safety were updated and re-issued for all business locations during 2008 The group continues to adopt a centralised review and feedback mechanism

The need for sound policies for the Environment is also recognised, the group is committed to meeting its responsibilities to ensure that both the Group and its suppliers of goods and services comply with relevant regulations and codes of practice The Corporate Responsibility policy is embedded within the group's Supplier Manual The Environmental Committee meets regularly to develop and monitor initiatives to meet the increasing environmental requirements of all our stakeholders A number of volunteer Environmental Champions are working to help to promote these initiatives within the group

The committees include representatives from throughout the Group, and continue to be chaired by the Company Secretary Their overall remit is to embed and further improve the co-ordination of sound risk management policies throughout the organisation

SOCIAL REPONSIBILITY

During the year £3,306 (2012 £3,378) was donated to charities by the Group

The Group continues to support the Retail Trust CC and Viyella supported Macmillan Cancer Care Austin Reed continued to support Help for Heroes

The Group has a Payroll Giving Scheme, which allows staff to make tax-free gifts to charity

No political contributions were paid during the year

AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant audit information of which the auditors are unaware

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law)

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed,

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

On behalf of the Board

A Charlton
Director
22 October 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTIN REED GROUP LIMITED

We have audited the financial statements of Austin Reed Group Limited for the year ended 31 January 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 January 2013 and of the group's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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

BDO LLP

Ian Beaumont (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom
25 October 2013

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Group Profit and Loss Account

for the year ended 31 January 2013

	Note	2013 £'000	2012 Before Exceptional Items £'000	2012 Exceptional Items £'000	2012 Total £'000
Turnover	2	113,026	115,805	-	115,805
Cost of sales		(47,167)	(47,197)	-	(47,197)
Gross profit		65,859	68,608	-	68,608
Distribution costs		(60,295)	(66,125)	-	(66,125)
Administrative expenses		(3,572)	(2,287)	(2,810)	(5,097)
Other operating income		65	86	10,346	10,432
Operating profit	6	2,057	282	7,536	7,818
Interest payable and similar charges	3	(287)	(266)	-	(266)
Profit on ordinary activities before taxation		1,770	16	7,536	7,552
Taxation	9	(667)	(418)	702	284
Profit for the year	23,24	1,103	(402)	8,238	7,836

All results derive from continuing operations

There is no difference between the profit on ordinary activities before taxation and the profit retained for the year stated above, and their historical cost equivalents

Group and Company Balance Sheet
at 31 January 2013

Company No 164291	Note	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company (as restated) £'000
Fixed assets					
Intangible assets	11	**(104)**	(208)	-	-
Tangible assets	12	**20,186**	21,036	-	-
Fixed asset investments	13	**-**	-	**32,505**	31,284
		20,082	20,828	**32,505**	31,284
Current assets					
Stocks	14	**19,202**	22,145	-	-
Debtors					
- due within one year	15	**38,794**	39,001	**32,119**	33,946
- due after one year	15	**4,999**	5,537	-	-
Cash at bank and in hand		**6,092**	7,578	**780**	2,509
		69,087	74,261	**32,899**	36,455
Creditors amounts falling due within one year	16	**(35,190)**	(40,819)	**(9,543)**	(11,989)
Net current assets		**33,897**	33,442	**23,356**	24,466
Total assets less current liabilities		**53,979**	54,270	**55,861**	55,750
Creditors amounts falling due after more than one year	17	**(1,307)**	(985)	**(346)**	(346)
Provision for liabilities and charges	19	**(3,813)**	(4,753)	**(88)**	-
Net assets excluding pension deficit		**48,859**	48,532	**55,427**	55,404
Net pension deficit	30	**(5,037)**	(5,091)	**(5,037)**	(5,091)
Net assets including pension deficit	2	**43,822**	43,441	**50,390**	50,313
Capital and reserves					
Share capital	20	**7,999**	7,999	**7,999**	7,999
Share premium	21	**3,034**	3,034	**3,034**	3,034
Revaluation reserve	22	**-**	-	**25,510**	24,289
Profit and loss account	23	**32,789**	32,408	**13,847**	14,991
Total shareholder's funds	24,25	**43,822**	43,441	**50,390**	50,313

The financial statements on pages 7 to 26 were approved by the Board of Directors and authorised for issue on 22 October 2013 and are signed on its behalf by

