

Company No: 399575

**AUSTIN REED LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JANUARY 2006**



**AUSTIN REED LIMITED**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JANUARY 2006**

The Directors present herewith the audited financial statements for the year ended 31 January 2006.

**Business Activities**

The company sells high quality apparel for both ladies and men, provides ancillary services through its retail outlets in the UK and licenses Austin Reed trade marks overseas.

The Directors expect that the level of activity in the retail division will continue to improve in the year ahead.

**Results and Dividends**

The profit and loss account for the year is set out on page 6. The loss for the year, after taxation, amounted to £247,071 (2005: loss £2,391,958).

The Directors do not recommend the payment of a dividend (2005:nil) for the year ended 31 January 2006.

**The Environment**

The Environmental Committee, comprising of representatives from throughout the Austin Reed Group, has joined with the Health and Safety Committee in order to help facilitate a more integrated approach to risk management. It reports through the newly established Risk Management Group to the Audit Committee and ultimately to the Board of Austin Reed Group PLC through its Chief Executive. The Chief Executive is responsible for the implementation of the environmental policy.

The main focus of attention during the year was Disability Discrimination, recycling of all waste and on Corporate Social Responsibility generally.

**Directors**

The Directors of the company at 31 January 2006 all of whom have served throughout the year, unless otherwise stated were:

G Gibson (Resigned 13 June 2006)  
NW Hollingworth

Alan Charlton was appointed as a director on 5 June 2006.

**Directors' Interests**

According to the register required to be kept by Section 325 of the Companies Act 1985, no director at 31 January 2006 had any interest in the shares of the company. As permitted by Statutory Instrument the register does not include any shareholdings of directors who are also directors of the Holding Company.

### **Employment of Disabled Persons**

The company continues to provide full and sympathetic consideration to the employment, training, career development and promotion of disabled employees; including those becoming disabled after their employment has commenced. Each case is considered on its individual circumstances.

### **Employee Communication**

The company has maintained its arrangements for communication to employees through weekly newsletters, bulletins, periodic reports and the intranet. The Group also rolled out to all new stores a new operating system to provide online access to news and information.

### **Auditors and Annual General Meeting**

Pursuant to a resolution passed by the members, the company has elected to dispense with the holding of Annual General Meetings, of laying financial statements and reports before the company in General Meeting, and with the obligation to reappoint the auditors annually.

Ernst & Young LLP were appointed auditors to the company by the Board on 14 December 2005 to fill the casual vacancy following the resignation of PriceWaterhouseCoopers on 9 November 2005 to hold office until the conclusion of the next general meeting at which financial statements are laid before the company.

### **Payment of Suppliers**

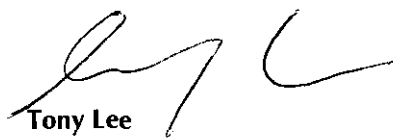
It is the company's policy to pay its suppliers in accordance with the terms of trade which are agreed at the time of order.

The company's average credit payment period at 31 January 2006 was 33 days (2005 : 36 days).

### **Social Responsibility**

During the year £1,020 was donated to charities by the company. This included a donation of £850 to the Textile Industry Childrens Trust and £170 to the British Heart Foundation.

By Order of the Board



**Tony Lee**  
**Company Secretary**

28 November 2006

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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.

By Order of the Board

  
**Tony Lee**  
**Company Secretary**

28 November 2006

**Independent auditor's report to the members of Austin Reed Limited**

We have audited the company's financial statements for the year ended 31 January 2006 which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 Standards on Auditing (UK and Ireland).

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 other transactions is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK 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 judgments 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 31 January 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
Leeds

28 November 2006

For the year ended 31 January 2006

	Notes	2006 Total £	2005 (Restated) Before Exceptional Items £	2005 Exceptional Items £	2005 (Restated) Total £
Turnover	2	59,024,274	57,640,122	1,066,702	58,706,824
Cost of sales		25,457,079	24,977,624	1,428,709	26,406,333
Gross profit		33,567,195	32,662,498	(362,007)	32,300,491
Net operating expenses	3	31,861,550	31,180,349	2,600,796	33,781,145
Profit/(loss) on ordinary activities before interest and taxation		1,705,645	1,482,149	(2,962,803)	(1,480,654)
Interest payable	4	(1,292,400)	(1,355,600)	-	(1,355,600)
Profit/(loss) on ordinary activities before taxation	5	413,245	126,549	(2,962,803)	(2,836,254)
Taxation	10	(660,316)	(384,479)	828,775	444,296
Loss for the financial year	18	(247,071)	(257,930)	(2,134,028)	(2,391,958)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 January 2006

