Registered Number 237511

Arcadia Group Limited

Annual report

for the year ended 27 August 2005

Arcadia Group Limited
Annual report
for the year ended 27 August 2005

Contents

Arcadia Group Limited

Directors' report for the year ended 27 August 2005

The directors present their report together with the audited financial statements of the Company for the year ended 27 August 2005.

Principal activities
The Company's principal activities are those of a property and investment holding company. The Company also provides administrative and logistical services to its subsidiary undertakings.

Review of business and future developments
During the year the Company acquired Etam plc (subsequently re-named Matte plc) for a nominal consideration. Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results for the financial year and dividends
The profit and loss account is set out on page 4.

The Company has paid an interim dividend of £200,000,000 (2004: £150,000,000). The directors do not recommend the payment of a final dividend (2004: £nil) and the retained profit for the year of £8,817,000 (2004: £40,777,000) will therefore be transferred to reserves.

Directors and their interests
The directors who held office during the year ended 27 August 2005 were as follows:

IM Allkins
PE Budge
P Coackley
Lord Grabiner QC
PNR Green
I Grabiner
JP Readman (resigned 30 March 2005)

PNR Green, IM Allkins and P Coackley are directors of Taveta Investments Limited, the Company's ultimate parent undertaking, and their interests in the shares of group undertakings are disclosed in that company's financial statements.

None of the other directors had an interest in the share capital of the Company or any of its subsidiary undertakings. Their beneficial interests in the share capital of Taveta Investments Limited were as follows:

	Number of ordinary shares of 10 pence each	
	At 27 August 2005	At 29 August 2004
Lord Grabiner QC	**515,000**	515,000
I Grabiner	**2,577,380**	2,577,380

Directors' report for the year ended 27 August 2005 (continued)

Donations
During the year, donations to the value of £830,000 (2004: £727,000) were given to UK charitable organisations. Of this amount, £500,000 was donated to community health and social care services, £100,000 was given to the RNIB, £65,000 was provided to a charity supporting former retail sector employees, with the remainder given to medical research charities and community-based projects.

Employees
All staff are informed about matters concerning their interests as employees and the financial position of the Group through a number of communication channels including face-to-face briefings, an intranet site supplemented by e-mail announcements and a staff magazine.

The board recognises the importance of a highly motivated and well trained workforce. It encourages employees' involvement in the Group's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in the part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service.

The Group is an equal opportunities employer, recruiting and promoting employees on the basis of suitability for the job and on no other grounds. Proper consideration is given to employment applications from disabled persons whose aptitude and skills can be utilised within the business and to their training and career progression. Wherever possible, this includes the retraining and retention of staff who become disabled during their employment.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 27 August 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 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.

Independent auditors
The Company has passed an elective resolution to dispense with the annual appointment of auditors. PricewaterhouseCoopers LLP will therefore continue as auditors in accordance with and subject to Section 386 of the Companies Act 1985.

On behalf of the Board

PE Budge
Director
21 April 2006

Arcadia Group Limited
Independent auditors' report to the members of Arcadia Group Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 27 August 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
21 April 2006

Arcadia Group Limited

Profit and loss account for the year ended 27 August 2005

	Note	2005 £'000	2004 £'000
Turnover	1	**301,824**	309,978
Cost of sales		**(227,112)**	(241,426)
Gross profit		**74,712**	68,552
Distribution costs		**(37,424)**	(40,174)
Administrative expenses		**(28,983)**	(35,717)
Other operating income	2	**11,594**	17,815
Operating profit	2	**19,899**	10,476
Income from fixed asset investments		**153,044**	160,589
Net interest receivable and similar income	3	**35,112**	19,805
Profit before taxation		**208,055**	190,870
Taxation	5	**762**	(93)
Profit for the financial year		**208,817**	190,777
Dividends	6	**(200,000)**	(150,000)
Retained profit for the year	15	**8,817**	40,777

All of the results in the profit and loss account above relate to continuing activities.

The only recognised gains and losses are those dealt with in the profit and loss account above.