Nick Hollingworth
Chief Executive

Alan Charlton
Financial Director

Group Cash Flow Statement

for the year ended 31 January 2013

	Note	2013 £'000	2012 £'000
Net cash inflow from operating activities	26	1,595	10,095
Returns on investments and servicing of finance			
Interest paid		(278)	(220)
Preference dividends paid		(27)	(27)
		(305)	(247)
Taxation		(69)	(101)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(738)	(10,747)
		(738)	(10,747)
Equity dividends paid		-	-
Net cash inflow/(outflow) before financing		483	(1,000)
Financing			
Movement in finance lease obligations		(417)	(53)
		(417)	(53)
Movement in cash in the year		66	(1,053)

Group Statement of Total Recognised Gains and Losses

for the year ended 31 January 2013

	Note	2013 £'000	2012 £'000
Profit for the year		1,103	7,836
Actuarial loss on pension scheme	30	(928)	(3,561)
Movement on deferred tax relating to actuarial gain		206	892
		(722)	(2,669)
Total recognised gains and losses for the financial year		381	5,167

Notes to the financial statements

At 31 January 2013

1 ACCOUNTING POLICIES

Statement of compliance with UK GAAP

The Group's financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) The principal accounting policies adopted by the Group are set out below

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified by the revaluation of the Group's investments in its subsidiaries, and in accordance with applicable United Kingdom accounting standards

The financial statements are presented in sterling and all values rounded to the nearest thousand pounds (£'000) except when otherwise indicated

Basis of consolidation

The Group financial statements include the results of all subsidiaries that have been owned throughout the year Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases All inter-company balances and transactions, including unrealised profits arising from them, are eliminated

As permitted by the Companies Act 2006, the profit and loss account of the parent company is not presented The Group profit for the year includes a loss after tax of £422,000 (2012 - £642,000 loss) in respect of the parent company

Business combinations

Business combinations are accounted for using the acquisition method of accounting Any difference between the consideration paid and the fair value of the identifiable net assets is recognised as goodwill in the balance sheet

Positive goodwill is amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years Impairment reviews are performed at the end of the first full financial year following acquisition and when there are indications that the carrying value may not be recoverable

Where the fair value of the separable net assets exceeds the fair value of the consideration for an acquired undertaking the difference is treated as negative goodwill and is capitalised and amortised through the profit and loss account in the period in which the non-monetary assets acquired are recovered In the case of fixed assets this is the period over which they are depreciated, and in the case of current assets, the period over which they are sold or otherwise realised

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation Such cost includes costs directly attributable to making the asset capable of operating as intended

Long leasehold properties, that fall to be categorised as a finance lease, are carried at fair value less depreciation and impairment charged subsequent to the date of revaluation Fair value is based on the valuation performed by a firm of independent chartered surveyors Valuations are undertaken frequently enough to ensure that the fair value does not materially differ from the carrying amount Any increase or deficit on revaluation is reflected in the carrying value of the premises at that time Any revaluation surplus is credited to the revaluation reserve in equity except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss A revaluation deficit is recognised in profit or loss, except to the extent of any surplus in respect of that asset in the revaluation reserve No value is attributed to short-term leases

It is general policy to depreciate plant on a straight-line basis over 20 years, fittings over 3 - 10 years and motor vehicles and computer equipment over 4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable

Fixed asset investments

Investments include the Company's share of the net assets of its subsidiary undertakings These investments are revalued annually and any changes in valuation are taken to the revaluation reserve Where the value of an investment falls below its original cost, and the Directors believe the diminution in value will be permanent, the valuation shortfall is charged to the profit and loss account

Stocks

Stock of finished goods are stated at the lower of cost and net realisable value

Cost includes all costs incurred in bringing each product to its present location and condition Goods held for resale are stated at purchase cost on a moving average basis

Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date All differences are taken to the Profit and Loss Account

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined

Turnover

Turnover is amounts receivable from customers and licensees Turnover excludes value added tax and recognized at the point of sale

The Group operates concessionary arrangements, whereby it sells stock for a third party The Group acts as an undisclosed agent and therefore the Group recognizes the total value in turnover For the year ended 31 January 2013, this amounted to £2,820,000 (2012 - £3,638,000)

Interest on customers' accounts

Interest is credited to profit as it is charged to customers using the effective interest method and disclosed as other operating income

Pensions and post retirement benefits

The Group operates one combined pension scheme containing both defined contribution and defined benefit sections

