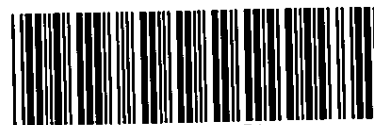


Registered Number 237511

Arcadia Group Limited
Annual report
for the year ended 1 September 2007

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Arcadia Group Limited
Annual report
for the year ended 1 September 2007

Contents

Directors' report for the year ended 1 September 2007	1
Independent auditors' report to the members of Arcadia Group Limited	3
Profit and loss account for the year ended 1 September 2007	4
Balance sheet as at 1 September 2007	5
Accounting policies	6
Notes to the financial statements for the year ended 1 September 2007	8

Arcadia Group Limited

Directors' report for the year ended 1 September 2007

The directors present their report together with the audited financial statements of the Company for the year ended 1 September 2007

Principal activities, review of business and dividends

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.

The profit and loss account is set out on page 4. During the year, the Company formed part of Taveta Investments Limited and a review of the group's businesses during the year and its position at 1 September 2007 is given on page 1 to the financial statements of that company.

The directors do not recommend the payment of a dividend (2006: £nil) and the retained profit for the year of £66,457,000 (2006: £56,445,000) has therefore been transferred to reserves.

Management and reporting of risks and Key Performance Indicators (KPIs)

The directors of Taveta Investments Limited manage the Company's risks and those of its fellow subsidiaries at a group level. Furthermore, they monitor the group's performance on a brand basis rather than at statutory company level.

For these reasons the Company's directors do not believe that a discussion of the principal risks facing the Company or of the KPIs used to analyse its performance is appropriate for an understanding of its development, performance or financial position.

The KPIs used by the group and the principal business risks it faces, are discussed on page 1 of Taveta Investments Limited's annual report which does not form part of this report.

Directors

The directors who held office during the year ended 1 September 2007 were as follows:

Ian Allkins
Paul Budge
Paul Coackley
Ian Grabiner
Lord Grabiner QC
Sir Philip Green

Donations

During the year, donations to the value of £1,287,000 (2006: £1,296,000) were given to UK charitable organisations. Of this amount, £1,000,000 was donated to community health and social care services, £121,000 to charities supporting former retail sector employees, with the remainder going to medical research charities and community-based projects.

Arcadia Group Limited

Directors' report for the year ended 1 September 2007 (continued)

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 that 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 1 September 2007 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.

The directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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



Paul Budge

Director

1 February 2008

Arcadia Group Limited

Independent auditors' report to the members of Arcadia Group Limited

We have audited the financial statements of Arcadia Group Limited for the year ended 1 September 2007 which comprise the profit and loss account, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) 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 International Auditing Standards (UK and Ireland). 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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

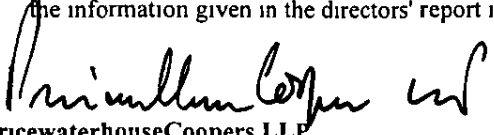
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 1 September 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
1 February 2008

Arcadia Group Limited

Profit and loss account for the year ended 1 September 2007

	Note	2007 £'000	2006 £'000
Turnover	1	82,914	250,265
Cost of sales		(21,649)	(193,352)
Gross profit		61,265	56,913
Distribution costs		(35,514)	(36,406)
Administrative expenses		(26,618)	(21,243)
Other operating income	2	10,660	9,934
Operating profit	2	9,793	9,198
Net interest receivable and similar income	3	71,403	46,419
Profit before taxation		81,196	55,617
Taxation	5	(14,739)	828
Retained profit for the year	14	66,457	56,445

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

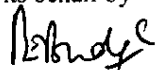
There is no difference between the profit before taxation and the retained profit for the year stated above and their historical cost equivalents

Arcadia Group Limited

Balance sheet as at 1 September 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible assets	6	29,742	40,562
Investments	7	2,509,886	2,213,359
		2,539,628	2,253,921
Current assets			
Stocks		511	396
Debtors	8	28,795	16,527
Cash at bank and in hand		66,645	19,063
		95,951	35,986
Creditors amounts falling due within one year	9	(76,270)	(68,341)
Net current assets / (liabilities)		19,681	(32,355)
Total assets less current liabilities		2,559,309	2,221,566
Creditors amounts falling due after more than one year	10	(1,589,872)	(1,319,819)
Provisions for liabilities and charges	11	(4,704)	(3,471)
Net assets		964,733	898,276
Capital and reserves			
Called up share capital	12	168,163	168,163
Share premium account	13	393,676	393,676
Capital redemption reserve	13	223,431	223,431
Profit and loss account	13	179,463	113,006
Equity shareholders' funds	14	964,733	898,276

The financial statements on pages 4 to 17 were approved by the board of directors on 1 February 2008 and were signed on its behalf by



Paul 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.