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

Arcadia Group Limited
Balance sheet as at 27 August 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	7	**33,990**	37,176
Investments	8	**1,967,386**	2,886,797
		2,001,376	2,923,973
Current assets			
Stocks		**22**	426
Debtors – due within one year	9	**14,876**	46,484
Debtors – due after one year	9	**9,971**	9,209
		24,847	55,693
Cash at bank and in hand		**6,872**	104,011
		31,741	160,130
Creditors: amounts falling due within one year	10	**(154,302)**	(127,500)
Net current (liabilities) / assets		**(122,561)**	32,630
Total assets less current liabilities		**1,878,815**	2,956,603
Creditors: amounts falling due after more than one year	11	**(1,027,242)**	(2,113,847)
Net assets		**851,573**	842,756
Capital and reserves			
Called up share capital	14	**168,163**	168,163
Share premium account	15	**393,676**	393,676
Capital redemption reserve	15	**223,431**	223,431
Profit and loss account	15	**66,303**	57,486
Equity shareholders' funds	16	**851,573**	842,756

The financial statements on pages 4 to 18 were approved by the board of directors on 21 April 2006 and were signed on its behalf by:

PE Budge
Director

Arcadia Group Limited
Accounting policies

Accounting convention
The financial statements are drawn up under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Cash flow statement
The Company has taken advantage of the exemption allowed by Financial Reporting Standard 1 (revised) from preparing a cash flow statement, as the Company's cash flows are included within the consolidated cash flow statement of its ultimate parent undertaking, Taveta Investments Limited.

Turnover
Turnover represents rents receivable from group undertakings and external tenants, together with amounts charged to group undertakings for the provision of administrative and logistical services. It accrues on a daily basis and is stated net of value added tax.

Other operating income
Income from the operation of the Group's store card business is recognised in the same period as the underlying sales transaction. Upfront contributions towards the Group's store card business have been deferred and are being released to the profit and loss account over the term of the related contract.

Investments
Fixed asset investments are shown at cost less amounts written off. Provision is made where, in the opinion of the directors, there has been an impairment in the carrying value of investments. Income from fixed asset investments represents dividends received from subsidiary undertakings.

Depreciation
Depreciation is provided so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land: not depreciated
Freehold and long leasehold buildings over 50 years: depreciated to their estimated residual value over their estimated useful economic life
Short leasehold land and buildings: life of lease
Office equipment: 10 years
Computer equipment: 3 to 4 years
Motor vehicles are depreciated on the reducing balance basis at a rate of 25% per annum.

Pension costs
The cost of providing pension benefits is charged to the profit and loss account as a constant percentage of pensionable earnings over the period benefiting from scheme employees' services. Actuarial surpluses are amortised over the expected remaining service lives of current scheme employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. As disclosed in note 19 to the financial statements the Company has taken advantage of the transitional implementation arrangements provided by FRS 17 'Retirement benefits'.

Arcadia Group Limited
Accounting policies (continued)

Taxation
Deferred taxation is provided on all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying tax differences can be deducted. Deferred tax is not recognised on revalued assets unless there is a binding agreement at the balance sheet date to sell the revalued asset and the related gain or loss has been recognised in the financial statements. Deferred tax assets and liabilities are not discounted.

Foreign exchange
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities recorded in foreign currencies are translated either at the rates ruling at the balance sheet date or the rates fixed by forward contracts. Exchange differences are dealt with in the profit and loss account.

Leased assets
Assets held under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of their estimated useful economic lives and the period of the lease. Rentals are apportioned between reductions in the capital obligations included within creditors and finance charges which are charged to the profit and loss account at a constant effective rate of interest.

Rentals payable under operating leases are charged to the profit and loss account as incurred except where incentives to sign the leases have been received. Such incentives are spread on a straight-line basis over the lease term, or if shorter, the period to the next open market rent review date.

Treasury instruments
Gains and losses on hedges of payments or receipts are deferred and only recognised as they crystallise. Gains and losses on forward currency contracts entered into as hedges of future purchases denominated in foreign currency are carried forward and are recognised as part of the purchase cost on maturity. Receipts and payments from interest rate swaps used to manage interest on borrowings or deposits are accrued to match the income or expense of the underlying borrowing or deposit.