The cost of providing benefits under the defined benefit section is determined using the projected unit method based on actuarial advice Past service costs are recognised in the profit and loss account on a straight-line basis over the vesting period or immediately if benefits have vested When a settlement or curtailment occurs, the obligation and related plan assets are remeasured using current actuarial assumptions and the resultant gain or loss recognised in the Profit and Loss Account during the period in which the settlement or curtailment occurs

Pensions and post retirement benefits (continued)

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the obligation, taking into account material changes during the year The expected return on plan assets is based on an assessment made at the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year The difference between the expected return on plan assets and the interest cost is recognised in the Profit and Loss Account within administrative expenses

Actuarial gains and losses are recognised in full in the Statement of Total Recognised Gains and Losses in the period in which they occur

The defined benefit pension asset or liability in the Balance Sheet comprises the total of the present value of the obligation (using a discount rate based on high quality corporate bonds) less the fair value of plan assets out of which the obligations are to be settled Fair value is based on market price information and in the case of quoted securities, is the published bid price

Contributions to the defined contribution section are recognised in the Profit and Loss Account in the period in which they become payable

Dividends

Equity dividends are recognised when they become legally payable Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting

Leasing

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the fair value of the leased asset or, if lower, the present value of the minimum lease payments Lease payments are apportioned between the reduction of the lease liability and finance charges in the Profit and Loss Account so as to achieve a constant rate of interest on the remaining balance of the liability Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to profit and loss on a straight-line basis over the lease term Inducements to enter into a lease are amortised on a straight-line basis over the period to the first rent review

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

Capitalised finance costs

Finance costs include costs which are initially recognized as a reduction in the associated capital instrument The costs are charged to the Profit and Loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount

Notes to the financial statements
at 31 January 2013

2 Segment analysis

Class of business

	Turnover		Profit before tax		Net assets	
	2013	2012	2013	2012	2013	2012
	£'000	£'000	£'000	£'000	£'000	£'000
Retail	110,971	113,179	1,447	(809)	46,051	45,744
Licensing	2,055	2,626	1,343	1,796	901	365
Corporate costs	-	-	(733)	(705)	-	-
Finance costs	-	-	(287)	(266)	-	-
Unallocated	-	-	-	-	(3,130)	(2,668)
	113,026	115,805	1,770	16	43,822	43,441
Exceptional items	-	-	-	7,536	-	-
	113,026	115,805	1,770	7,552	43,822	43,441

Geographical market

	Turnover	
	2013	2012
	£'000	£'000
United Kingdom	106,915	110,091
Rest of Europe	3,694	3,130
North America	129	256
Far East	1,256	1,641
Rest of world	1,032	687
	113,026	115,805

It is not possible to analyse profit before taxation by geographic segment, therefore it has not been presented above All net assets are situated in the United Kingdom

3 Interest payable and similar charges

	2013	2012
	£'000	£'000
Interest payable on bank loans and overdrafts	218	230
Interest payable on finance leases and hire purchase contracts	42	9
Dividends paid and payable on non-equity shares	27	27
	287	266

4 Employees (including directors)

	2013	2012	2013	2012
	Group	Group	Company	Company
The average number of persons employed was				
Selling and administration	1,201	1,256	6	6

	£'000	£'000	£'000	£'000
Employment costs during the year amounted to				
Gross earnings	23,597	24,272	1,023	968
Social security costs	1,547	1,607	105	115
Net pension scheme charge	944	915	51	53
	26,088	26,794	1,179	1,136

Notes to the financial statements
at 31 January 2013

5 Directors' remuneration

	2013 £'000	2012 £'000
Directors' emoluments	502	496
Contributions to defined contribution pension schemes	71	38
Emoluments of the highest paid director		
Directors' emoluments	328	324
Contributions to defined contribution pension scheme	46	24

During the year there were 2 directors in the Group's defined contribution scheme (2012 2)

6 Operating profit

	2013 £'000	2012 £'000
Operating profit is stated after charging/(crediting)		
Operating leases in respect of		
- Land & buildings	16,945	17,262
- Plant & machinery	230	309
Depreciation and amortisation		
- Depreciation	2,873	3,532
- Amortisation of goodwill	(104)	(104)
- Amortisation of leasehold property costs	638	512
Loss on disposal of fixed assets	215	2,680
Gain on translation of foreign currency	(1,011)	(731)
Defined benefit pension current service costs (note 30)	742	670
Exceptional items (note 8)	-	(7,536)
Services provided by the Group's auditor		
- audit of the parent company and consolidated accounts	15	15
- audit of the company's subsidiaries pursuant to legislation	41	41
- tax services	54	38

