

**AUSTIN REED LIMITED**

**REPORT AND ACCOUNTS**

**FOR THE YEAR ENDED 31ST JANUARY 2001**



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**AUSTIN REED LIMITED**

**REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST JANUARY 2001**

The Directors present herewith the audited accounts for the year ended 31st January 2001.

**Business Activities**

The Company sells high quality apparel for both ladies and men and also provides ancillary services through its retail outlets in the UK.

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity in the retail division will be sustained for the foreseeable future.

The remaining manufacturing division of the business was sold in October 2000.

**Results and Dividends**

The profit and loss account for the year is set out on page 5. The loss for the year, after taxation, amounted to £3,153,902 (2000: £997,750 loss).

The Directors recommend that a final dividend of £2,000,000 be paid for the year ended 31st January 2001, thus leaving £5,153,902 to be transferred from retained profits (2000: £3,997,750 transferred from retained profits).

**The Environment**

The Company endeavours to improve its environmental performance, using the best practicable means. A working party, headed by the Company Secretary will set targets and encourage individuals to ensure that environmental issues are given careful consideration when planning operational activities. In addition the Company encourages its suppliers to be aware of environmental considerations.

**Directors**

The Directors of the Company at 31st January 2001 all of whom have served throughout the year, unless otherwise stated were:-

AJ Briggs  
G Gibson  
RW Jennings  
MA Tiffin

CA Houlihan resigned as a director on 10th October 2000 and CML Evans retired on 30th November 2000. No other changes have taken place.

### **Directors' Interests**

According to the register required to be kept by Section 325 of the Companies Act 1985, no director at 31st January 2001 had any interest in the shares of the Company.

The interests of the directors in the shares of the Company's Holding Company at the beginning and end of the financial year and the movements in their share options for the year were:-

	Ordinary Shares		Share Options				31 Jan 00
	1 Feb 01	31 Jan 00	1 Feb 01	Granted	Exercised	Lapsed	
AJ Briggs	2,584	2,584	40,000	-	-	-	40,000

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**

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

### **Employee Investment**

The Company has maintained its arrangements for employee involvement.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

### **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.

### **Payment of Suppliers**

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

The Company's average credit payment period at 31st January 2001 was 27 days (2000: 32 days).

By Order of the Board



SN WAITE

Company Secretary

13th July 2001

#### **DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS**

The directors are required by UK Company Law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

In preparing the accounts for the year ended 31st January 2001 suitable accounting policies have been used and applied consistently, framed by reference to reasonable and prudent judgements and estimates. Applicable accounting standards have been followed and the accounts have been prepared on a going concern basis. The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for ensuring that steps are taken to prevent and detect fraud and other irregularities.

By Order of the Board



SN WAITE

Company Secretary

13th July 2001

Auditors' report to the members of Austin Reed Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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

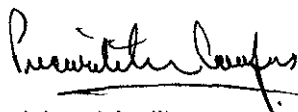
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 31 January 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Edinburgh  
13th July 2001



For the year ended 31 January 2001

		2001 Continuing Operations £	2001 Discontinued Operations £	2001 Total £	2000 Continuing Operations £	2000 Discontinued Operations £	2000 Total £
Turnover	2	59,326,991	3,629,357	62,956,348	61,211,991	7,384,423	68,596,414
Cost of sales		29,631,027	3,929,416	33,560,443	30,758,359	6,861,747	37,620,106
Gross profit		29,695,964	(300,059)	29,395,905	30,453,632	522,676	30,976,308
Operating expenses and other income	3	26,079,853	1,262,984	27,342,837	24,935,515	2,042,214	26,977,729
Exceptional operating expenses and other income		-	-	-	(532,872)	-	(532,872)
Operating profit		3,616,111	(1,563,043)	2,053,068	4,985,245	(1,519,538)	3,465,707
Profit on disposal of fixed assets		-	-	-	(110,948)	-	(110,948)
Loss on disposal of business	4	-	6,490,553	6,490,553	-	-	-
Loss on termination of operations		-	-	-	-	4,621,851	4,621,851
Loss on ordinary activities before taxation	5	3,616,111	(8,053,596)	(4,437,485)	5,096,193	(6,141,389)	(1,045,196)
Taxation	8	925,997	(2,209,580)	(1,283,583)	1,822,204	(1,869,650)	(47,446)
Loss on ordinary activities after taxation		2,690,114	(5,844,016)	(3,153,902)	3,273,989	(4,271,739)	(997,750)
Dividends on equity shares paid and proposed		2,000,000	-	2,000,000	3,000,000	-	3,000,000
Retained loss for the financial year	15	690,114	(5,844,016)	(5,153,902)	273,989	(4,271,739)	(3,997,750)