	Notes	2006 £	2005 (Restated) £
Loss for the financial year		(247,071)	(2,391,958)
Prior year adjustments (as explained in note 1)		1,421,701	-
Total recognised gains and losses recognised since last annual report		1,174,630	(2,391,958)

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 January 2006

	2006 £	2005 (Restated) £
Profit/(loss) on ordinary activities before taxation	413,245	(2,836,254)
Realisation of property revaluation gains of prior years	-	8,958,244
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	148,537	-
Historical cost profit on ordinary activities before taxation	561,782	6,121,990
Historical cost (loss)/profit for the year retained after taxation	(98,534)	6,566,286

All results derive from continuing operations

AUSTIN REED LIMITED  
BALANCE SHEET

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at 31 January 2006

	Notes	2006	2005 (Restated)
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	12	32,952,885	36,097,782
Assets held for resale		3,139,796	-
		<u>36,092,681</u>	<u>36,097,782</u>
<b>CURRENT ASSETS</b>			
Stocks	13	8,860,231	11,246,165
Debtors	14	5,545,132	4,523,011
Cash at bank and in hand		<u>16,263</u>	<u>17,663</u>
		<u>14,421,626</u>	<u>15,786,839</u>
<b>CREDITORS</b>			
Amounts falling due within one year	15	<u>28,359,020</u>	<u>29,825,752</u>
<b>NET CURRENT LIABILITIES</b>		(13,937,394)	(14,038,913)
Total assets less current liabilities		<u>22,155,287</u>	<u>22,058,869</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	16	343,489	-
<b>NET ASSETS</b>		<u>21,811,798</u>	<u>22,058,869</u>
<b><u>CAPITAL AND RESERVES</u></b>			
Called up share capital	17	45,000	45,000
Profit and loss account	18	7,492,450	7,590,984
Share premium account		1,627,681	1,627,681
Revaluation reserve	19	12,641,667	12,790,204
Capital redemption reserve		<u>5,000</u>	<u>5,000</u>
Equity and non-equity shareholders' funds	20	<u>21,811,798</u>	<u>22,058,869</u>

The financial statements on pages 5 to 17 were approved by the Board of Directors on 28 November 2006 and are signed on its behalf by :

A Charlton

Director



at 31 January 2006

1. ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the periods under review except as disclosed in note 6 to the financial statements and are in accordance with applicable United Kingdom law and Accounting Statements.

Accounting convention

The financial statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

Going Concern

The Company has net current liabilities of £13,937,394 (2005: £14,038,913). The Directors have prepared the financial statements on a going concern basis as Austin Reed Group PLC have committed in writing to provide financial support to the Company for a period of at least twelve months from the signing of these financial statements.

Turnover

Turnover is the amount receivable from customers and licensees. Turnover excludes Value Added Tax and is recognised at the point of sale.

The Company operates concessionary arrangements whereby it sells stock for a third party. The Company acts as an undisclosed agent and therefore the Company recognises the total value of sales in turnover. For the year to 31 January 2006 this amounted to £2,113,250 (2005: £2,157,744).

Licensing Income

The Company accounts for royalties on an accruals basis.

Fixed Assets and Depreciation

Freehold and long leasehold properties are valued every three years by a firm of independent chartered surveyors. Any increase or deficit on revaluation is reflected in the carrying value of the premises at that time. Any permanent diminution in value is charged to the profit and loss account. The latest triennial valuation was carried out as at 31 January 2004. Plant and vehicles are accounted for on a depreciated cost basis.

It is the Company's policy to maintain its properties in a state of good repair to maximise their useful economic lives. Depreciation is provided on the building content of freehold properties in even amounts over 50 years to reflect a reduction to residual value. Long leasehold properties are written off on a straight line basis over the lease term.