1 Turnover

Turnover is wholly attributable to the Company's principal activities and arises in the United Kingdom. Turnover includes management charges of £88,500,000 (2004: £100,500,000) levied on the Company's subsidiary undertakings.

2 Operating profit

Operating profit is stated after charging / (crediting):	2005 £'000	2004 £'000
Employment costs (note 4)	90,342	85,949
Depreciation		
- owned assets	13,208	13,608
- under finance leases	165	366
Property rentals received (see below)	(181,643)	(171,788)
Property rentals paid (see below)	189,243	182,230
Other operating lease rentals	2,432	2,377
Other operating income (see below)	(11,594)	(17,815)
Auditors' remuneration (see below)	285	240
Other fees paid to auditors	246	27

Other operating income mainly arises from the operation of the Group's store cards. The Company bears the audit fee for the Group. Property rentals are mainly paid to and received from other group undertakings.

3 Net interest receivable and similar income

	2005 £'000	2004 £'000
Interest payable on:		
Bank overdrafts	(320)	(41)
Finance lease obligations	(3)	(12)
Other interest payable	(781)	-
Interest and similar charges payable	(1,104)	(53)
Interest receivable on:		
Bank deposits	2,749	5,503
Other deposits	192	475
Loans to group undertakings	33,275	13,880
Interest receivable	36,216	19,858
Net interest receivable and similar income	35,112	19,805

4 Employees and directors

Particulars of employee costs (including executive directors) are shown below:

Employees (including executive directors)	2005 £'000	2004 £'000
Wages and salaries	**81,511**	76,775
Social security costs	**7,845**	7,343
Pension costs (note 19)	**986**	1,831
Total employment costs	**90,342**	85,949

The average monthly number of people employed by the Company during the year was 2,038 (2004: 1,945). All of these employees provide administrative support to the Company's retailing subsidiaries.

The equivalent average number of full-time employees was 1,973 (2004: 1,886).

Total directors' remuneration comprises:	2005 £'000	2004 £'000
Aggregate emoluments	**3,610**	5,940
Company contributions to money purchase pension schemes	-	-
	3,610	5,940

At the year end, 2 directors (2004: 3) had retirement benefits accruing under the Company's defined benefit pension schemes.

Highest paid director	2005 £'000	2004 £'000
Aggregate emoluments	**1,385**	3,546
Money purchase pension scheme contributions	-	-
	1,385	3,546

The highest paid director has an accrued pension of £9,400 per annum under the Company's defined benefit schemes (2004: £nil).

5 Taxation

a. Analysis of tax (credit) / charge for the year	**2005 £'000**	2004 £'000
Based on the profit for the year		
UK corporation tax at 30% (2004: 30%):		
- Current year	**16,023**	9,564
- Prior years	**(15,698)**	(10,573)
Total current tax (note 5b)	**325**	(1,009)
Deferred tax – origination and reversal of timing differences (note 13)	**(1,087)**	1,102
Total taxation	**(762)**	93

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

b. Factors affecting the current tax charge / (credit) for the year	**2005 £'000**	2004 £'000
Profit before taxation	**208,055**	190,870
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2004: 30%)	**62,416**	57,261
Effects of:		
Expenses not deductible for tax purposes	**901**	2,212
Income not assessable for tax purposes	**(46,213)**	(48,177)
Capital allowances in excess of depreciation	**(1,081)**	(1,508)
Other timing differences	-	(224)
Adjustment in respect of prior years	**(15,698)**	(10,573)
Current tax charge / (credit) for the year (note 5a)	**325**	(1,009)

The Company has entered into a group payment arrangement with the Inland Revenue whereby it undertakes to make corporation tax payments on behalf of all subsidiary companies within the same tax group. Accordingly, at the year end the aggregate corporation tax liability of all companies within this tax group has been included within the Company's creditors (note 10) whilst a corresponding debtor has either been recognised within loans to group undertakings (note 8) or offset against amounts owed to subsidiary undertakings (note 11).

c. Factors that may affect future tax charges

Based on current capital investment plans, the Company expects capital allowances to exceed depreciation in future years at a similar rate to the current year. The Company also expects to incur a similar level of non-deductible expenditure.