Tangible fixed assets

Fixed assets are stated at cost. Fixed asset values are reviewed for impairment in accordance with FRS 11. Impairment of fixed assets and goodwill.

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.

Arcadia Group Limited

Accounting policies (continued)

Pension costs

The Company operates a couple of defined benefit schemes on behalf of its employees and those of its subsidiaries. The employing companies contribute in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company and its subsidiaries are unable to identify their respective share of the schemes' underlying assets and liabilities.

The main defined benefit scheme is now closed to new entrants and eligible employees are offered the opportunity to join the Group's defined contribution scheme operated by the Company. For this scheme, the amounts charged to the profit and loss account are the contributions payable during the period.

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.

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007

1 Turnover

Turnover is wholly attributable to the Company's principal activities and arises in the United Kingdom. Turnover includes management charges of £81,900,000 (2006: £76,300,000) levied on the Company's subsidiary undertakings.

2 Operating profit

	2007 £'000	2006 £'000
Operating profit is stated after charging / (crediting):		
Employment costs (note 4)	97,357	84,983
Depreciation of owned assets	9,492	10,933
Property rentals received (see below)	(974)	(162,611)
Property rentals paid (see below)	944	162,576
Other operating lease rentals	2,376	2,525
Other operating income (see below)	(10,660)	(9,934)
Auditors' remuneration:		
<i>Audit services</i>		
Statutory audit of the Company and its subsidiaries	150	150
<i>Tax services</i>		
Compliance	25	25
Other tax services	104	157
<i>All other services</i>	167	38

Other operating income mainly arises from the operation of the Group's store cards. Property rentals are mainly paid to and received from other group undertakings. During 2006 the Company acted as an intermediary between the main beneficial property owning company in the Arcadia group and the retailing subsidiaries. Under this arrangement rentals were initially borne by the Company and then recharged to the operating companies. This arrangement has now ceased.

3 Net interest receivable and similar income

	2007 £'000	2006 £'000
Interest payable on		
Bank overdrafts	(1,437)	(1,153)
Other interest payable	-	(52)
Interest and similar charges payable	(1,437)	(1,205)
Interest receivable on		
Bank deposits	42	34
Other deposits	395	575
Loans to group undertakings	72,403	47,015
Interest receivable and similar income	72,840	47,624
Net interest receivable and similar income	71,403	46,419

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

4 Employees and directors

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

	2007 £'000	2006 £'000
Employees (including executive directors)		
Wages and salaries	85,834	74,417
Social security costs	8,658	7,313
Pension costs (note 17)	2,865	3,253
Total employment costs	97,357	84,983

The average monthly number of people employed by the Company during the year was 2,143 (2006 2,086) All of these employees provide administrative support to the Company's retailing subsidiaries

The equivalent average number of full-time employees was 2,086 (2006 2,022)

	2007 £'000	2006 £'000
Total directors' remuneration comprises:		
Aggregate emoluments	2,262	1,994

The Company has not contributed to any money purchase pension arrangements on behalf of its directors

At the year end, 2 directors (2006 2) had retirement benefits accruing under the Company's defined benefit pension schemes

	2007 £'000	2006 £'000
Highest paid director		
Aggregate emoluments	1,000	1,000

The highest paid director has no accrued pension under the Company's defined benefit arrangements

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

5 Taxation

	2007 £'000	2006 £'000
a. Analysis of tax charge / (credit) for the year		
Based on the profit for the year		
UK corporation tax at 30% (2006 30%)		
- Current year	19,729	14,414
- Prior years	(6,223)	(21,342)
Total current tax (note 5b)	13,506	(6,928)
Deferred tax – origination and reversal of timing differences (note 11)	1,233	6,100
Total taxation	14,739	(828)