7 Operating lease commitments

Annual commitments under operating leases are as follows

	2013 Land & Buildings £'000	2013 Plant & Machinery £'000	2012 Land & Buildings £'000	2012 Plant & Machinery £'000
Operating leases which expire				
Within one year	1,046	8	910	59
In two to five years	2,292	189	2,563	210
After five years	13,392	-	13,341	-
	16,730	197	16,814	269

Notes to the financial statements
at 31 January 2013

8 Exceptional items

The exceptional operating expenses comprise items which by way of their nature and size are not considered part of the regular trade of the Group and are therefore disclosed separately
In the period the Group incurred the following costs in relation to its continuing activities

	2013 £'000	2012 £'000
Onerous lease provisions	-	2,397
Disposal of leasehold property	-	(10,346)
Restructuring costs	-	413
	-	(7,536)

Onerous lease provisions are made in respect of those leases which are considered onerous on the basis that the stores to which they relate are expected to generate net cash outflows over the remaining term For further details in respect of the provisions calculation refer to note 19

In the previous year, the Company sold the leasehold interest in its store at 103/113 Regent Street, London to Supergroup PLC The net gain represents proceeds of £15 million less associated costs of disposal

Also last year, the Company decided to rationalise its store portfolio and therefore closed a significant number of branches in Host Stores where the Return on Investment did not reach the required level The exceptional costs above include both staff costs, property reparations and the cost of re-procesing stock

The tax charge for last year included £702,000 credit in respect of the items described above

9 Taxation

	2013 £'000	2012 £'000
Current tax		
UK corporation tax at 24 33% (2012 26 32%)	37	78
Group relief payable	94	192
Adjustments in respect of prior years	(198)	(211)
	(67)	59
Less relief for overseas tax	(37)	(78)
	(104)	(19)
Overseas taxation	37	78
Total current tax (credit)/charge	(67)	59
Deferred taxation		
Origination and reversal of timing differences	735	(591)
Adjustments in respect of prior years	(1)	248
Total deferred tax charge/(credit)	734	(343)
Tax charge/(credit) for the year	667	(284)

Reconciliation of tax charge

	2013	2012
Profit on ordinary activities before taxation	1,770	7,552
Accounting profit multiplied by the UK standard rate of corporation tax of 24 33% (2012 26 32%)	430	1,988
Expenses not deductible for corporation tax purposes	138	146
Accelerated capital allowances & other timing differences	(411)	946
Adjustments to current tax charge in respect of prior periods	(198)	(211)
Difference in tax rates	-	27
Marginal relief	(1)	(2)
Non-taxable income	(25)	(2,835)
Current tax (credit)/charge on profit for the year	(67)	59

Notes to the financial statements
at 31 January 2013

10 Dividends paid and proposed

There were no equity dividends paid or proposed for the period ended 31 January 2013 (2012, £nil)

	2013 £'000	2012 £'000
Dividends paid and proposed on non-equity shares		
8% non-redeemable preference shares	27	27

The dividend relating to preference shares has been classified as interest in the Profit and Loss Account

The Directors do not recommend the payment of a final dividend (2012 £nil)

11 Intangible assets (Group)

	Goodwill on consolidation £'000
Cost	
At 1 February 2012	(556)
At 31 January 2013	**(556)**
Amortisation	
At 1 February 2012	(348)
Charged in the period	(104)
At 31 January 2013	**(452)**
Net book value	
At 31 January 2013	**(104)**
At 31 January 2012	(208)

Notes to the financial statements
at 31 January 2013

12 **Tangible assets**

	Leasehold Property £'000	Plant and Fittings £'000	Computer Software £'000	Group Total £'000
Cost				
At 1 February 2012	5,000	27,389	1,479	**33,868**
Additions	-	2,238	-	**2,238**
Disposals	-	(546)	-	**(546)**
Written-off	-	(1,898)	-	**(1,898)**
At 31 January 2013	**5,000**	**27,183**	**1,479**	**33,662**
Depreciation				
At 1 February 2012	-	11,353	1,479	**12,832**
Charged in the year	-	2,873	-	**2,873**
Disposals	-	(331)	-	**(331)**
Written-off	-	(1,898)	-	**(1,898)**
At 31 January 2013	**-**	**11,997**	**1,479**	13,476
Net book value				
At 31 January 2013	**5,000**	**15,186**	**-**	**20,186**
At 31 January 2012	5,000	16,036	-	21,036