During the year the company disposed of the remaining part of its manufacturing division to Thompson Holdings (London) Limited. The trading results for the division are shown separately above together with the exceptional costs of disposal

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 January 2001

	Notes	2001 £	2000 £
Loss for the financial year		(3,153,902)	(997,750)
Unrealised (deficit)/surplus on property revaluation	16	-	(550,000)
Total recognised losses		<u>(3,153,902)</u>	<u>(1,547,750)</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 January 2001

	2001 £	2000 £
Loss on ordinary activities before taxation	(4,437,485)	(1,045,196)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	37,000	-
Historical cost loss on ordinary activities before taxation	<u>(4,400,485)</u>	<u>(1,045,196)</u>
Historical cost loss for the year retained after taxation and dividends	<u>(5,116,902)</u>	<u>(3,997,750)</u>

at 31 January 2001

	Notes	2001		2000	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	10		34,314,560		34,825,070
<b>CURRENT ASSETS</b>					
Stocks	11	10,707,383		18,117,636	
Debtors	12	4,549,305		5,647,676	
Cash at bank and in hand		21,688		162,283	
		<u>15,278,376</u>		<u>23,927,595</u>	
<b>CREDITORS</b>					
Amounts falling due within one year	13	<u>23,573,305</u>		<u>27,483,866</u>	
			(8,294,929)		(3,556,271)
Total assets less current liabilities			<u>26,019,631</u>		<u>31,268,799</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>					
	9		1,273,277		1,391,221
			<u>24,746,354</u>		<u>29,877,578</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		45,000		45,000
Retained profit	15		2,132,974		7,286,876
Share premium account			1,627,681		1,627,681
Revaluation reserve	16		20,935,699		20,913,021
Capital redemption reserve			5,000		5,000
Total shareholder's funds	17		<u>24,746,354</u>		<u>29,877,578</u>
Equity shareholder's funds			24,711,354		29,842,578
Non-equity shareholder's funds			35,000		35,000
Total shareholder's funds			<u>24,746,354</u>		<u>29,877,578</u>

The accounts on pages 5 to 15 were approved by the Board of Directors on 13th July 2001 and are signed on its behalf by :

G Gibson



Director

at 31 January 2001

## 1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets, and Accounting Standards in the United Kingdom.

### Turnover

Turnover is the amount receivable from customers and licensees. Turnover excludes Value Added Tax.

### Licensing Income

The company accounts for royalties on an accruals basis taking a prudent view of the income earned by reference to agreed minimum payments and sales information provided by licensees.

### 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 1999. No value is attributed to short term leases. Plant and fittings are included at cost.

Provision is made for the depreciation of fixed assets over their useful lives or 50 years if shorter where it is necessary to reflect a reduction from book value to estimated residual value.

It is the Company's policy to maintain its properties in a state of good repair to maximise their useful lives and therefore in previous years depreciation was not provided. Following the introduction of FRS15 we are now required to depreciate properties. Accordingly 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 with less than 50 years to run are written off in even amounts over the lease term. Long leasehold properties with more than 50 years to run are written down to their estimated residual value in 50 years.

It is general policy to write-off the historical cost of plant and fittings in even amounts over 10 years and motor vehicles and computer equipment over 4 years.

### Stocks

Stock of merchandise and materials are valued at the lower of cost and net realisable value.

### Deferred Taxation

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

### Foreign Currencies

Profit and loss items are translated at appropriate average rates. 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 contributory defined benefit scheme. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary. Actuarial surpluses are recognised over the expected average remaining service lives of the scheme members.

at 31 January 2001

1. ACCOUNTING POLICIES (Continued)

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.

Cashflow 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 cashflow statement.

2. SEGMENT ANALYSIS

The analysis by class of business of turnover is set out below.

Turnover

	2001	2000
Class of business	£	£
Retail	57,372,686	59,799,031
Manufacturing	3,653,803	10,532,950
Inter-segment sales	(450,972)	(3,786,105)
Licensing	2,380,831	2,050,538
	<u>62,956,348</u>	<u>68,596,414</u>

	2001	2000
Sales by destination	£	£
United Kingdom	59,180,142	63,658,893
Rest of Europe	307,594	1,207,848
North America	1,488,405	2,226,982
Far East	1,774,840	1,465,691
Rest of World	205,367	37,000
	<u>62,956,348</u>	<u>68,596,414</u>

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 accounts of the parent company.

at 31 January 2001

3. NET OPERATING EXPENSES

Net operating expenses are analysed as follows :-

	2001	2000
	£	£
Selling expenses	24,678,440	25,027,339
Administration expenses	2,691,229	2,264,329
Other operating (income)/charges:		
From fellow subsidiaries	(26,832)	(313,939)
	<u>27,342,837</u>	<u>26,977,729</u>

4. LOSS ON DISPOSAL OF BUSINESS

The loss on disposal of the business of £6,490,553 relates to the sale of the business of Chester Barrie to Thompson Holdings (London) Limited in October 2000.