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

	2007 £'000	2006 £'000
b. Factors affecting the current tax charge / (credit) for the year		
Profit before taxation	81,196	55,617
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2006 30%)	24,359	16,685
Effects of		
Expenses not deductible for tax purposes	673	1,037
Deductible expenditure not charged to the profit and loss account	(3,900)	-
Capital allowances in excess of depreciation	(1,673)	(1,402)
Other timing differences	270	(1,906)
Adjustment in respect of prior years	(6,223)	(21,342)
Current tax charge / (credit) for the year (note 5a)	13,506	(6,928)

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 9) whilst a corresponding debtor has either been recognised within loans to group undertakings (note 7) or offset against amounts owed to subsidiary undertakings (note 10).

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.

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

6 Tangible fixed assets

	Short leasehold land and buildings £'000	Fit out, fixtures and equipment £'000	Total £'000
Cost			
At 3 September 2006	244	171,928	172,172
Additions	-	9,962	9,962
Disposals	-	(24,233)	(24,233)
At 1 September 2007	244	157,657	157,901
Depreciation			
At 3 September 2006	59	131,551	131,610
Charge for the year	11	9,481	9,492
Disposals	-	(12,943)	(12,943)
At 1 September 2007	70	128,089	128,159
Net book value			
At 1 September 2007	174	29,568	29,742
At 2 September 2006	185	40,377	40,562

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

7 Fixed asset investments

	Shares in group undertakings		Loans		Total
	Cost	Provision	Cost	Provision	
Group undertakings	£'000	£'000	£'000	£'000	£'000
At 3 September 2006	1,479,982	(288,929)	1,178,397	(156,091)	2,213,359
Additions	-	-	296,588	-	296,588
Repayments	-	-	(61)	-	(61)
At 1 September 2007	1,479,982	(288,929)	1,474,924	(156,091)	2,509,886

Advantage has been taken of Section 231(5) of the Companies Act 1985 not to disclose all group undertakings on the basis that such information would be of excessive length. The principal group undertakings in which the Company is invested are as follows

Group undertaking	Country of operation	Country of incorporation or registration	Main activity
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
Gresse Street Ltd	UK	England	Property investment
Miss Selfridge Retail Ltd	UK & Ireland	England	Fashion retailing
Muse Retail Ltd	UK	England	Fashion accessory retailing
Outfit Retail Ltd	UK	England	Fashion retailing
Redcastle Ltd	UK	England	Property investment
Redcastle (214 Oxford Street) Ltd*	UK	England	Property investment
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 shareholding

Other than Gresse Street Limited and Muse Retail Limited, which are 53% and 50% owned, respectively, the Company owns the whole of the above companies issued 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

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

8 Debtors

	2007 £'000	2006 £'000
Amounts falling due within one year		
Amounts due from joint venture - trading	-	64
Other debtors (including VAT)	15,023	14,998
Prepayments and accrued income	13,772	1,465
	28,795	16,527

9 Creditors – amounts falling due within one year

	2007 £'000	2006 £'000
Bank overdrafts	371	157
Trade creditors	17,820	6,899
Amounts due to joint venture - trading	93	-
Corporation tax (note 5)	8,265	19,912
Other taxation and social security	5,456	4,978
Other creditors	10,209	11,843
Accruals and deferred income	34,056	24,552
	76,270	68,341

10 Creditors – amounts falling due after one year

	2007 £'000	2006 £'000
Amounts owed to subsidiary undertakings	1,541,047	1,264,335
Other creditors	7,840	8,896
Accruals and deferred income	40,985	46,588
	1,589,872	1,319,819

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

11 Provisions for liabilities and charges

Deferred taxation

The movement in the Company's deferred tax balance is as follows

	£'000
At 3 September 2006	3,471
Profit and loss account (note 5a)	1,233
At 1 September 2007	4,704

	Amount provided / (recognised)		Amount unrecognised	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Accelerated capital allowances	(5,600)	(5,509)	-	-
Other timing differences	10,304	8,980	-	-
Capital losses	-	-	(7,080)	(7,086)
	4,704	3,471	(7,080)	(7,086)

