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BY APPOINTMENT
TO H.R.H. THE PRINCE OF WALES
OUTFITTERS
AUSTIN REED GROUP PLC
LONDON

AUSTIN REED

Report and Accounts
31 January 1994

Contents

Austin Reed is a specialist retailer and manufacturer of formal and casual clothing for men and women.

Our aims today remain true to the principles on which Austin Reed was founded over ninety years ago: to offer the highest quality and value for money at a taste level that is classic but contemporary; and to provide a truly excellent service to all our customers.

Austin Reed's name is renowned in Britain through our shops up and down the country; and we also enjoy a strong and growing reputation around the world, where the Austin Reed label is synonymous with the best of British quality and style.

Chairman's Statement

Austin Reed made good progress in 1993, resulting in a satisfactory improvement in the Group's performance.

Group turnover rose by 8 per cent to £65.4m, while operating profit was £5.1m – an increase of 76 per cent on 1992. The disposal of our interest in a short term lease resulted in a substantial property profit of £2.8m, making a total pre-tax profit of £6.9m compared to £1.2m in 1992.

This encouraging performance was due primarily to the success of our retail business, where enhancements to our product range, the presentation of our shops and the quality of our service led to an all-round improvement. The licensing of Austin Reed brands overseas also made a significant contribution to profits, due largely to favourable exchange rates.

The pleasing overall result does to some extent mask a disappointing performance by our manufacturing division. As we had previously predicted, the conditions in our key overseas markets proved extremely difficult and resulted in a decline in export sales, the traditional mainstay of this business.

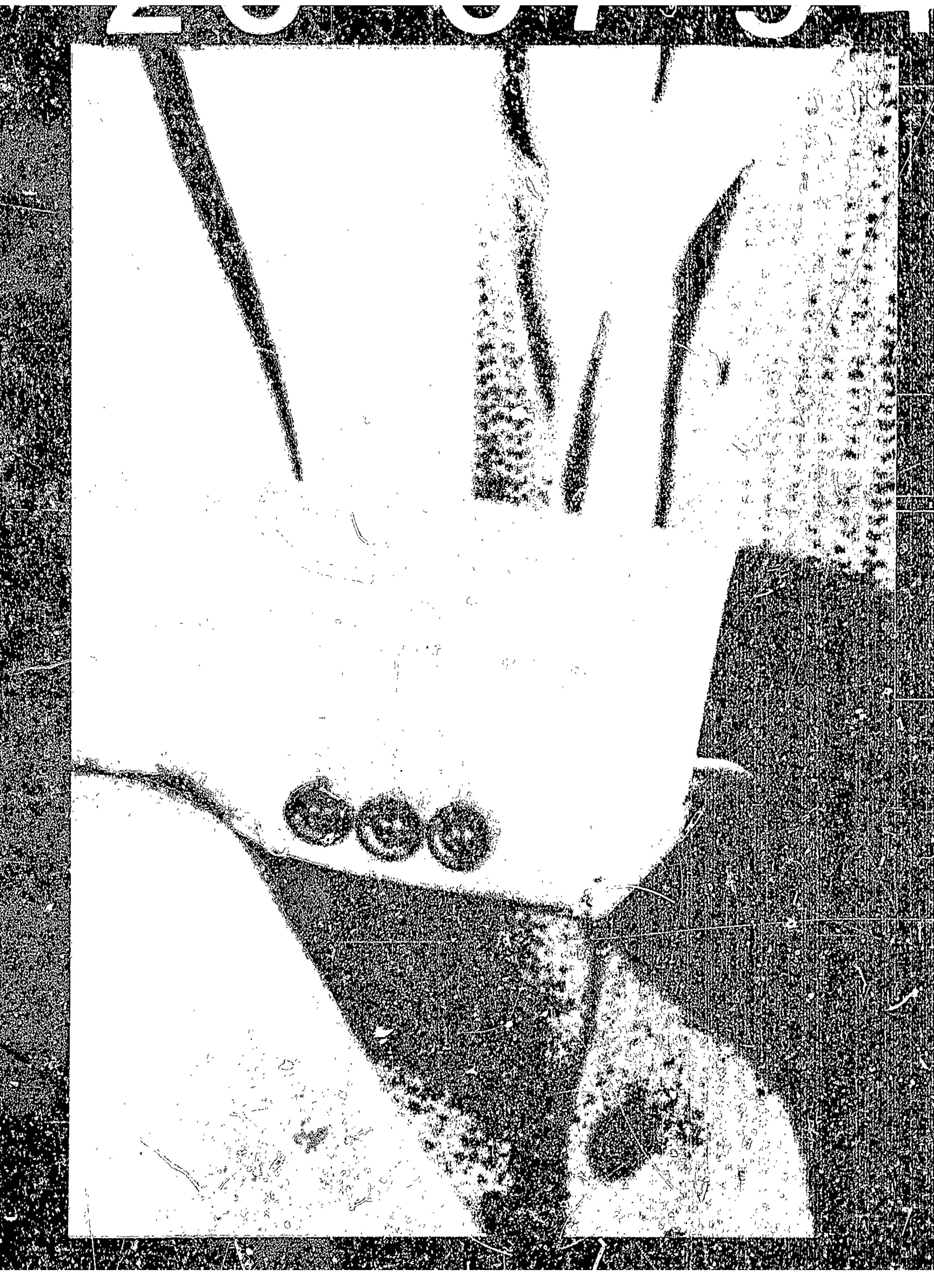
Earnings per share, excluding the surplus on the disposal of the short term lease, rose to 9.8p against 3.1p last year. However, taking account of the property profit, the reported EPS figure is 17.3p.

Capital expenditure on both new and existing retail branches and in our manufacturing business absorbed £2.9m (£1.2m), against a depreciation charge of £2.3m. The Group was nevertheless cash generative, before taking into consideration the proceeds from the disposal of the short term lease. Year end borrowings fell to £4.1m (£8.3m), bringing gearing down to 9 per cent (20 per cent).