6 Dividends

	2005 £'000	2004 £'000
Interim paid: 95.1p (2004: 71.4p) per ordinary share	**200,000**	150,000

7 Tangible fixed assets

	Short leasehold land and buildings £'000	Fit out, fixtures and equipment £'000	Total £'000
Cost			
At 29 August 2004	218	146,378	146,596
Additions	2	10,185	10,187
Disposals	-	(1,767)	(1,767)
At 27 August 2005	**220**	**154,796**	**155,016**
Depreciation			
At 29 August 2004	37	109,383	109,420
Charge for the year	11	13,362	13,373
Disposals	-	(1,767)	(1,767)
At 27 August 2005	**48**	**120,978**	**121,026**
Net book value			
At 27 August 2005	**172**	**33,818**	**33,990**
At 28 August 2004	181	36,995	37,176

Assets held under finance leases and included in fit out, fixtures and equipment:

	2005 £'000	2004 £'000
Cost	**193**	1,398
Accumulated depreciation	**(161)**	(750)
Net book amount	**32**	648

8 Fixed asset investments

	Shares in subsidiaries		Loans		
	Cost	Provision	Cost	Provision	Total
Group undertakings	£'000	£'000	£'000	£'000	£'000
At 29 August 2004	1,470,215	(288,929)	1,861,602	(156,091)	2,886,797
Additions (refer below)	126	-	221,605	-	221,731
Repayments	-	-	(1,141,142)	-	(1,141,142)
At 27 August 2005	**1,470,341**	**(288,929)**	**942,065**	**(156,091)**	**1,967,386**

On 8 April 2005 the Company acquired the whole of the issued share capital of Etam plc (subsequently renamed Matte plc for £126,000 (including related expenses). Further details of this acquisition are provided in the financial statements of the Company's ultimate parent undertaking, Taveta Investments Limited.

Advantage has been taken of Section 231(5) of the Companies Act 1985 not to disclose all subsidiary undertakings on the basis that such information would be of excessive length. The Company's principal subsidiary undertakings are as follows:

Group undertaking	Country of operation	Country of incorporation or registration	Main activity
Arcadia Card Services Ltd	UK	England	Financial services
Arcadia Group Brands Ltd *	UK	England	Brand management
Arcadia Group Multiples (Ireland) Ltd *	Ireland	Ireland	Fashion retailing
Burton Retail Ltd*	UK	England	Fashion retailing
Dorothy Perkins Retail Ltd*	UK	England	Fashion retailing
Evans Ltd*	UK	England	Fashion retailing
Matte plc	UK	England	Fashion retailing
Matte Card Services Ltd	UK	England	Financial services
Miss Selfridge Retail Ltd	UK & Ireland	England	Fashion retailing
Outfit Retail Ltd	UK	England	Fashion retailing
Redcastle Ltd	UK	England	Property investment
Redcastle (214 Oxford Street) Ltd*	UK	England	Property investment
Redcastle Properties Ltd	UK	England	Property trading
Redcastle Property Mortgage Ltd*	UK	England	Property investment
Top Shop/Top Man Ltd*	UK	England	Fashion retailing
Wallis Retail Ltd	UK & Ireland	England	Fashion retailing
Zoom.co.uk Ltd *	UK	England	E-commerce

* Denotes indirect subsidiary

All of the above subsidiaries are wholly-owned and the Company's investment is in their ordinary share capital.

Consolidated financial statements have not been prepared, as the Company is a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepares consolidated financial statements. In the opinion of the directors the aggregate value of the Company's investments in its subsidiary undertakings is not less than the amount at which they are stated.

9 Debtors

Amounts falling due within one year	2005 £'000	2004 £'000
Amounts due from joint venture	-	1,763
Other debtors (including VAT)	9,685	37,962
Prepayments and accrued income	2,562	5,217
Deferred tax (note 13)	2,629	1,542
	14,876	46,484

Amounts falling due after one year	2005 £'000	2004 £'000
Prepayments and accrued income	9,971	9,209

Prepayments recoverable after more than one year represent the pension prepayment arising from the application of SSAP 24.