The net loss represents proceeds of £343,228 compared to net asset write-offs, pension adjustments and disposal costs which collectively amounted to £6,833,781.

The tax charge for the year includes a credit of £1,750,000 in respect of this disposal.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001	2000
	£	£
Loss on ordinary activities before taxation		
is stated after charging/(crediting) :		
Operating leases - land & buildings	6,817,463	7,011,722
- plant & machinery	563,111	490,019
Depreciation	2,090,357	2,248,240
Loss/(gain) on sale or disposal of fixed assets	741,775	(123,233)
Auditors' remuneration - Audit fees	30,000	41,500
- Non-Audit fees	25,000	10,000

at 31 January 2001

6. OPERATING LEASE COMMITMENTS

	2001		2000	
	Land & Buildings	Plant & Machinery	Land & Buildings	Plant & Machinery
	£	£	£	£
Annual commitments under operating leases at 31 January 2001 are as follows :				
Expiring within one year	1,121,852	10,925	1,197,700	102,931
Expiring between two and five years	494,916	229,987	800,300	207,923
Expiring in over five years	5,449,580	227,216	4,747,980	227,216
	<u>7,066,348</u>	<u>468,128</u>	<u>6,745,980</u>	<u>538,070</u>

7. EMPLOYEES

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

	2001 Number	2000 Number
Production	255	390
Selling and administration	611	579
	<u>866</u>	<u>969</u>

Staff costs during the year amounted to :

	£	£
Wages and salaries	11,793,069	14,018,176
Social security costs	957,191	1,095,537
Other pension costs	348,016	429,450
	<u>13,098,276</u>	<u>15,543,163</u>

Directors' Remuneration

	£	£
Aggregate emoluments	<u>86,184</u>	<u>81,752</u>

Retirement benefits are accruing to one director under a defined benefit pension scheme.

at 31 January 2001

8. TAXATION

The taxation charge which is based on the profit for the year is made up as follows :-

	2001 £	2000 £
Current year :		
UK Corporation tax at 30.00% (2000 - 30.16%)	166,314	153,473
Less relief for overseas tax	(166,314)	(153,473)
Credit for current year losses	(1,368,401)	-
	<u>(1,368,401)</u>	<u>-</u>
Overseas taxation	166,314	153,473
Deferred taxation	152,557	(48,179)
	<u>(1,049,530)</u>	<u>105,294</u>
Prior year adjustment :		
Corporation tax	90,270	(223,827)
Deferred tax	(324,323)	71,087
	<u>(1,283,583)</u>	<u>(47,446)</u>

9. PROVISION FOR LIABILITIES AND CHARGES

	2001 £	2000 £
Deferred taxation provided for in the accounts at 30.0% (2000 - 30.0%) is as follows :-		
Amount provided at beginning of year	1,391,221	1,376,805
Transfer to/from profit and loss account	(171,766)	22,908
Transfer to/from fellow subsidiaries	76,500	-
Transfer to/from revaluation reserve	(22,678)	(8,492)
	<u>1,273,277</u>	<u>1,391,221</u>
Provision for termination of operations		
Amount provided at beginning of year	-	1,137,000
(Released)/charged in the year	-	(1,137,000)
	<u>-</u>	<u>-</u>
Total provision for liabilities and charges	<u>1,273,277</u>	<u>1,391,221</u>
Deferred taxation is provided on :		
Accelerated capital allowances	259,046	1,013,204
Deferred capital gains on properties	380,231	438,017
Short term timing differences	634,000	(60,000)
	<u>1,273,277</u>	<u>1,391,221</u>
Deferred taxation is not provided on :		
Heldover capital gains	75,000	75,000
Unrealised profit on revalued properties	1,701,232	1,817,737
	<u>1,776,232</u>	<u>1,892,737</u>