The Directors are proposing a final dividend of 3.5p, making a total for the year of 5.5p compared to 5.0p last year. This modest increase reflects our desire to restore the dividend to its historical level, while remaining committed to improved dividend cover.

Royal Warrant

We were deeply honoured to be granted His Royal Highness The Prince of Wales' Royal Warrant. Austin Reed's name is synonymous with the best of British quality and style, and we are very proud to have been recognised in this way.



Management

Neil Fitton retired in December and on behalf of the Board, I would like to express our warm and sincere thanks for his considerable contribution to the Group since our acquisition of Chester Barrie 15 years ago.

Staff

We are very fortunate to have such a dedicated and skilled team of employees, and I would like to thank them for making this year the success it was. They have helped Austin Reed to lead the way in customer service and it is no exaggeration to say that they are key to our continuing growth and prosperity. I am therefore delighted that our improved performance has enabled us to make an allocation of £125,000 to our Employee Share Ownership Scheme, the first since 1989.

Pension Fund

I am pleased to report that our Actuaries have confirmed that the Pension Fund is very well placed to meet its obligations to members and pensioners. In the course of the year, we were able to make an ex gratia increase to pensions in payment.

Outlook

The prospects for our manufacturing business remain cautious, with difficult conditions prevailing in most of our export markets. However, order books for the Autumn season are satisfactory and I am hopeful that manufacturing turnover and profits will recover in the year ahead.

The outlook for our retailing business is encouraging and the improvements which we saw last year are continuing to flow through. Since 1 February, sales in our shops have increased by 14 per cent.

I am therefore confident that in 1994, we will see further growth and will continue to build on the momentum of the last twelve months.

Barry Reed.

29 April 1994

Chief Executive's Review

During the year, we have taken further steps to capitalise on the strength of Austin Reed and on the international reputation of our brands.

Retail

In our retail business, turnover rose by 12.8 per cent to £50.7m on selling space which was reduced by 4 per cent. The increased volume of sales, coupled with a significant improvement in margins, led to a three-fold increase in operating profit.

This achievement provides real evidence of the benefits arising from the new retail initiatives which were put into effect during the long recession which we have all just endured. These have involved the following activities.

Firstly, rigorous action has been taken to maximise the efficiency of our retail space. We have continued to invest in our programme of store refurbishments, which accounted for £1m of capital expenditure in 1993. We have also pursued our policy of opening more tightly focused shops capable of delivering more sales per square foot. While there is still further to go, I am very encouraged by the fact that sales per square foot have increased significantly in the last year.

We have taken steps to build on the strengths of our retail brand by testing new concepts, with very satisfactory results. Our three specialist shirt shops at Heathrow Airport are contributing to profits within their first year of operation, and their success has led us to expand this concept by opening a shop at Gatwick Airport this coming summer. Our first standalone womenswear shop has also performed well in its initial months of trading, convincing us that there is potential to develop this concept further. Additionally, the growing strength and success of our Sportsman leisurewear brand has prompted us to market this collection more aggressively, thereby bringing Austin Reed to the attention of a wider customer base.

In line with these developments, we have continued to enhance the range of menswear and womenswear available in our shops and invested in stronger advertising and marketing support. Very importantly, we have also invested in improving the ambience of our shops by implementing a wide-ranging "Total Quality Service" initiative. This is designed to ensure that Austin Reed continues to lead the way in giving customer satisfaction.

Manufacturing
As expected, the performance of our manufacturing business was affected by the difficult trading conditions in most of our main export markets. External turnover fell by 12.2 per cent to £12.1m, and operating profits were particularly affected by the reduced contribution from Chester Barrie.

However, I am hopeful that this disappointing performance will be short-lived. Already, we are seeing an upturn in the order books of each of our manufacturing businesses – Chester Barrie, Austin Reed International and Stephens Brothers – and a number of initiatives designed to improve productivity and profitability should start to deliver benefits during the course of this year.

These initiatives include further streamlining of shop floor operations at our factory in Crewe; and we have continued to invest in information technology to improve delivery times to our retail customers, reduce stock levels and provide us with valuable sales data. We are also beginning to introduce Total Quality Service standards within our manufacturing division, and I am hopeful that the benefits will be quick to show in the form of greater efficiency across the business.

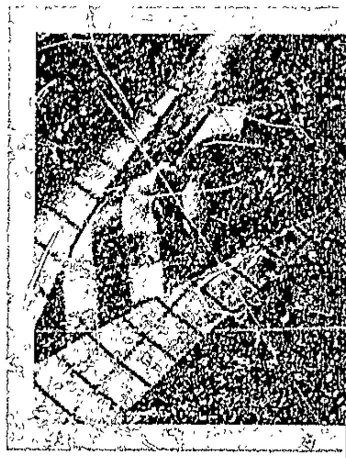
Licensing
The licensing of Austin Reed's brands in overseas markets – notably the United States and Japan – has for many years contributed significantly to Group profits. In 1993, licensing profits rose to £2.5m from £1.7m last year, though more than half of this increase was due to favourable exchange rates.

To reflect the significance of our licensing business, we have taken the decision to introduce a change in accounting policy. In this year's accounts, licensing income – valued on an accruals basis rather than the previous cash basis – has been included in Group turnover. This has had the effect of increasing this year's turnover by £2.6m and profits by £0.2m. Previous years' figures have been restated to reflect the change in policy.

We continually explore new opportunities to exploit the Austin Reed brand internationally and I am confident that further licensing agreements will be secured as new markets open up, particularly around the Pacific Rim.

Strategy for growth

The results for last year demonstrate our determination to pursue a strategy of growth and development. While I am encouraged by the progress that has been made, I believe that there is further scope to improve the market share of our retail and manufacturing businesses, and to realise increased returns for our shareholders and employees.