10 Creditors – amounts falling due within one year

	2005 £'000	2004 £'000
Bank overdrafts	13,435	1,276
Finance leases (note 12)	25	242
Trade creditors	6,445	8,261
Corporation tax (note 5)	74,666	61,545
Other taxation and social security	4,895	4,184
Other creditors	12,413	16,131
Accruals and deferred income	42,423	35,861
	154,302	127,500

11 Creditors – amounts falling due after one year

	2005 £'000	2004 £'000
Finance leases (note 12)	-	46
Amounts owed to subsidiary undertakings	**968,290**	2,041,918
Other creditors	**6,766**	5,240
Accruals and deferred income	**52,186**	66,643
	1,027,242	2,113,847

12 Lease obligations

The Company's finance lease obligations, which relate to fixtures and fittings, are as follows:

	2005 £'000	2004 £'000
Falling due:		
Within one year	**25**	242
Between one and two years	-	46
	25	288

13 Deferred taxation

The movement on the Company's deferred tax asset is as follows:

	£'000
At 29 August 2004	1,542
Credited to profit and loss account (note 5a)	1,087
At 27 August 2005	**2,629**

	Amount recognised		Amount unrecognised	
	2005 £'000	2004 £'000	**2005 £'000**	2004 £'000
Accelerated capital allowances	**6,215**	7,031	-	-
Other timing differences	**(3,586)**	(5,489)	-	-
	2,629	1,542	-	-

The Company's deferred tax asset is included within debtors. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods when timing differences reverse, based on tax rates at the balance sheet date.

14 Called up share capital

	2005		2004	
	£'000	No. ('000)	£'000	No. ('000)
Authorised				
Ordinary shares of 80p each	**200,000**	**250,000**	200,000	250,000
Deferred shares of 40p each	**320,000**	**800,000**	320,000	800,000
	520,000	**1,050,000**	520,000	1,050,000
Called up and fully paid				
Ordinary shares of 80p each	**168,163**	**210,204**	168,163	210,204

15 Reserves

	Share premium account	Capital redemption reserve	Profit and loss account	Total
	£'000	£'000	£'000	£'000
At 29 August 2004	393,676	223,431	57,486	674,593
Retained profit for the year	-	-	8,817	8,817
At 27 August 2005	**393,676**	**223,431**	**66,303**	**683,410**

16 Reconciliation of movements in equity shareholders' funds

	2005 **£'000**	2004 £'000
Profit for the financial year	**208,817**	190,777
Dividends	**(200,000)**	(150,000)
Net change in shareholders' funds	**8,817**	40,777
Opening shareholders' funds	**842,756**	801,979
Closing shareholders' funds	**851,573**	842,756

17 Financial commitments

At 27 August 2005 the Company had capital commitments contracted but not provided for amounting to £5,000,000 (2004: £2,103,000). In addition, the Company leases a number of properties from external landlords under non-cancellable operating leases that are subject to renegotiation at various dates. The minimum annual rentals under the foregoing are:

	2005 £'000	2004 £'000
Operating leases which expire:		
- within one year	**1,360**	1,731
- between two and five years inclusive	**404**	235
- after five years	**980**	1,148
	2,744	3,114

The Company also leases certain items of plant and machinery along with vehicles whose minimum annual rentals are as follows:

Other assets	2005 £'000	2004 £'000
Operating leases which expire:		
- within one year	**425**	244
- between two and five years inclusive	**927**	1,095
- after five years	**2,602**	1,816
	3,954	3,155

18 Contingent liabilities

The Company, along with certain of its subsidiary undertakings, has provided cross guarantees in respect of its parent undertaking's bank borrowings. The borrowings are secured by way of fixed charge over certain of the companies' freehold properties and by legal charge over their other assets and undertaking.

At the year end the amount outstanding under these guarantees totalled £1,070,000,000. The directors do not expect a loss to arise as result of providing this guarantee.