It is general policy to write-off the historical cost of plant in even amounts over 20 years, fittings over 3 - 10 years and motor vehicles and computer equipment over 4 years. Plant, fittings, motor vehicles and computer equipment are included within the heading Plant and vehicles within the notes to these financial statements.

Stocks

Stocks of merchandise and materials are valued at the lower of cost and net realisable value. Provision is made for any obsolete and slow moving stock.

Deferred Taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from revaluation of fixed assets where there is no binding obligation to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.



at 31 January 2006

1. ACCOUNTING POLICIES (Continued)

Foreign Currencies

Profit and loss items are translated at average rates of exchange during the year. Assets and liabilities are translated at the rates ruling at the end of the year with the exception of foreign currency debtors and creditors that are hedged by foreign currency forward contracts, which are translated at the forward rate. All other exchange differences are taken to the profit and loss account.

Pension Scheme

The Company's pensionable employees are members of the Austin Reed Group Pension Fund. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary.

It is not possible to separately identify the effects that the adoption of FRS 17 has on the financial statements of Austin Reed Limited alone. The pension scheme has been accounted for on a deferred contribution basis in these financial statements.

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. Premiums are charged to the profit and loss account over the shorter of the lease term and the period to the first market rent review.

Cash Flow Statement

The Company is a wholly-owned subsidiary of Austin Reed Group PLC and the cash flows of the Company are included in the consolidated group cash flow statement of Austin Reed Group PLC. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cash flow statement.

Prior year adjustments

*Merchant charges:*

A Court of Appeal ruling in December 2005 in relation to the Debenhams merchant charges case clarified the contract law position of companies involved in arrangements that are substantially the same as those entered into by Austin Reed Limited and ARG (Finance) Limited.

As a result the activities of ARG (Finance) Limited are treated as if it is an agent of Austin Reed Limited and the revenues, costs and profits arising from these agency activities have been accounted for in the financial statements of Austin Reed Limited.

This change has been accounted for as a prior year adjustment, the impact of which is to increase the net assets of the Company at 31 January 2006 and 31 January 2005 and the profit for the year to 31 January 2006. The prior year comparatives have been restated accordingly.

*Adoption of FRS21:*

The Company has changed its accounting policy for dividends following implementation of FRS 21 "Events after the balance sheet date".

Previously the Company recognised dividends proposed in the financial year to which they related. Under the new standard the Company recognises dividends when an obligation is established through appropriate approval by its parent company.

The effect of the above adjustments are shown in note 6.

at 31 January 2006

2. SEGMENT ANALYSIS

Turnover

	2006	2005 (Restated)
Class of business	£	£
Retail	57,313,300	56,586,082
Licensing	1,710,974	2,120,742
	<u>59,024,274</u>	<u>58,706,824</u>

	2006	2005 (Restated)
Sales by destination	£	£
United Kingdom	57,044,569	56,491,724
Rest of Europe	356,000	211,840
North America	559,258	652,222
Far East	1,064,447	1,351,038
	<u>59,024,274</u>	<u>58,706,824</u>

All sales originate from the United Kingdom.

Under the terms of Statement of Standard Accounting Practice No 25 a segment analysis of profit before taxation is not provided. A detailed review of segmental profit can be found in the financial statements of the parent company.

Net assets

	2006	2005 (Restated)
	£	£
Retail	20,677,798	20,690,869
Licensing	1,134,000	1,368,000
	<u>21,811,798</u>	<u>22,058,869</u>

All net assets are situated in the United Kingdom.

3. NET OPERATING EXPENSES

Net operating expenses are analysed as follows :-

	2006	2005 (Restated)
	£	£
Selling expenses	29,317,257	27,193,871
Administration expenses	2,679,612	6,797,002
Other operating income	(135,319)	(209,728)
	<u>31,861,550</u>	<u>33,781,145</u>

Administrative expenses in 2005 includes £2,600,796 in respect of exceptional items

at 31 January 2006

4. INTEREST PAYABLE

	2006	2005
	£	£
Interest payable to parent company	1,292,400	1,355,600
	<u>1,292,400</u>	<u>1,355,600</u>

5. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
	£	£
Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting) :		
Operating leases - land & buildings	9,678,689	8,856,589
- plant & machinery	131,518	222,844
Depreciation	2,651,748	2,605,250
Gain on disposal on fixed assets	143,329	312,094
Auditors' remuneration - Audit fees	19,000	30,000
- Non-Audit fees	-	5,425
Exceptional items	-	2,962,803

6. PRIOR YEAR ADJUSTMENTS

In preparing the financial statements for the current year, the Company has adopted FRS 21 "Events after the balance sheet date" and also changed the accounting to reflect the Court of Appeal ruling in respect of Merchant Charges.