Ultimately, this means building Austin Reed's reputation as a retailer offering excellent quality and value for money at a taste level that is classic but contemporary; and as a manufacturer of the very best of British clothing

To date, we have concentrated on our existing infrastructure, with a view to growing the retail business organically, rebuilding the profitability of our manufacturing base, and expanding our international presence through new licensing agreements. There may also be opportunities to invest selectively in new brands or businesses which would complement our existing activities.

I am confident that by pursuing the strategy outlined above, Austin Reed is poised for significant growth over the next five years.

Colin Evans

29 April 1994

Directors and Company Information

Directors
Barry St G A Reed CBE MC DL Chairman *
David C F Pearson MA Deputy Chairman †*
Colin M L Evans Deputy Chairman and Chief Executive
David M Anderson CA †*
Colin Wilson BA
David J Gale
Christopher N Thomson LLB CA
Richard A M Constant MBE BA †*

Secretary
Jill Anders BSc ACIS

Registered Office
London Office, 103 Regent Street, London W1A 2AJ
Registered Number: 164291

Transfer Office
PO Box 2, Thirsk, North Yorkshire YO7 1PF

Auditors
Coopers & Lybrand, Chartered Accountants
1 Embankment Place, London WC2N 6NN

Principal Bankers
National Westminster Bank PLC
21 Lombard Street, London EC3P 3AR

Robert Fleming & Co Limited
25 Copthall Avenue, London EC2R 7DR

Stockbrokers
Cazenove & Co
12 Tokenhouse Yard, London EC2R 7AN

†Audit Committee
*Remuneration Committee

Directors' Biographies

Barry St George Austin Reed CBE MC DL
Chairman, aged 62. Appointed to the Board as Merchandise Director in 1958, he became Managing Director in 1966. He was Chairman and Chief Executive from 1973 to 1985.

David Compton Froome Pearson MA
Deputy Chairman and non-executive Director, aged 62. Chairman of the Audit and Remuneration Committees. A lawyer and retired merchant banker, he joined the Board in 1971.

Colin Marten Llewellyn Evans
Deputy Chairman and Chief Executive, aged 49. Having joined the Board on becoming Managing Director of Chester Barrie in 1985, he took over responsibility for the Retail Division in 1991. He was appointed Chief Executive of the Group in 1993.

David Mathieson Anderson CA
Non-executive Director, aged 63. Having served on the Board since 1974, he retired from executive responsibility in 1992. Chairman and/or a director of a number of other companies.

Colin Wilson BA
Managing Director of the Group's clothing and shirt manufacturing companies, aged 53. Appointed Managing Director of Austin Reed International and Stephens Brothers, he joined the Board in 1988. He took over responsibility for Chester Barrie in 1991.

David John Gale
Group Personnel Director, aged 56. With 35 years experience at Austin Reed, first in store management and later as Retail Personnel Director, he was appointed to his present position and the Board in 1989.

Christopher Norman Thomson LLB CA
Finance Director, aged 47. He joined the Group and the Board in 1989 after holding a similar position with a company in Scotland.

Richard Ashley Meyricke Constant MBE BA
Non-executive Director, aged 39, he was appointed to the Board in 1992. Managing director of a corporate and financial communications consultancy.

Directors' Report

The Directors have pleasure in submitting their Seventy-Fourth Annual Report together with the audited Accounts of the Group for the year ended 31 January 1994.

Business activities
The Group is a specialist manufacturer and retailer of fashionable, top quality clothing for men and women. A detailed review of the Group's activities is given in the chief executive's review on pages 5 to 7.

Results and dividends
The profit for the year, after taxation, amounted to £5,258,000. The Directors recommend the payment of a final ordinary dividend of 3.5p per share, payable on 1 July 1994, making a total of 5.5p per share for the year, which together with the preference dividends and the allocation to the Share Ownership Scheme, will leave £3,469,000 to be added to retained profit.

Enfranchisement
At an Extraordinary General Meeting held on 10 June 1993 shareholders approved by Special Resolution the enfranchisement of the A Ordinary non-voting shares. The effect of this was that each A Ordinary non-voting share was converted into one Ordinary share, carrying full voting rights, and by way of compensation for agreeing to the A Ordinary non-voting shareholders acquiring equal voting rights, Ordinary shareholders received a scrip issue of one new Ordinary share for every one existing Ordinary share held.

Share capital
Pursuant to the enfranchisement, the Company increased its authorised share capital to £10,900,000 by the creation of 6,860,000 new Ordinary shares of 25p each. During the year 21,465 Ordinary shares were issued at 89.5p, 4,770 at 96.5p, 7,120 at 117.5p, 32,060 at 161.0p and [illegible],194 at 164.0p under the Executive Share Option Scheme. As at the date of this report, the total number of Ordinary shares in issue and fully paid up is 30,727,528.

The environment
As part of Austin Reed's continuing commitment to the enhancement of the environment, practices have been set and implemented throughout the Group in accordance with defined objectives.
These concentrate on conserving energy, minimising waste, and using environmentally friendly and recyclable products for stationery, packaging and publications. A working party, headed by a Director, is continuing to promote environmental awareness by setting further targets and evaluating achievements.
In addition to our own commitment, we encourage our suppliers to meet the environmental standards set by the Group.

Special business
The Notice of the Annual General Meeting includes the Special Resolution which is for the renewal (for the period ending on the earlier of the date of the Annual General Meeting in 1995 and 9 September 1995) of the authority and power to allot relevant securities conferred on the Directors by Article 11(B) in respect of £3,253,755 nominal of relevant securities and to renew the authority to allot equity securities wholly for cash without offering them to existing shareholders
(i) in connection with a rights issue and
(ii) up to an aggregate nominal amount of £383,282 other than in connection with a rights issue.
These figures are within the guidelines published by the Investment Committee of the Association of British Insurers and the National Association of Pension Funds.

Directors

The Directors as at 31 January 1994, all of whom served throughout the year were:

Barry St G A Reed	Colin M L Evans	Colin Wilson	Christopher N Thomson
David C F Pearson	David M Anderson	David J Gale	Richard A M Constant

Neil H L Fitton retired on 31 December 1993.