The Company has also guaranteed the rents payable by certain subsidiary undertakings which amounted to £30,256,000 (2004: £47,568,000) during the year.

19 Pension schemes

The Company operates two funded defined benefit schemes in the UK, for the benefit of the group's eligible employees. The assets of these schemes are held in separate trustee administered funds. The most recent formal actuarial valuations of the schemes for the purposes of SSAP 24 were carried out by a qualified independent actuary as at 31 March 2004, using the projected unit method.

The assumptions that have had the most significant effect on the outcome of these valuations are set out below:

	2005	2004	2003
	% per annum	% per annum	% per annum
Investment return on investments in respect of:			
- non-active members	**5.0**	5.0	5.0
- active members	**7.1**	7.1	7.4
Rate of increase in salaries	**4.5**	4.5	4.5
Rate of increase in pensions	**2.5**	2.5	2.5
Rate of price inflation	**2.5**	2.5	2.5

The valuations indicated that the market value of the schemes' assets of £536,300,000 exceeded the benefits that had accrued to members by £12,700,000 (2%), after allowing for assumed future increases in earnings.

Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs' requires the costs of providing pensions to be recognised over the period benefiting from the employees' services, with any difference between the charge to the profit and loss account and the contributions paid to the scheme being shown as an asset or liability in the balance sheet. The pension cost has been assessed in accordance with the advice of qualified independent actuaries using the projected unit method. Variations in cost are being spread over the estimated average remaining working lifetime of the members of each scheme.

As the Group does not allocate surpluses/deficiencies in its schemes to the employing companies, the whole of the pension surplus is accounted for by the Company. Subsidiary undertakings are allocated a pension charge based on regular cost and contribute accordingly. Variations in pension costs are therefore recognised by the Company.

The Company's total pension cost for the year ended 27 August 2005 was £986,000 (2004: £1,831,000), including £33,000 (2004: £75,000) of pension augmentations funded by the Company. With effect from 1 April 2005, employer contributions to the Company's pension schemes increased to 10.4% and 22.3% of pensionable salary, respectively. The Arcadia Group Pension Scheme is now closed to new entrants. New employees will, after an initial qualification period, however be able to join the Company's newly established money purchase scheme.

At the year end, the Company recognised a pension prepayment of £9,971,000 (2004: £9,209,000) arising from the application of SSAP 24.

The structure of the Group's pension schemes does not enable the individual participating subsidiaries to identify their share of the schemes' underlying assets and liabilities. In this situation FRS 17 'Retirement Benefits' recommends that each employer accounts for their pension costs as though they participated in defined contribution arrangements. On this basis the Company's pension costs for the year ended 27 August 2005 would have been £1,748,000 (2004: £6,378,000).

The detailed disclosures required by FRS 17 have been provided for the group as a whole in the consolidated financial statements of the Company's ultimate parent undertaking, Taveta Investments Limited.

20 Parent undertaking, controlling party and related party disclosures

The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England, which is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Taveta's consolidated financial statements can be obtained by writing to the Secretary at Marylebone House, 129 – 137 Marylebone Road, London, NW1 5QD.

The Company has taken advantage of the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Taveta group or investees of Taveta.

The Company's ultimate controlling party is CS Green and her immediate family.

PNR Green, P Coackley and IM Allkins are directors of both BHS Group Limited and the Company.

During the year BHS Group Limited invoiced the Company £1,067,000 (2004: £1,670,000), mainly in respect of management and catering services. The Company also invoiced BHS Group Limited £142,000 (2004: £nil) during the year. At 27 August 2005 the Company owed BHS Group Limited £77,000 (2004: £126,000).

Prior to his resignation as a director of the Company, SGP Property Services Limited ('SGP'), a company in which JP Readman is a director and shareholder, invoiced the Company £365,000 (2004: £516,000) in connection with the management of the Group's properties.

Zoom.co.uk Limited hosts and maintains web-sites relating to Arcadia's stores and brands. During the period prior to the Arcadia Group acquiring the remainder of its shares, the Company charged Zoom £1,002,000 (2004: £1,110,000) for the provision of administrative and operational support.