The net book value of tangible fixed assets for the group includes an amount of £1,366,000 (2012 - £nil) in respect of assets held under finance leases The depreciation charged in the year on assets held under finance leases was £134,000 (2012 - £nil)

13 **Investments**

	2013 Company £'000	2012 Company (as restated) £'000
Investments in subsidiaries		
At 1 February 2012	**31,284**	37,732
Surplus/(deficit) on revaluation	**1,221**	(6,448)
At 31 January 2013	**32,505**	31,284

The historical cost of investments held at 31 January 2013 was £6,995,000 (2012 £6,995,000)

The Company's investments relate to shares held in subsidiary undertakings Details of principal subsidiaries are shown below

	Country of incorporation	Country of principal operation	Principal activities
Austin Reed Limited	England	England	Retailing
Country Casuals Limited*	England	England	Retailing
Austin Reed Credit Services Limited	England	England	Credit servicing
ARG (Property) Limited	England	England	Retailing

All subsidiaries are wholly owned

* Undertakings held indirectly by the Company

Following a review of the carrying value of the Company's investments in its subsidiaries, some were found to be recorded below cost As a result a prior year adjustment has been recorded to increase both the cost of investment and revaluation reserve The effect of this is to increase net assets by £6,999,750

14 **Stocks**

	2013 Group £'000	2012 Group £'000
Finished goods and goods for resale	**19,202**	22,145
	19,202	22,145

Notes to the financial statements
at 31 January 2013

15 Debtors

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Amounts falling due within one year				
Trade debtors	2,865	4,118	-	-
Other debtors	417	332	168	139
Amounts due from fellow subsidiaries	29,808	28,538	29,384	31,713
Prepayments and accrued income	5,704	6 013	2,567	2,094
	38,794	39,001	32,119	33,946
Amounts falling due after more than one year				
Trade debtors	140	124	-	-
Prepayments and accrued income	936	1,046	-	-
Deferred taxation (note 19)	3,923	4,367	-	-
	4,999	5,537	-	-

16 Creditors Amounts falling due within one year

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Bank overdraft	7,141	8,693	7,141	8,693
Obligations under finance leases	500	-	-	-
Trade creditors	12,832	14,421	-	1,729
Corporation tax	85	220	305	-
Other taxation and social security	6,177	5,487	164	316
Other creditors and accruals	8,455	11,998	1,933	1,251
	35,190	40,819	9,543	11,989

17 Creditors Amounts falling due after more than one year

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Obligations under finance leases	583	-	-	-
Deferred income	378	639	-	-
8% Preference shares of £1 each	346	346	346	346
	1,307	985	346	346

Deferred income represents the value of lease inducements received from landlords These inducements are written-off over the period of the lease to the first rent review

The preference shares are non-redeemable, non-voting and have a preferential right to return of capital on a winding up The number of authorised shares is 350,000 (2012 350,000) Of the total authorised shares 346,242 (2012 346,242) are allotted, called up and fully paid

The repayment profile for the finance leases is as follows

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Within 1 year	500	-	-	-
Between 1 and 2 years	583	-	-	-
	1,083	-	-	-

Notes to the financial statements
at 31 January 2013

18 Financial instruments

Financial risks and policies
Set out below is a summary of the main risks faced by the Group during the year and the policies in place to address these These policies have been applied consistently throughout the year

Foreign currency risk

The Group has exposure to movements in foreign currency exchange rates due to its trading activities with foreign suppliers and licensees The Group's policy is to assess the foreign exchange risks and where appropriate use rolling currency contracts to mitigate these risks The Group does not currently apply hedge accounting

Interest rate risk

Interest rate risk arises on the Group's variable rate borrowings The Group's policy is to utilise interest rate instruments to limit the effect of movements in interest rates on its core debt when considered appropriate The Group currently does not hold any interest rate instruments

Liquidity risk
The Group's policy is to maintain a balance between continuity of funding and flexibility in its borrowings

Financial assets

	2013 Group £'000	2012 Group £'000
Cash at bank and in hand		
Cash in hand	32	27
Cash at bank	5,388	6,879
Restricted cash	672	672
	6,092	7,578

Restricted cash relates to lease deposits held in a tenancy deposit scheme The deposits are interest earning and likely to be recovered within 12 months of the year end They have therefore been classified as restricted cash on the balance sheet

The currency profile of financial assets at 31 January 2013 was		
Sterling	5,575	6,713
US dollars	115	299
Euro	80	97
Other	322	469
	6,092	7,578