at 31 January 2001

10. FIXED ASSETS

	Freehold Property £	Leasehold Property £	Plant £	Motor Vehicles £	Total £
Cost (or Valuation) : At 1 February 2000					
- Valuation at 31 January 1999	12,600,000	12,000,000	-	-	24,600,000
- Cost	-	-	23,011,988	314,584	23,326,572
Additions	-	-	2,336,989	-	2,336,989
Transfers from fellow subsidiary	-	-	553,314	-	553,314
Disposals	-	-	(3,849,360)	(31,555)	(3,880,915)
Written-out	-	-	(2,411,706)	(69,253)	(2,480,959)
At 31 January 2001	<u>12,600,000</u>	<u>12,000,000</u>	<u>19,641,225</u>	<u>213,776</u>	<u>44,455,001</u>
Depreciation :					
At 1 February 2000	-	-	12,852,167	249,335	13,101,502
Charges in the year	32,835	12,528	2,012,371	32,623	2,090,357
Transfers from fellow subsidiary	-	-	418,681	-	418,681
Disposals	-	-	(2,957,585)	(31,555)	(2,989,140)
Written-out	-	-	(2,411,706)	(69,253)	(2,480,959)
At 31 January 2001	<u>32,835</u>	<u>12,528</u>	<u>9,913,928</u>	<u>181,150</u>	<u>10,140,441</u>
Net book value :					
At 31 January 2001	<u>12,567,165</u>	<u>11,987,472</u>	<u>9,727,297</u>	<u>32,626</u>	<u>34,314,560</u>
At 1 February 2000	<u>12,600,000</u>	<u>12,000,000</u>	<u>10,159,821</u>	<u>65,249</u>	<u>34,825,070</u>

All the freehold and leasehold properties were revalued on an open market basis at 31 January 1999.

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.

No value has been attributed to any short leasehold properties.

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

at 31 January 2001

11. STOCK

	2001	2000
	£	£
Raw Materials	-	1,394,479
Work in Progress	-	634,049
Finished Goods	10,707,383	16,089,108
	<u>10,707,383</u>	<u>18,117,636</u>

12. DEBTORS

Amounts falling due within one year

	2001	2000
	£	£
Trade debtors	831,037	1,900,243
Amounts due from fellow subsidiaries	-	168,136
Other debtors	596,312	1,195,466
Group tax relief receivable	1,369,042	-
Prepayments	1,752,914	2,383,831
	<u>4,549,305</u>	<u>5,647,676</u>

13. CREDITORS

Amounts falling due within one year

	2001	2000
	£	£
Trade creditors	3,104,509	4,476,965
Amounts due to parent company	15,089,676	16,037,888
Amounts owed to fellow subsidiaries	-	704,252
Other taxation and social security	2,868,696	2,991,521
Corporation tax payable	594,854	524,118
Accruals	1,915,570	2,749,122
	<u>23,573,305</u>	<u>27,483,866</u>

at 31 January 2001

14. SHARE CAPITAL

	Authorised 2001 & 2000 £	Issued, Called-up & Fully Paid 2001 & 2000 £
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 and have a preferential right to return of capital on winding up.

15. RETAINED PROFIT

	2001 £	2000 £
At 1 February 2000	7,286,876	10,457,774
Transfer from revaluation reserve	-	826,852
Retained loss for the year	(5,153,902)	(3,997,750)
At 31 January 2001	<u>2,132,974</u>	<u>7,286,876</u>

16. REVALUATION RESERVE

	2001 £	2000 £
At 1 February 2000	20,913,021	22,281,381
Transfer to retained profit	-	(826,852)
Revaluation of properties	-	(550,000)
Release of deferred taxation provided on property revaluation	22,678	8,492
At 31 January 2001	<u>20,935,699</u>	<u>20,913,021</u>

at 31 January 2001

17. MOVEMENT IN SHAREHOLDER'S FUNDS

	2001	2000
	£	£
Opening shareholder's funds	29,877,578	34,416,836
Other recognised gains/(losses)	22,678	(541,508)
Retained loss for the year	(5,153,902)	(3,997,750)
Closing shareholder's funds	<u>24,746,354</u>	<u>29,877,578</u>

18. CAPITAL COMMITMENTS

The company had no capital commitments at the year end in respect of expenditure authorised by the directors whether contracted for or not contracted for (2000 - £Nil)

19. CONTINGENT LIABILITY

The company and a fellow subsidiary have guaranteed a loan to its holding company. As at 31 January 2001 the balance on this loan was £17,443,000 (2000 - £17,443,000)

20. PENSION SCHEME

Eligible employees are members of the Austin Reed Group PLC pension scheme. This is a defined benefit scheme with assets held under trust for the benefit of members. The scheme is not contracted out of SERPS. The latest triennial actuarial valuation was conducted by an independent actuary as at 1 April 1999 using the projected unit method. The valuation assumed that investment returns would exceed general salary increases by 1.5 %.

The scheme was found to be fully funded with the actuarial value of the assets representing 126 % of the value of the liabilities. At the valuation date the market value of the assets was £54.7 m. This surplus has enabled the company to continue with its contribution holiday.

21. 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. Copies of the consolidated accounts of Austin Reed Group PLC may be obtained from The Secretary, PO Box 2, Thirsk, North Yorkshire YO7 1PF.