David J Gale and Christopher N Thomson retire by rotation and, being eligible, offer themselves for re-election. Both have service contracts terminable upon three years notice.

The Group retains Gavin Anderson (UK) Limited as public relations consultants, of which Richard Constant is managing director. Fees paid during the year to this company amounted to £60,920 (1993: £75,000).

No other Director had any material interest in any significant contract with the Company during the year.

On 22 April 1994 David J Gale exercised options over 2,960 shares and on 25 April 1994 Colin Wilson exercised options over 13,000 shares. On 22 April 1994 Richard A M Constant purchased 2,000 shares. Otherwise, there were no variations in the Directors' interests in the shares of the Company, or in their options, between 31 January 1994 and the date of this Report.

During the year the Company purchased and maintained liability insurance under section 310(3)(a) of the Companies Act 1985.

Corporate governance

The Company complies with all the provisions of the Cadbury Committee's Code of Best Practice other than those items (namely going concern and internal control) for which guidance is awaited. The Company's auditors have reviewed this statement and have reported to the Board that they are satisfied it appropriately reflects the Company's compliance with those provisions of the Code which the Stock Exchange requires that the auditors should review.

Employee involvement

The various Companies in the Group have maintained their arrangements for employee involvement. The Directors have made a further allocation of £125,000 to the Share Ownership Scheme to be used to purchase Ordinary shares which will be held by the Scheme trustee. The benefits of this Scheme are available to all full-time employees in the United Kingdom with five years service.

Disabled employees

It remains the policy of the Group to give full and sympathetic consideration to the employment, training, career development and promotion of disabled persons, including those becoming disabled after their employment has commenced.

Auditors

Coopers & Lybrand have signified their willingness to continue in office.

Income and Corporation Taxes Act 1988

The close company provisions of this Act do not apply to the Company.

Donations

During the year £4,151 was donated to charities and £2,700 to the Conservative Party.

Directors' interests

The interests of the Directors in the shares of the Company at the beginning and the end of the financial year and the movement in their share options in the year were:

		SHARES		SHARE OPTIONS			
		1 Feb 1993	*31 Jan 1994*	*1 Feb 1993*	*Granted*	*Exercised*	*31 Jan 1994*
David M Anderson	Ordinary	11,315	35,110	6,950	-	39,180	-
	A Ordinary non-voting	5,360	-	62,570	-	-	-
Richard A M Constant	Ordinary	-	-	-	-	-	-
	A Ordinary non-voting	-	-	-	-	-	-
Colin M L Evans	Ordinary	48,275	106,115	9,662	-	-	106,324
	A Ordinary non-voting	9,565	-	87,000	-	-	-
David J Gale	Ordinary	-	3,205	5,077	-	-	56,337
	A Ordinary non-voting	3,205	-	46,183	-	-	-
David C F Pearson	Ordinary	1,600	11,600	-	-	-	-
	A Ordinary non-voting	8,400	-	-	-	-	-
Barry St G A Reed	Ordinary	55,752	136,706	14,537	-	-	159,980
	A Ordinary non-voting	25,202	-	130,906	-	-	-
Christopher N Thomson	Ordinary	500	1,000	4,279	-	-	48,558
	A Ordinary non-voting	-	-	40,000	-	-	-
Colin Wilson	Ordinary	-	1,482	6,333	-	-	69,666
	A Ordinary non-voting	1,482	-	57,000	-	-	-

Substantial shareholdings

The following holdings in excess of 3% of our Ordinary share capital have been notified under section 198 of the Companies Act 1985 as at 29 April 1994:

The NFU Mutual Insurance Society Ltd	1,345,000
Clerical Medical & General Life Assurance Society	1,125,000
Confederation Pooled Pensions Ltd	949,375

Jill Anders

BY ORDER OF THE BOARD

Jill Anders, Secretary 29 April 1994

26-07-94

Consolidated Profit and Loss Account

	Note	1994 £000	1993 (restated) £000
Turnover	2	65,365	60,558
Cost of sales		37,035	36,282
Gross profit		28,330	24,276
Operating expenses and income	3	23,279	21,381
Operating profit		5,051	2,895
Surplus on disposal of short term lease		2,808	-
Profit on ordinary activities before interest		7,859	2,895
Interest payable	4	991	1,650
Profit on ordinary activities before taxation	5	6,868	1,245
Taxation	9	1,610	373
Profit for the financial year		5,258	872
Appropriation to Share Ownership Scheme		84	-
Profit for the year attributable to shareholders		5,174	872
Dividends			
Preference shares		19	19
Ordinary shares		1,686	1,398
		1,705	1,417
Transfer to/(from) reserves	22	3,469	(545)
Earnings per 25p share	11	17.3p	3.1p
Adjustment for surplus on disposal of short term lease		(7.5p)	-
Adjusted earnings per share excluding surplus on disposal of short term lease	11	9.8p	3.1p

The Group had no acquisitions or discontinued operations during either year.

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

Following a change in accounting policy as described in Note 1, the comparative figures have been restated.

Balance Sheets

	Note	Group 1994 £000	Group 1993 (restated) £000	Company 1994 £000	Company 1993 £000
Fixed assets					
Tangible assets	12	29,662	29,167	-	-
Investments	13	-	-	17,840	14,537
		29,662	29,167	17,840	14,537
Current assets					
Stocks	14	16,667	16,597	-	-
Debtors	15	18,214	18,395	32,338	32,893
Bank		35	31	-	-
		34,916	35,023	32,338	32,893
Creditors					
Amounts falling due within one year	16	15,577	15,232	3,718	4,409
Net current assets		19,339	19,791	28,620	28,484
Total assets less current liabilities		49,001	48,958	46,460	43,021
Creditors					
Amounts falling due after one year	17	1,500	5,000	1,500	5,000
Provision for liabilities and charges					
Deferred taxation	18	2,952	2,910	293	481
		4,452	7,910	1,793	5,481
Net assets		44,549	41,048	44,667	37,540
Capital and reserves					
Called up share capital	19	8,012	7,332	8,012	7,332
Share premium	20	1,888	2,464	1,888	2,464
Revaluation reserve	21	9,431	9,431	12,074	8,771
Retained profit	22	25,218	21,821	22,693	18,973
Shareholders' funds	23	44,549	41,048	44,667	37,540