Borrowings

	2013 Group £'000	2012 Group £'000
Repayable within one year	7,141	8,693
Repayable after one year	346	346
	7,487	9,039

Total borrowings are secured by a fixed charge over all the Group's assets The Group had no undrawn committed loan facilities at 31 January 2013 (2012 £nil) Finance leases are secured on the assets to which they relate

The currency profile of borrowings at 31 January 2013 was		
Sterling	7,487	9,039
	7,487	9,039

Notes to the financial statements
at 31 January 2013

18 Financial instruments (continued)

Fair values and hedges

The fair value of cash at bank and in hand and borrowings at 31 January 2013 was equal to the book value at that date

The Group holds forward contracts to match future flows in Yen and US dollars The Group has off-balance sheet (unrecognised) and off-balance sheet (deferred) gains and losses in respect of financial instruments used as hedges at the balance sheet date

Fair values are calculated by reference to the difference between the contracted forward rate and the equivalent rate obtainable in the open market for the remaining life of the contract at the balance sheet date

The Group does not trade speculatively in financial instruments

19 **Provision for liabilities and charges**

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Provisions				
At 1 February 2012	4,753	3,786	-	-
Additions in respect of property provisions	-	2,397	-	-
Utilised during the year	(940)	(1,430)	-	-
At 31 January 2013	3,813	4,753	-	-

Property provisions are in respect of lease contracts which are considered onerous on the basis that the stores to which they relate are expected to generate net cash outflows over their remaining lease term An assessment of future cash outflow is made on the following bases

- the discounted value of future cash flows to the end of the lease using a risk free discounted rate of 5 6%,
- the discounted value of annual rental payments to the end of the lease using a risk free discounted rate of 5 6%, and
- the estimated cost to be incurred in order to exit the lease prior to its expiry

The amount of the provision is calculated as the lowest of the three bases In circumstances where the provision would be based on the exit cost but it is considered unlikely that the lease could be terminated for a one-off payment, the provision is based on the next highest discounted cash flow outcome

In determining the appropriate amount of these provisions the directors have estimated the future cash flows expected from each relevant leased property They have also made assumptions about the ability of the group to sublet or surrender leases, and the potential payments to be made to exit the lease The provisions are highly sensitive to these assumptions

The provisions are mostly expected to be utilised over the next six years The discounting of the provision remaining at the end of 2013 is not considered to have a material impact to the level of the provision

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Deferred taxation				
At 1 February 2012	(6,063)	(4,828)	(1,696)	(1,096)
Adjustment in respect of actuarial deficit reported in equity	(213)	(892)	(213)	(892)
Charge/(credit) to profit and loss account	734	(343)	378	292
At 31 January 2013	(5,542)	(6,063)	(1,531)	(1,696)

Notes to the financial statements
at 31 January 2013

19 Provision for liabilities and charges (continued)

Deferred taxation included in the balance sheet is as follows	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Deferred tax asset				
Depreciation in excess of capital allowances	3,792	4,103	-	-
Short-term timing differences	131	264	-	-
Included in debtors (note 15)	3,923	4,367	-	-
Pension deficit (note 30)	1,619	1,696	1,619	1,696
	5,542	6,063	1,619	1,696

	£'000	£'000	£'000	£'000
Deferred tax liability				
Short-term timing differences	-	-	88	-

The passing of the Finance Bill 2013 in July 2013 substantially enacted a reduction in the corporation tax rate in the UK to 21% from 1 April 2014 and a further fall to 20% from April 2015 The effect of these proposals will be to reduce the ultimate realisable value of deferred tax assets by £723,000

20 Share capital

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
Allotted, called up and fully paid				
31,995,598 (2012 31,995,598) ordinary shares of 25p each	7,999	7,999	7,999	7,999

The Group also has preference share capital, details of which are provided in Note 17

21 Share premium

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
At 1 February 2012 and 31 January 2013	3,034	3,034	3,034	3,034

22 Revaluation reserve

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
At 1 February 2012 (as previously stated)	-	-	24,289	23,737
Prior year adjustment (note 13)	-	-	-	7,000
At 1 February 2012 (as restated)	-	-	24,289	30,737
Revaluation of investments	-	-	1,221	(6,448)
At 31 January 2013	-	-	25,510	24,289

