

**AUSTIN REED LIMITED**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JANUARY 2012**

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## **AUSTIN REED LIMITED**

### **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JANUARY 2012**

The Directors present the audited financial statements for the year ended 31 January 2012

#### **Business Activities**

The company sells high quality apparel for both ladies and men and licenses Austin Reed trademarks overseas

The Directors expect that the level of activity in the retail division will remain robust in a challenging environment.

#### **Business Review**

Austin Reed was established over 100 years ago and is a premium lifestyle brand targeting men and women between 30 and 60 years old, who demand the best of modern British style, quality and service.

#### **Financial performance**

Total turnover in the year to 31 January 2012 was £49.6m (2011: £50.4m)

The company closed a number of loss making stores during the year and relocated its Flagship store. If the effect of this is excluded, the sales would show an underlying increase.

#### **Regent Street Flagship Store**

In October 2011, the company successfully concluded the relocation of its Flagship Store from 103/113 to 100 Regent Street, London. The Company has made a significant investment in refurbishing the new site to International Flagship standard. The reaction from the fashion press and our customers has been extremely positive. In addition to the strong trading performance, the store is starting to play a key role in enhancing the brand perception with our existing and potential International Licensing partners.

#### **Key Performance Indicators**

A range of performance measures are used to monitor and manage the business. Certain of these are of key importance in measuring past performance and providing information for the future development of the business; Return on Capital Employed (pre-exceptionals), Sales Density (gross sales per sq ft), Units per Customer, Return on Sales, Branch Contribution and Payback.

#### **E-commerce**

The online operation made a significant contribution to the company in 2011. The sales increased by 169% year on year. The increased breadth and depth of the online offering was the major factor which resulted in a considerable improvement to the onsite conversion. The focus for 2012 is on improving the online user journey and

customer service levels to deliver a premium customer experience in line with the brand values

### **Marketing Strategy - *Dress for Success***

With the opening of the new flagship at 100 Regent Street, the company has positioned itself as the first choice in quality, stylish, British, tailoring. The Austin Reed Times, the first external publication issued from the company allowed us to showcase the brand, what it has to offer, where it is today and our heritage to new and existing customers. The brand has also expanded its offering with the success of sub brands with Austin Reed Cut and AR Red, along with the introduction of AR Red Womenswear, and its expansion of Hire wear, Bespoke and Corporate. Ensuring that whatever the occasion, the Austin Reed customer dresses for success.

### **Principal Risks and Uncertainties**

The Company continues to be exposed to the risks of the economic downturn in the UK, which has led to reduced consumer demand and reduced income. The success of the Company is dependent on its ability to provide quality designs and fashions and to anticipate and respond to changing consumer taste and fashion trends.

The Company also purchases finished goods from the Far East in US dollars and is therefore exposed to movements in the US\$ to Sterling exchange rate. The Finance Director monitors the net exposure and takes out fixed forward contracts to ensure that the majority of the Company's requirements for between 12 and 18 months are covered.

Licensing revenue is received from Japan in Yen and a significant proportion is covered by minimum guarantees. The timings of receipts are known in advance and the minimum guarantee income is sold forward up to a maximum of 12 months at any point.

### **Debt and Gearing**

The Company has guaranteed loans to its ultimate parent company Gajan Holdings Ltd. These loans with Landsbanki Commercial Finance totalling £8.7m (2011: £14.3m) are repayable in varying amounts between 1 and 4 years and bear interest charged at LIBOR plus a margin.

During the year, the ultimate parent company was able to repay £5.6m of the outstanding senior loan, of which £4.0m was in excess of the agreed payment plan.

### **Dividends**

The Accounts reflect an interim dividend of £9m (2011: £nil). This dividend is an intergroup transfer to rebalance the reserves of each group company. It should be noted that no external cash payment was made to shareholders of the ultimate parent.

The Directors do not recommend the payment of a final dividend for the year ended 31 January 2012 (2011: nil).

## **Health and Safety and The Environment**

The Health And Safety Committee meets regularly to consider a variety of health and safety issues applicable to the group. The Policy Manuals and Training Resources for both Store and Office Health and Safety were updated and re-issued for all business locations during 2008. The group continues to adopt a centralised review and feedback mechanism.

The need for sound policies for the Environment is also recognised; the Company is committed to meeting its responsibilities to ensure that both the Company and its suppliers of goods and services comply with relevant regulations and codes of practice. The Corporate Responsibility policy is embedded within the Company's Supplier Manual. The Environmental Committee meets regularly to develop and monitor initiatives to meet the increasing environmental requirements of all our stakeholders. A number of volunteer Environmental Champions are working to help to promote these initiatives within the Company.

The committees include representatives from throughout the Group, and continue to be chaired by the Company Secretary. Their overall remit is to embed and further improve the co-ordination of sound risk management policies throughout the organisation.

## **Directors**

The Directors of the company at 31 January 2012, all of whom have served throughout the year, unless otherwise stated were:

A Charlton  
NW Hollingworth

## **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.

## **Auditors and Annual General Meeting**

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

In accordance with the Companies Act 2006 the company continues 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.