The Company has not recognised a potential deferred tax asset in respect of agreed capital losses as there is insufficient evidence that it will generate the capital profits required to utilise the losses

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

12 Called up share capital

	2007		2006	
	£'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

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

13 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 3 September 2006	393,676	223,431	113,006	730,113
Retained profit for the year	-	-	66,457	66,457
At 1 September 2007	393,676	223,431	179,463	796,570

14 Reconciliation of movements in equity shareholders' funds

	2007 £'000	2006 £'000
Retained profit for the year	66,457	56,445
Opening shareholders' funds	898,276	841,831
Closing shareholders' funds	964,733	898,276

15 Financial commitments

At 1 September 2007 the Company had capital commitments contracted but not provided for of £6,002,000 (2006 £526,000). 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

	2007 £'000	2006 £'000
Operating leases which expire		
- within one year	787	-
- between two and five years inclusive	175	404
- after five years	1,010	985
	1,972	1,389

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

	2007 £'000	2006 £'000
Other assets		
Operating leases which expire		
- within one year	324	274
- between two and five years inclusive	3,558	3,284
	3,882	3,558

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

16 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 £745,000,000 (2006 £930,000,000). The directors do not expect a loss to arise as a result of providing these guarantees.

The Company has also guaranteed the rents payable by certain subsidiary undertakings which amounted to £23,759,000 (2006 £27,746,000) during the year.

17 Pension schemes

Eligible employees participate in a couple of defined benefit schemes operated by the Company to which the Company and a number of its subsidiaries contribute in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. These schemes are financed through separate trustee administered funds. Contributions to the schemes are based on actuarial advice following the most recent valuations of the funds.

Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

During the year, the Company contributed £15,865,000 (2006 £3,253,000) to the above schemes, which included £13,000,000 of prepaid contributions in respect of future years. The current year contribution represents 10.4% of members' pensionable salary to the main Arcadia Group scheme and 34.7% of pensionable earnings to the other UK scheme. A further index-linked annual contribution of £2,500,000 is being made by the Group to one of the schemes.

An actuarial valuation of the Group's defined benefit schemes, carried out as at 1 September 2007 for the purposes of FRS 17, identified that the market value of the schemes' assets exceeded the present value of their liabilities by £76,152,000 (2006 £15,629,000). The detailed disclosures required by FRS 17 are provided for the Group as a whole in the consolidated financial statements of the Company's ultimate parent undertaking, Taveta Investments Limited.

The main defined benefit scheme is now closed to new entrants and eligible employees joining the Company are offered the opportunity to join the Group's defined contribution scheme.

Arcadia Group Limited

Notes to the financial statements for the year ended 1 September 2007 (continued)

18 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 exemptions available within 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 Lady Cristina Green and her immediate family.

Sir Philip Green, Paul Coackley and Ian Allkins are directors of both BHS Group Limited and the Company.

During the year BHS Group Limited invoiced the Company £1,163,000 (2006 £862,000), mainly in respect of management and catering services. The Company also invoiced BHS Group Limited £50,000 (2006 £33,000) during the year. At 1 September 2007 the Company owed BHS Group Limited £237,000 (2006 £52,000).

Muse Retail Limited ('Muse') is a joint venture between the Company and DCK Concessions Limited. The Company provides Muse with support in a number of areas including administration, marketing and treasury. During the year the Company invoiced Muse £126,000 (2006 £177,000) in respect of these services, and also recharged Muse with a further £375,000 (2006 £214,000) for payroll and supplier payments made on its behalf. At the year end the Company owed Muse £93,000 (2006 £64,000 debtor).

One of the Company's subsidiaries is a member of the Fashion Retail Academy ('FRA'), which is a higher education academy that provides students with a range of courses with an emphasis on retailing. During the year, the Company charged FRA £222,000 (2006 £35,000) for administrative expenses and also provided FRA with other services on a gratis basis. In addition, FRA invoiced the Company £39,000 for the use of its facilities and also earned £16,000 (2006 £6,000) of interest on bank balances deposited on its behalf by the Company. At the year end FRA owed the Company £101,000 (2006 £11,000).