23 Retained earnings

	2013 Group £'000	2012 Group £'000	2013 Company £'000	2012 Company £'000
At 1 February 2012	32,408	27,248	14,991	3,309
Profit/(loss) for the year	1,103	7,836	(422)	(642)
Dividends (paid to)/received from equity shareholders	-	-	-	15,000
Actuarial loss on pension scheme (net of deferred tax)	(722)	(2,676)	(722)	(2,676)
At 31 January 2013	32,789	32,408	13,847	14,991

Notes to the financial statements
at 31 January 2013

24 Reconciliation of movements in equity (Group)

	Share Capital £'000	Share Premium £'000	Retained Profit £'000	Total Equity £'000
At 1 February 2012	7,999	3,034	32,408	43,441
Profit for the year	-	-	1,103	1,103
Actuarial loss on pension scheme (net of deferred tax)	-	-	(722)	(722)
At 31 January 2013	**7,999**	**3,034**	**32,789**	**43,822**

25 Reconciliation of movements in equity (Company)

	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Retained Profit £'000	Total Equity £'000
At 1 February 2012 (as previously stated)	7,999	3,034	17,289	14,991	43,313
Prior year adjustment (note 13)	-	-	7,000	-	7,000
At 1 February 2012 (as restated)	7,999	3,034	24,289	14,991	50,313
Loss for the year	-	-	-	(422)	(422)
Revaluation of investments	-	-	1,221	-	1,221
Actuarial loss on pension scheme (net of deferred tax)	-	-	-	(722)	(722)
At 31 January 2013	**7,999**	**3,034**	**25,510**	**13,847**	**50,390**

Share capital

The balance classified as share capital represents the net proceeds of the nominal value of the Company's issued equity share capital, comprising 25p ordinary shares

Share premium

The balance classified as share premium represents the net proceeds in excess of the nominal value of the Company's issued equity share capital

Revaluation reserve

The revaluation reserve is used to record increases in the fair value of investments and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity

Notes to the financial statements
at 31 January 2013

26 Reconciliation of operating profit to net cash inflow from operating activities

	2013 Group £'000	2012 Group £'000
Operating profit before exceptional items	2,057	282
Depreciation & Amortization charge	2,769	3,436
Loss on disposal of fixed assets	215	2,685
Decrease/(increase) in stocks	2,943	(240)
Decrease/(increase) in debtors	301	(5,073)
(Decrease)/increase in creditors	(5,623)	2,325
Difference between pension contributions and amounts charged to profit	(1,067)	(856)
Net cash inflow before exceptional items	1,595	2,559
Operating gain/(loss) from exceptional items	-	7,536
Net cash inflow from operating activities	1,595	10,095

27 Analysis of net debt

	1 February 2012 £'000	Cashflow £'000	Non-cash items £'000	31 January 2013 £'000
Cash at bank and in hand	7,578	(1,486)	-	6,092
Bank overdraft	(8,693)	1,552	-	(7,141)
	(1,115)	66	-	(1,049)
Finance leases	-	417	(1,500)	(1,083)
8% Preference shares of £1 each	(346)	-	-	(346)
	(1,461)	483	(1,500)	(2,478)

Non-cash items relate to the inception of new finance leases

28 Reconciliation of net cashflow to movement in net debt

		2013 Group £'000	2012 Group £'000
Movement in net debt resulting from cashflows		66	(1,053)
Movement in finance lease obligations		417	53
Movement in net debt in the year		483	(1,000)
Net debt at beginning of year		(1,461)	(461)
Net debt at end of year	27	(978)	(1,461)

Notes to the financial statements
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29 Future capital expenditure

	2013 £'000	2012 £'000
Contracts for capital expenditure for which provision has not been made in the accounts	-	579

30 Pension scheme

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Total market value of assets	74,684	69,902	68,463	62,747	55,131
Present value of scheme liabilities	(81,340)	(76,689)	(72,539)	(72,160)	(61,115)
Total deficit	(6,656)	(6,787)	(4,076)	(9,413)	(5,984)
Related deferred tax asset	1,619	1,696	1,097	2,636	1,675
Net pension deficit	(5,037)	(5,091)	(2,979)	(6,777)	(4,309)

The Group operates one combined defined benefit pension scheme, the Austin Reed Group Pension Fund

In accordance with the requirements of FRS 17 the actuarial valuation of the combined scheme was updated to 31 January 2013
Details of this are given below

	2013	2012
The main assumptions used by the actuary were		
Rate of increase to pensions in payment	3 05%	2 70%
Discount rate	4 60%	4 70%
Rate of inflation	3 05%	2 70%
Post-retirement mortality life expectancy at age 65		
Current pensioners - male	22 0	21 9
Current pensioners - female	24 3	24 2
Future pensioners - male	23 2	23 1
Future pensioners - female	25 7	25 7