The accounts on pages 13 to 29 were approved by the Board of Directors on 6 April 1994 and are signed on its behalf by:

Barry St G A Reed

Christopher N Thomson

Cash Flow Statement

	Note	1994 £000	1994 £000	1993 £000	1993 £000
Net cash inflow from operating activities	27		6,971		8,449
Returns on investments and servicing of finance					
Interest paid		(1,129)		(1,899)	
Dividends paid		(1,470)		(1,417)	
Net cash outflow from returns on investments and servicing of finance			(2,599)		(3,316)
Taxation paid			(412)		(1,077)
Investing activities					
Purchase of tangible fixed assets		(2,982)		(1,215)	
Sale of tangible fixed assets		68		39	
Disposal of short term lease		3,000		-	
Net cash inflow/(outflow) from investing activities			86		(1,176)
Net cash inflow before financing			4,046		2,880
Financing					
New shares issued		104		-	
Repayment of mortgage		-		(750)	
Repayment of term loan		(3,500)		(2,500)	
Net cash outflow from financing	26		(3,396)		(3,250)
Increase/(decrease) in cash and cash equivalents	25		650		(370)

Statement of Total Recognised Gains and Losses

	Note	1994 £000	1993 £000
Loss on foreign currency net investments	22	(72)	(22)
Unrealised deficit on property revaluation	21	-	(12,035)
		(72)	(12,057)
Profit for the year attributable to shareholders		5,174	872
Prior year adjustment	1	493	-
Total recognised gains/(losses)		5,595	(11,185)

Notes to the Accounts

1. Accounting Policies

Accounting convention
The Accounts have been prepared under the historical cost convention which permits the revaluation of properties, and in accordance with applicable Accounting Standards in the United Kingdom.

Basis of consolidation
The accounts include the results of all subsidiaries for the year.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented.

Fixed assets and depreciation
Freehold and long leasehold properties were revalued at 31 January 1993 and the values have been included in these accounts. No value is attributed to short term leases. Plant and fittings are included at cost.

Provision is made for the depreciation of fixed assets over their useful lives where it is necessary to reflect a reduction from book value to estimated residual value.

It is the Group's policy to maintain its properties in a state of good repair to prolong their useful lives, and in the case of freehold and long leasehold properties the Directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties. In the event that the value of a property permanently diminishes, provision is made in the profit and loss account.

It is general policy to write off the historical cost of plant and fittings in even amounts over ten years and motor vehicles over four years.

Stocks
Stocks of merchandise, materials and work in progress are valued at the lower of cost, including overheads, and net realisable value.

Deferred taxation
Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Foreign currencies
Profit and loss items are translated at appropriate average rates and assets and liabilities are translated at the rates ruling at the end of the year. Exchange differences arising on the translation of the net investment in foreign subsidiary companies are taken to reserves. All other exchange differences are taken to the profit and loss account.

Turnover
Turnover comprises the amount receivable from retail customers, the invoice value of merchandise sold to trade customers and the amount receivable from licensees. Turnover excludes value added tax and intra-group sales. Licensing income was included in other operating income in previous years. The comparative figures have been restated accordingly.

Interest on customers' accounts
Interest is credited to profit as it is charged to customers.

Pensions
Contributions are paid to a defined benefit scheme operated by the Group in accordance with the recommendations of independent actuaries. Actuarial surpluses are recognised over the expected average remaining service lives of the scheme members.

Operating leases
Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Licensing income
Licensing income is now recognised as a separate business segment, and is accounted for on an accruals basis taking a prudent view of agreed minimum payments and sales information received from licensees. In previous years licensing income was accounted for on a cash basis.

The effect of this change in accounting policy is to increase the current year's profit before taxation by £220,000. Last year's profit before taxation has been increased by £27,000; prior year results have also been adjusted.

2. Segment analysis

The analysis by class of business of turnover, profit before taxation and net assets is set out below.

Turnover

Class of business	*1994 Total sales £000*	*1994 Inter-segment sales £000*	*1994 External sales £000*	*1993 Total sales £000*	*1993 Inter-segment sales £000*	*1993 External sales £000*
Retail	50,692	-	50,692	44,922	-	44,922
Manufacturing	19,606	(7,540)	12,066	20,116	(6,361)	13,755
Licensing income	2,607	-	2,607	1,881	-	1,881
	72,905	(7,540)	65,365	66,919	(6,361)	60,558

Sales by destination	*1994 £000*	*1993 £000*
United Kingdom	55,387	49,655
Rest of Europe	5,534	6,388
North America	1,616	2,019
Far East	2,413	2,212
Rest of world	415	284
	65,365	60,558

All sales originate from the United Kingdom.

Profit on ordinary activities before taxation

	1994 United Kingdom £000	*1994 Rest of world £000*	*1994 Total £000*	*1993 United Kingdom £000*	*1993 Rest of world £000*	*1993 Total £000*
Retail operations	3,005	-	3,005	896	-	896
Disposal of short term lease	2,808	-	2,808	-	-	-
	5,813	-	5,813	896	-	896
Manufacturing	536	-	536	1,226	-	1,226
Licensing	-	2,484	2,484	-	1,729	1,729
	6,349	2,484	8,833	2,122	1,729	3,851
Common costs	(1,965)	-	(1,965)	(2,606)	-	(2,606)
	4,384	2,484	6,868	(484)	1,729	1,245

2 Segment analysis (continued)

Net assets

	1994 £000	1993 £000
Retail	30,697	28,623
Manufacturing	13,565	14,793
Licensing	1,347	1,042
	45,609	44,458
Unallocated net liabilities	(1,060)	(3,410)
	44,549	41,048