These changes have resulted in the following restatements to the balance sheet at 31 January 2005:

	2005		2005
	As		as
	previously	Merchant	restated
	reported	charges	
	£	£	£
Fixed assets	36,097,782	-	36,097,782
Current assets	15,213,131	573,708	15,786,839
Creditors falling due within one year	(31,255,018)	1,429,266	(29,825,752)
Net assets	<u>20,055,895</u>	<u>2,002,974</u>	<u>22,058,869</u>
Called-up share capital	45,000	-	45,000
Profit and loss account	5,588,010	2,002,974	7,590,984
Other reserves	14,422,885	-	14,422,885
Equity and non-equity shareholders' funds	<u>20,055,895</u>	<u>2,002,974</u>	<u>22,058,869</u>

at 31 January 2006

6. PRIOR YEAR ADJUSTMENTS (continued)

In addition, the merchant charges adjustment results in the following restatement to the profit and loss account for the year to 31 January 2005:

	2005 As previously reported £	Merchant charges £	2005 as restated £
Turnover	57,408,358	1,298,466	58,706,824
Operating costs	(61,074,872)	(468,206)	(61,543,078)
Taxation	693,283	(248,987)	444,296
Loss for the financial year	(2,973,231)	581,273	(2,391,958)

7. OPERATING LEASE COMMITMENTS

	2006		2005	
	Land & Buildings £	Plant & Machinery £	Land & Buildings £	Plant & Machinery £
Annual commitments under operating leases at 31 January 2006 are as follows :				
Expiring within one year	1,612,871	50,651	1,526,314	15,052
Expiring between two and five years	2,284,015	102,158	1,345,730	97,477
Expiring in over five years	5,896,703	-	5,217,183	-
	9,793,589	152,809	8,089,227	112,529

8. EMPLOYEES

The average number of persons employed by the company including Executive Directors during the year is analysed below:-

	2006 Number	2005 Number
Selling and administration	548	487
	548	487
Staff costs during the year amounted to:	£	£
Wages and salaries	10,519,377	10,187,081
Social security costs	808,771	772,804
Other pension costs	226,378	226,046
	11,554,526	11,185,931

Directors' Remuneration:

None of the directors received any emoluments or had pension contributions made on their behalf in respect of services to the company in either year.

at 31 January 2006

9. EXCEPTIONAL OPERATING LOSS IN THE YEAR TO 31 JANUARY 2005

The operating loss comprises items which are exceptional by way of their nature or size and are therefore disclosed separately. These amounted to £2,962,803 before taxation.

Of the total, the most significant of these were associated with the profit improvement initiatives. Losses made in clearance outlets caused by the management initiative to accelerate the disposal of Austin Reed products that were bought in previous years amounted to £647,749, reorganisation costs amounted to £499,079, closure costs associated with a strategic branch review were £1,116,235 and other exceptional property costs amounted to £237,855.

Following the actions of the administrators of Allders Stores Limited, a provision of £111,885 was made against related closure costs and the non recoverability of certain debts.

A provision of £350,000 was made in respect of anticipated dilapidation costs which could arise following the termination of a lease on a property that was previously sub-let.

The tax credit for the year included £828,775 in respect of these items.