	2013 Expected Rate of return %	2013 Scheme assets £'000	2012 Expected Rate of return %	2012 Scheme assets £'000
The total assets in all schemes and the expected rates of return were				
Equities	8 50	29,727	8 05	20,209
Gilts	4 00	4,711	3 77	9,988
Corporate Bonds	5 20	35,852	6 55	30,040
Property	0 00	-	6 75	6,274
Insured annuities	4 60	1,948	4 70	2,017
Cash and other	2 10	2,446	2 25	1,374
	6 2*	74,684	6 4*	69,902

* Weighted average expected rate of return

Notes to the financial statements
at 31 January 2013

30 **Pension scheme (continued)**

The following has been recognised in the financial statements

	2013 £'000	2012 £'000
Operating profit		
Current service cost	**742**	670
	742	670

Other finance income		
Expected return on pension scheme assets	**4,406**	4,750
Interest on pension scheme liabilities	**(3,528)**	(4,037)
Net return	**878**	713

Taken to statement of recognised income and expense		
Actual return less expected return on assets	**3,919**	417
Experience gains and losses arising on scheme liabilities	**93**	(86)
Changes in assumptions underlying the present value of liabilities	**(4,940)**	(3,892)
Actuarial deficit recognised	**(928)**	(3,561)

Reconciliation of present value of plan liabilities		
At the start of the year	**76,689**	72,539
Current service cost	**742**	670
Employee contributions	**105**	132
Interest cost	**3,528**	4,037
Actuarial losses	**4,847**	3,978
Benefits paid	**(4,571)**	(4,667)
At the end of the year	**81,340**	76,689

Reconciliation of fair value of plan assets		
At the start of the year	**69,902**	68,463
Expected rate of return on plan assets	**4,406**	4,750
Employee contributions	**105**	132
Employer contributions	**923**	807
Actuarial gains	**3,919**	417
Benefits paid	**(4,571)**	(4,667)
At the end of the year	**74,684**	69,902

Details of experience gains and losses for the year to 31 January	**2013**	2012	2011	2010	2009
Difference between the expected and actual return on scheme assets					
- Amount (£'000)	**3,919**	417	4,594	6,925	(15,927)
- Percentage of scheme assets	**5 2%**	0 6%	6 7%	11 0%	(28 9)%
Experience gains and losses on scheme liabilities					
- Amount (£'000)	**93**	(86)	2,244	(448)	(289)
- Percentage of the present value of the scheme liabilities	**0 1%**	(0 1)%	(3 1)%	(0 6)%	(0 5)%
Amount recognised in statement of recognised income and expense					
- Amount (£'000)	**(928)**	(3,561)	4,608	(4,018)	(10,930)
- Percentage of the present value of the scheme liabilities	**(1 1)%**	(4 6)%	6 4%	(5 5)%	(17 8)%

During the year ending 31 January 2014 the Group expects to pay contributions of £1,096,000 to the Scheme (2013 £982,000)

Notes to the financial statements
at 31 January 2013

31 **Ultimate controlling party**

The company is a wholly owned subsidiary of Darius Capital Limited, a company registered in England Under the terms of Financial Reporting Standard No 8 Austin Reed Group Limited is exempt from disclosing related party transactions and balances with entities within the Darius Capital Limited group of companies
The ultimate controlling party is Gajan Holdings Limited Copies of the consolidated accounts of Gajan Holdings Limited may be obtained from The Secretary, Station Road, Thirsk, North Yorkshire YO7 1QH

32 **Related Party transactions**

During the year, an agreement between Austin Reed Group Limited and Rollerblade Limited came into force for the payment of royalties for use of the Viyella Brand The owners of the ultimate controlling party of Austin Reed Group Limited are also the ultimate owners of Rollerblade Group No payments have been made during the year and the year end creditor with Rollerblade Limited is £617,000 (2012 £202,000)

Table of Group annual results

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Turnover	**113,026**	115,805	120,555	117,441	110,021
Profit from continuing operations	**1,770**	16	722	801	3,038
Exceptional items	-	7,536	(2,944)	(1,286)	(1,827)
Profit/(loss) before taxation	**1,770**	7,552	(2,222)	(485)	1,211
Taxation	**667**	(284)	(470)	99	585
Average number of employees	**1,201**	1,256	1,298	1,195	1,092

COMPANY INFORMATION

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