All net assets are situated in the United Kingdom and the Republic of Ireland

3. Operating expenses and income

	1994 £000	1993 £000
Expenses		
Selling expenses	21,144	19,773
Administration expenses	4,018	3,958
	25,162	23,731
Income		
Interest on customers' accounts	1,883	2,350
	23,279	21,381

4. Interest payable

	1994 £000	1993 £000
Interest payable on sums wholly repayable		
Within five years	531	654
In more than five years	460	996
	991	1,650

5. Profit on ordinary activities before taxation

	1994 £000	1993 £000
Profit on ordinary activities is stated after charging/(crediting)		
Operating leases – land and buildings	3,798	3,331
– plant and machinery	509	456
Depreciation	2,317	2,382
Loss on disposal of fixed assets	86	215
Auditors' remuneration in respect of		
– audit fees (Company £13,500, 1993: £13,000)	71	68
– non audit fees	91	65
Loss/(gain) on translation of foreign currency	55	(179)
Directors' emoluments including pension contributions – Note 7	659	579

6. Operating lease commitments

	1994		1993	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Annual commitments under operating leases at 31 January 1994 are as follows:				
Expiring within one year	129	-	311	-
Expiring between two and five years	99	509	469	456
Expiring in over five years	3,677	-	2,870	-
	3,905	509	3,650	456

7. Directors' emoluments

	1994 £000	1993 £000
Remuneration	546	579
Incentive payments	75	-
Compensation for loss of office	38	-
	659	579

As described in Note 28, no pension contributions have been paid by the Company on behalf of Directors (1993: £Nil).

The remuneration of the executive Directors is decided by the Remuneration Committee of the Board. In 1994 the Committee introduced an incentive payment scheme related to the operating profit of the Group after charging interest.

The emoluments of Directors, excluding pension contributions, were within the following bands:

	1994	1993
£120,001 – £125,000	1	1
£100,001 – £105,000	1	-
£ 95,001 – £100,000	1	-
£ 90,001 – £ 95,000	1	1
£ 80,001 – £ 85,000	1	-
£ 75,001 – £ 80,000	-	2
£ 65,001 – £ 70,000	1	-
£ 60,001 – £ 65,000	-	2
£ 50,001 – £ 55,000	-	1
£ 25,001 – £ 30,000	1	1
£ 20,001 – £ 25,000	1	-
£ 10,001 – £ 15,000	1	-
£ 5,001 – £ 10,000	-	1

The emoluments of the Chairman and of the highest paid Director were as follows:

	1994 Chairman £000	1994 Highest paid Director £000	1993 Chairman and highest paid Director £000
Remuneration	99	98	123
Incentive payments	-	25	-
	99	123	123

8. Employees

	1994	1993
The average number of persons employed was:		
Production	703	690
Selling and administration	657	612
	1,360	1,302
Employment costs during the year amounted to:	£000	£000
Gross earnings	14,772	13,862
Social security costs	1,453	1,336
	16,225	15,198

9. Taxation

	1994 £000	1993 £000
The charge on the profit for the year is:		
UK corporation tax at 33.0% (1993: 33.0%)	1,549	574
Overseas taxation	78	105
Deferred taxation	95	(179)
	1,722	500
Adjustments in respect of prior years:		
Corporation tax	(59)	(472)
Deferred taxation	(53)	345
	1,610	373

The taxation charge includes £570,000 in respect of the gain on disposal of a short term lease.

10. Share Ownership Scheme

	1994 £000	1993 £000
Amount allocated to the scheme	125	-
Corporation tax thereon at 33.0%	41	-
	84	-

11. Earnings per share

	1994 £000	*1993 £000*
Profit attributable to equity capital	5,155	853
Surplus on disposal of short term lease	(2,238)	-
Adjusted profit attributable to equity capital	2,917	853
Earnings per share	17.3p	3.1p
Adjusted earnings per share	9.8p	3.1p

The earnings per share has been based on an average of 29,652,383 (1993: 27,944,946) shares of 25p each in issue during the year.

The effect of the change in accounting policy (Note 1) is to increase the 1993 earnings per share by 0.1p.

The adjusted earnings per share, excluding the surplus on disposal of a short term lease, has been calculated in addition to the disclosure required by Accounting Standards, since this will allow shareholders to consider the results of the trading operations of the business.

12. Tangible fixed assets

	Freehold properties £000	*Leasehold property £000*	*Plant and fittings £000*	*Total £000*
Cost or valuation				
At 1 February 1993	12,458	5,250	25,391	43,099
Additions	27	-	2,955	2,982
Disposals	-	-	(2,005)	(2,005)
Exchange differences	(9)	-	(12)	(21)
At 31 January 1994	12,476	5,250	26,329	44,055
Depreciation				
At 1 February 1993	-	-	13,932	13,932
Charged in the year	-	-	2,317	2,317
Disposals	-	-	(1,851)	(1,851)
Exchange differences	-	-	(5)	(5)
At 31 January 1994	-		14,393	14,393
Net book value				
At 31 January 1994	12,476	5,250	11,936	29,662
At 1 February 1993	12,458	5,250	11,459	29,167

The freehold properties and the long leasehold of 103/113 Regent Street, London W1 were revalued on an open market basis at 31 January 1993 by Hillier Parker, Chartered Surveyors.

The historical cost of revalued properties is £5,426,000 for freehold properties and £274,000 for long leasehold. No value has been attributed to any short leasehold properties.

13. Investments

Investments are shown at cost or valuation.