10. TAXATION

The taxation charge/(credit) which is based on the profit/(loss) for the year is made up as follows :-

	2006 £	2005 (Restated) £
<b>Current tax</b>		
UK Corporation tax at 30% (2005 - 30%)	-	-
Group relief receivable	591,206	338,087
Adjustments in respect of prior years	478,532	167,769
	1,069,738	505,856
Overseas taxation	130,002	67,848
Total current tax	1,199,740	573,704
<b>Deferred tax</b>		
Origination and reversal of timing differences	(180,551)	(759,000)
Adjustments in respect of prior years	(358,873)	(259,000)
	660,316	(444,296)
<b>Reconciliation of current tax charge:</b>		
Profit/(loss) on ordinary activities before taxation	413,245	(2,836,254)
Expected tax charge/(credit) at standard rate	123,974	(850,876)
Expenses not deductible for corporation tax purposes	374,788	40,976
Accelerated capital allowances & other timing differences	69,411	1,029,000
Gain on sale of assets not relieved by capital losses	163,148	388,987
Adjustments to tax charge in respect of prior periods	468,419	(102,231)
Foreign tax not recoverable	-	67,848
Current tax charge for the year	1,199,740	573,704

at 31 January 2006

10. TAXATION (continued)

	2006	2005
	£	£
<b>Deferred taxation</b>		
Amount provided at beginning of year	(1,085,623)	(67,623)
Charged to profit and loss account	(539,424)	(1,018,000)
	<u>(1,625,047)</u>	<u>(1,085,623)</u>
Deferred taxation is provided on :		
Accelerated capital allowances	(1,310,058)	(701,000)
Short term timing differences	(314,989)	(384,623)
Deferred tax asset	<u>(1,625,047)</u>	<u>(1,085,623)</u>

11. DIVIDENDS PAID AND PROPOSED

	2006	2005
	£	£
Dividends on equity shares		
Ordinary - paid of £nil per share (2005: £nil)	-	-
	<u>-</u>	<u>-</u>

12. TANGIBLE FIXED ASSETS

	Freehold property £	Long leasehold property £	Plant & vehicles £	Total £
Cost or Valuation:				
At 1 February 2004	14,800,000	19,450,000	25,954,411	60,204,411
Additions	-	-	1,906,561	1,906,561
Disposals	(11,550,000)	-	(600,702)	(12,150,702)
At 31 January 2005	3,250,000	19,450,000	27,260,270	49,960,270
Reclassifications	(3,250,000)	-	1,179,067	(2,070,933)
Additions	-	-	2,626,186	2,626,186
Disposals	-	-	(881,514)	(881,514)
At 31 January 2006	-	19,450,000	30,184,009	49,634,009

at 31 January 2006

12. TANGIBLE FIXED ASSETS (continued)

	Freehold property £	Long leasehold property £	Plant & vehicles £	Total £
Depreciation :				
At 1 February 2004	-	-	11,545,847	11,545,847
Charges in the year	55,102	254,271	2,295,877	2,605,250
Disposals	-	-	(288,609)	(288,609)
At 31 January 2005	55,102	254,271	13,553,115	13,862,488
Charges in the year	55,102	254,208	2,342,438	2,651,748
Disposals	-	-	(255,843)	(255,843)
Reclassification	(110,204)	-	532,935	422,731
At 31 January 2006	-	508,479	16,172,645	16,681,124
Net book value :				
At 31 January 2006	-	18,941,521	14,011,364	32,952,885
At 31 January 2005	3,194,898	19,195,729	13,707,155	36,097,782
At 1 February 2004	14,800,000	19,450,000	14,408,564	48,658,564

All the freehold and long leasehold properties were independently revalued on an existing use open market basis at 31 January 2004. The freehold property at Sackville Street, London and the long leasehold property at Regent Street, London were revalued by Nelson Bakewell, Chartered Surveyors.

All the remaining freehold properties were revalued by Hillier Parker, Chartered Surveyors.

The excess of the revaluation of freehold and long leasehold properties over their original cost is represented by the Revaluation Reserve.

Property with a net book value of £3,139,796 has been reclassified to assets held for resale

at 31 January 2006

13. STOCKS

	2006	2005
	£	£
Finished Goods	8,860,231	11,246,165
	<u>8,860,231</u>	<u>11,246,165</u>

14. DEBTORS

Amounts falling due within one year

	2006	2005 (Restated)
	£	£
Trade debtors	2,612,317	1,671,618
Other debtors	219,886	391,717
Deferred tax asset (note 10)	1,625,047	1,085,623
Prepayments	1,087,882	1,374,053
	<u>5,545,132</u>	<u>4,523,011</u>

15. CREDITORS

Amounts falling due within one year

	2006	2005 (Restated)
	£	£
Trade creditors	3,808,638	3,534,334
Amounts due to parent company	18,447,769	21,003,958
Other taxation and social security	2,358,021	2,726,074
Corporation tax payable	774,605	258,287
Accruals	2,969,987	2,303,099
	<u>28,359,020</u>	<u>29,825,752</u>

16. CREDITORS

Amounts falling due after more than one year

	2006	2005
	£	£
Deferred income	343,489	-
	<u>343,489</u>	<u>-</u>



at 31 January 2006

17. SHARE CAPITAL

	Authorised 2006 & 2005 £	Issued, Called-up & Fully Paid 2006 & 2005 £
15,000 ordinary shares of £1 each	15,000	10,000
35,000 second preference shares of £1 each	35,000	35,000
	<u>50,000</u>	<u>45,000</u>

Preference shares are non-redeemable, non-voting, carry no fixed dividend rights and have a preferential right to return of capital on a winding up.

18. PROFIT AND LOSS ACCOUNT

	2006 £	2005 (Restated) £
At start of year - as previously stated	-	(397,003)
Prior year adjustments (note 1)	-	1,421,701
At start of year - restated	7,590,984	1,024,698
Transfer from revaluation reserve	148,537	8,958,244
Loss for the financial year	(247,071)	(2,391,958)
At end of year	<u>7,492,450</u>	<u>7,590,984</u>

19. REVALUATION RESERVE

	2006 £	2005 £
At start of year	12,790,204	21,748,448
Transfer to retained profit	(148,537)	(8,958,244)
At end of year	<u>12,641,667</u>	<u>12,790,204</u>

20. MOVEMENT IN EQUITY AND NON-EQUITY SHAREHOLDERS' FUNDS

	2006 £	2005 £
At start of year - as previously stated	-	23,064,126
Prior year adjustment (note 1)	-	1,386,701
At start of year - restated	22,058,869	24,450,827
Retained loss for the year	(247,071)	(2,391,958)
Closing equity and non-equity shareholders' funds	<u>21,811,798</u>	<u>22,058,869</u>

at 31 January 2006

21. FUTURE CAPITAL EXPENDITURE

	2006	2005
	£	£
Contracts for capital expenditure for which provision has not been made in the financial statements	244,000	578,000

22. CONTINGENT LIABILITY

The company and a fellow subsidiary have guaranteed a loan to its holding company. As at 31 January 2006 the balance on this loan was £nil (2005 - £4,853,000).

23. PENSION SCHEME

Eligible employees are members of the Austin Reed Group Pension Fund (the Fund).

The majority of the defined benefit section of the Fund is contracted out of SERPS. The latest triennial actuarial valuation was conducted by an independent actuary as at 1 April 2004 using the projected unit method. The valuation assumed that investment returns up to retirement would exceed general salary increases by 2.9% and that pension, once in payment, would increase in line with general price inflation (up to a limit of 5%). The valuation showed the Fund was under-funded at 1 April 2004 with assets representing 84% of the value of liabilities. At the valuation date, the market value of assets was £58.3 million.

Under the requirements of FRS17, additional disclosure is required. However, as the assets of the Fund cannot be identified between those attributable to Austin Reed and those attributable to other Fund members, this disclosure has not been provided. Additional disclosure for the whole Fund is provided in the financial statements of Austin Reed Group PLC.

24. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Austin Reed Group PLC, a company registered in England. Under the terms of Financial Reporting Standard No. 8 Austin Reed Limited is exempt from disclosing related party transactions and balances with entities within Austin Reed Group PLC. The largest and smallest group in which the results of Austin Reed Limited are consolidated is headed by Austin Reed Group PLC. Copies of the consolidated financial statements of Austin Reed Group PLC may be obtained from The Secretary, Station Road, Thirsk, North Yorkshire YO7 1QH.

25. EVENTS AFTER THE BALANCE SHEET DATE

In May 2006 the land and buildings at the Company's Thirsk Distribution Centre were sold for £5,850,000 realising a profit of £2,710,204 against the net book value of £3,139,796

On 10 November 2006 an offer was received by Austin Reed Group PLC, the ultimate parent company, for the takeover of the group. If accepted by the shareholders of Austin Reed Group PLC it will result in the acquisition of the group by Darius Capital Limited.