14. Stocks

	1994 £000	1993 £000
Materials	2,424	2,583
Work in progress	1,430	1,045
Finished garments	12,813	12,969
	16,667	16,597

15. Debtors

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Amounts falling due within one year				
Trade debtors	10,833	10,801	-	-
Amounts due from subsidiaries	-	-	32,181	32,744
Other debtors	1,691	2,420	8	-
Prepayments	3,549	2,673	149	149
	16,073	15,894	32,338	32,893
Amounts falling due after one year				
Trade debtors	2,141	2,501	-	-
	18,214	18,395	32,338	32,893

16. Creditors

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Amounts falling due within one year				
Bank overdraft	2,657	3,303	2,645	3,292
Corporation tax payable	973	427	-	244
Other taxation and social security	2,006	1,684	-	-
Trade creditors	6,260	5,876	-	-
Other creditors and accruals	2,608	3,104	-	35
Proposed dividend	1,073	838	1,073	838
	15,577	15,232	3,718	4,409

17. Creditors

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Amounts falling due after one year				
Term loan	1,500	5,000	1,500	5,000

The term loan represents amounts borrowed under a ten year loan facility at va iable rates of interest, expiring in 1999.

18. Deferred taxation

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
At 1 February 1993 as previously stated	2,910	2,501	481	696
Prior year adjustment – Note 1	-	243	-	-
At 1 February 1993 as restated	2,910	2,744	481	696
Transfer from/(to) profit and loss account	42	166	(188)	(215)
At 31 January 1994	2,952	2,910	293	481
Deferred taxation is provided on				
Accelerated capital allowances	1,936	1,876	-	-
Deferred capital gains on properties	946	676	-	-
Short term timing differences	70	358	293	481
	2,952	2,910	293	481
The potential liability not provided at 31 January 1994 for corporation tax if properties were disposed of at their evalued amounts	284	84	-	-

19. Share capital

	8% Preference shares of £1 each £000	Ordinary shares of 25p each £000	A Ordinary non-voting shares of 25p each £000	Total £000
Authorised				
At 1 February 1993	350	835	8,000	9,185
Enfranchisement of non-voting shares	-	8,000	(8,000)	-
New shares authorised	-	1,715	-	1,715
At 31 January 1994	350	10,550	-	10,900
Issued				
At 1 February 1993	346	660	6,326	7,332
Enfranchisement of non-voting shares	-	6,326	(6,326)	-
Scrip issue	-	660	-	660
Share options exercised	-	20	-	20
At 31 January 1994	346	7,666	-	8,012

The following options over the Company's Ordinary shares were outstanding at 31 January 1994:

	Number of shares	Price range	Period during which options exercisable
Executive Share Option Scheme	990,772	89.5p - 281.0p	1994 - 2002

20. Share premium

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
At 1 February 1993	2,464	2,464	2,464	2,464
Capitalised on enfranchisement – Note 19	(660)	-	(660)	-
Premium on shares issued in the year	84	-	84	-
At 31 January 1994	1,888	2,464	1,888	2,464

21. Revaluation reserve

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
At 1 February 1993	9,431	21,466	8,771	21,894
Revaluation of investments	-	-	3,303	(1,088)
Revaluation of properties	-	(12,035)	-	(12,035)
At 31 January 1994	9,431	9,431	12,074	8,771

22. Retained profit

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
At 1 February 1993 as previously stated	21,821	21,895	18,973	19,644
Prior year adjustment	-	493	-	-
At 1 February 1993 as restated	21,821	22,388	18,973	19,644
Profit/(loss) for the year	3,469	(545)	4,096	(660)
Loss on exchange	(72)	(22)	(376)	(11)
At 31 January 1994	25,218	21,821	22,693	18,973

23. Movements in shareholders' funds

	1994 £000	1993 £000
Profit for the financial year	5,174	872
Dividends	(1,705)	(1,417)
	3,469	(545)
Other recognised losses	(72)	(12,057)
New share capital issued	104	-
Prior year adjustment – Note 1	-	493
	3,501	(12,109)
Opening shareholders' funds	41,048	53,157
Closing shareholders' funds	44,549	41,048

24. Analysis of changes in cash and cash equivalents during the year

	1994 £000	1993 £000
At 1 February 1993	(3,272)	(2,902)
Net cash inflow/(outflow)	650	(370)
At 31 January 1994	(2,622)	(3,272)

25. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1994 £000	1993 £000	Change in year £000	1993 £000	1992 £000	Change in year £000
Cash at bank and in hand	35	31	4	31	52	(21)
Bank overdraft	(2,657)	(3,303)	646	(3,303)	(2,954)	(349)
	(2,622)	(3,272)	650	(3,272)	(2,902)	(370)

26. Analysis of changes in financing during the year

	1994 Share capital & premium £000	1994 Mortgage & loans £000	1993 Share capital & premium £000	1993 Mortgage & loans £000
At 1 February 1993	9,796	5,000	9,796	8,250
Cash inflows/(outflows) from financing	104	(3,500)	-	(3,250)
At 31 January 1994	9,900	1,500	9,796	5,000

27. Reconciliation of operating profit to net cash inflow from operating activities

	1994 £000	1993 £000
Operating profit	5,051	2,895
Depreciation charge	2,317	2,302
Unrealised exchange adjustment	(56)	[illegible]
Loss on disposal of fixed assets	86	[illegible]
(Increase)/decrease in stocks	(70)	2,382
(Increase)/decrease in debtors	(430)	2,187
Increase/(decrease) in creditors	265	(1,567)
Costs of disposal of short term lease	(192)	-
	6,971	8,449

28. Pension scheme

The Group operates a defined benefit scheme the assets of which are held under trust for the benefit of members. The scheme is not contracted-out of SERPS.

The latest triennial valuation was conducted by an independent actuary as at 31 March 1993 using the projected unit method. The valuation assumed that investment returns would exceed projected salary increases by 2 per cent. Provision was also made for discretionary increases to pensions when in payment. The scheme was found to be fully funded with the actuarial value of assets representing 159 per cent of the value of the liabilities. At the valuation date the market value of the assets was £30.3 million.

The excess value of the assets over the liabilities has been amortised over the expected average future working lifetime of current members, the effect of which produces a nil net pension cost over the amortised period (1993: £Nil).

29. Future capital expenditure

	1994 £000	1993 £000
Contracts for capital expenditure for which provision has not been made in the accounts	280	531
Capital expenditure authorised by the Directors for which contracts have not been placed	4,000	800

Table of Annual Results

	1994 £000	*1993 £000*	*1992 £000*	*1991 £000*	*1990 £000*
Turnover					
Continuing operations	65,365	60,558	60,423	64,508	67,076
Discontinued operations	-	-	7,232	7,329	10,516
	65,365	60,558	67,655	71,837	77,592
Profit on ordinary activities before taxation					
Profit from trading operations	4,060	1,245	845	658	5,660
Surplus on disposal of short term lease	2,308	-	-	929	-
	6,868	1,245	845	1,587	5,660
Taxation	1,610	373	610	183	2,023
Preference dividends	19	19	19	19	19
Ordinary dividends	1,686	1,398	1,677	2,654	2,654
Depreciation	2,317	2,382	2,637	2,655	2,850
Earnings per 25p share	17.3p	3.1p	0.8p	5.0p	13.0p
Adjusted earnings per 25p share excluding surplus on disposal of short term lease	9.8p	3.1p	0.8p	1.6p	13.0p
Net dividends per 25p share	5.5p	5.0p	6.0p	9.5p	9.5p
Number of employees	1,360	1,302	1,589	1,822	2,071

These figures have been restated following the change in accounting policy in respect of licensing income.

Particulars of Principal Companies in the Group

	Country of registration	*Country of principal operation*	*Principal activities*
Austin Reed Limited	England	England	Retailing
Austin Reed Credit Services Limited	England	England	Credit servicing
Austin Reed International Limited	England	England	Clothing manufacturing
Chester Barrie Limited	England	England	Clothing manufacturing
Stephens Brothers Limited	England	England	Shirt manufacturing
The Donegal Shirt Co. Limited	Republic of Ireland	Republic of Ireland	Shirt manufacturing
Wright & Peel Limited	England	England	Clothing manufacturing

These subsidiaries are all wholly owned.

Directors' Responsibilities for the Accounts

The Directors are required by law to prepare accounts which give a true and fair view of the state of affairs of the Company and the Group as at the end of their financial year, and of the profit or loss of the Group for that period. In preparing these accounts, the Directors are required to
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

BY ORDER OF THE BOARD

Jill Anders

Jill Anders, Secretary 29 April 1994

Auditors' Report to the members of Austin Reed Group PLC

We have audited the accounts on pages 13 to 29.

Respective responsibilities of Directors and auditors

As described above the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 January 1994 and of the profit, total recognised gains and losses and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

COOPERS & LYBRAND

Chartered Accountants and Registered Auditors London 29 April 1994

Notice of Meeting

Notice is hereby given that the Seventy-Fourth Annual General Meeting of Austin Reed Group PLC will be held on the third floor of the Company's premises, 16/21 Sackville Street, London W1 on 9 June 1994 at noon for the following purposes:

1 To receive and adopt the Directors' report and the accounts for the year to 31 January 1994 with the auditors' report thereon.

2 To declare a final dividend of 3.5p per share.

3 To re-elect as Directors:
David J Gale
Christopher N Thomson

4 To re-appoint Coopers & Lybrand as auditors and to authorise the Directors to fix their remuneration.

5 To consider as Special Business and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:

THAT in accordance with Article 11(B) of the Company's Articles of Association, for the period ending on the date of the Annual General Meeting to be held during 1995 or on 9 September 1995 whichever is the earlier:

(a) the Directors be generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities up to an aggregate nominal amount of £3,253,755, and

(b) the Directors be empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash as if sub-section (i) of Section 89 of the said Act did not apply to any such allotment:

(i) in connection with a rights issue, and

(ii) up to an aggregate nominal amount of £383,282 (being 5% of the nominal amount of the issued share capital at 31 January 1994) otherwise than in connection with a rights issue.

BY ORDER OF THE BOARD
Jill Anders, Secretary 13 May 1994

Notes

Any member entitled to attend and vote at this meeting may appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.

Completed forms of proxy must be lodged at the Transfer Office of the Company not later than forty-eight hours before the time fixed for the meeting.

Only members holding Ordinary shares are entitled to attend and vote at the above meeting but members holding Preference shares will be welcome.

Copies of relevant Directors' contracts of service will be available for inspection at the Transfer Office of the Company until the date of the meeting and also at the venue of the meeting for fifteen minutes prior to and throughout the meeting.

Form of Proxy

I/WE ....

OF ....

....

being a member/members of Austin Reed Group PLC hereby appoint Barry St G A Reed or failing him David C F Pearson to act as my/our proxy and to vote on my/our behalf at the Annual General Meeting of the Company to be held on 9 June 1994 and at any adjournment thereof.

DATE .... SIGNATURE ....

Please indicate with an "X" in the appropriate spaces how you wish your vote to be cast. If you do not do so your proxy will be deemed to have authority to vote or abstain as he thinks fit.

Resolutions	for	against
1 To receive and adopt the Directors' report and the accounts for the year to 31 January 1994 with the auditors' report thereon	☐	☐
2 to declare a final dividend of 3.5p per share	☐	☐
3 To re-elect a Director – David J Gale	☐	☐
4 To re-elect a Director – Christopher N Thomson	☐	☐
5 To re-appoint Coopers & Lybrand as auditors and to authorise the Directors to fix their remuneration	☐	☐
6 To approve the Special Resolution	☐	☐

Notes

If it is desired to appoint a proxy of your own choice delete the names 'Barry St G A Reed' and 'David C F Pearson' and substitute your own nominee.

In the case of joint holders only one such holder need sign. In the case of a corporation this proxy should be under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

To be effective this proxy, duly completed, and the Power of Attorney or other authority, if any, under which it is signed, or a duly certified copy thereof, must be lodged at the Transfer Office of the Company, PO Box 2, Thirsk, North Yorkshire YO7 1PG, not later than forty-eight hours before the time fixed for the meeting.