## **Social Responsibility**

During the year £3,378 was donated to charity by the company

## **Directors' responsibilities**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

On behalf of the Board



A Charlton  
Director

2 October 2012

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTIN REED LIMITED

We have audited the financial statements of Austin Reed Limited for the year ended 31 January 2012 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



*Ian Beaumont (senior statutory auditor)*  
For and on behalf of BDO LLP, statutory auditor  
Leeds

United Kingdom

4<sup>th</sup> October 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

For the year ended 31 January 2012

	Notes	2012 Before Exceptional Items £	2012 Exceptional Items £	2012 Total £	2011 Before Exceptional Items £	2011 Exceptional Items £	2011 Total £
Turnover	2	49,586,762	-	49,586,762	50,372,530	-	50,372,530
Cost of sales		(19,898,524)	-	(19,898,524)	(20,583,119)	-	(20,583,119)
Gross profit		29,688,238	-	29,688,238	29,789,411	-	29,789,411
Net operating income & expenses	3 & 7	(29,274,870)	9,365,307	(19,909,563)	(31,939,867)	(2,674,000)	(34,613,867)
Operating profit/(loss) before taxation	4	413,368	9,365,307	9,778,675	(2,150,456)	(2,674,000)	(4,824,456)
Taxation	8	(352,533)	258,183	(94,350)	528,647	748,720	1,277,367
Profit/(loss) for the financial year	17	60,835	9,623,490	9,684,325	(1,621,809)	(1,925,280)	(3,547,089)

All results derive from continuing operations

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

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

AUSTIN REED LIMITED  
BALANCE SHEET

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at 31 January 2012

Company No 399575	Notes	2012	2011
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	10	14,202,555	8,337,918
<b>CURRENT ASSETS</b>			
Stocks	11	9,152,250	9,492,644
Debtors	12	7,126,848	11,797,599
Cash at bank and in hand		3,997,992	2,356,487
		<u>20,277,090</u>	<u>23,646,730</u>
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>(17,115,356)</u>	<u>(14,634,834)</u>
<b>NET CURRENT ASSETS</b>			
		3,161,734	9,011,896
Total assets less current liabilities		<u>17,364,289</u>	<u>17,349,814</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	(276,762)	(358,612)
PROVISION FOR LIABILITIES AND CHARGES	15	(2,454,000)	(3,042,000)
<b>NET ASSETS</b>			
		<u>14,633,527</u>	<u>13,949,202</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	45,000	45,000
Share premium account		1,627,681	1,627,681
Capital redemption reserve		5,000	5,000
Profit and loss account	17	12,955,846	12,271,521
Shareholders' funds	18	<u>14,633,527</u>	<u>13,949,202</u>

The financial statements on pages 6 to 17 were approved by the Board of Directors and authorised for issue on 2 October 2012 and are signed on its behalf by

A Charlton

Director





at 31 January 2012

1 ACCOUNTING POLICIES

The accounting policies have been applied consistently throughout the periods under review and are in accordance with applicable United Kingdom law and Accounting Statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

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 2012 this amounted to £3,637,777 (2011 £3,802,151).

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 to below original cost is charged to the profit and loss account. Plant and vehicles are accounted for on a depreciated cost basis.

It is general policy to write off the historical cost of fixed assets, less their estimated residual value, over their expected useful lives. Plant is written-off in even amounts over 20 years, fixtures and fittings over 3 - 10 years and computer equipment over 4 years.

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.

Cost includes all costs incurred in bringing each product to its present location and condition. Goods held for resale are stated at purchase cost on a moving average basis. Net realisable value is based on estimated selling price less any further costs expected to be incurred on disposal.

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.

Foreign Currencies

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the Profit and Loss Account.

at 31 January 2012

1 ACCOUNTING POLICIES (Continued)

Foreign Currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

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; however, full disclosure is provided in the financial statements of Austin Reed Group Limited. The pension scheme has been accounted for on a defined 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.

Where the unavoidable cost of a lease exceeds the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Dividends

Equity dividends are recognised when they become legally payable. Final equity dividends are recognised when approved by the shareholders at an Annual General Meeting.

Cash Flow Statement

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

2 SEGMENT ANALYSIS

Turnover

	2012	2011
Class of business	£	£
Retail	46,960,391	48,627,327
Licensing	2,626,371	1,745,203
	<u>49,586,762</u>	<u>50,372,530</u>

	2012	2011
Sales by destination	£	£
United Kingdom	46,401,353	48,332,467
Rest of Europe	601,678	390,174
North America	255,610	161,717
Far East	1,640,717	1,019,892
Rest of world	687,404	468,280
	<u>49,586,762</u>	<u>50,372,530</u>

All sales originate from the United Kingdom.

at 31 January 2012

2 SEGMENT ANALYSIS (Continued)

Net assets

	2012	2011
	£	£
Retail	14,268,290	13,585,449
Licensing	365,237	363,753
	<u>14,633,527</u>	<u>13,949,202</u>

All net assets are situated in the United Kingdom

It is not possible to analyse profit before taxation by geographic segment or by class of business therefore it has not been presented above

3 NET OPERATING INCOME AND EXPENSES

Net operating expenses are analysed as follows -

	2012	2011
	£	£
Selling expenses	30,799,545	30,812,516
Administration expenses	549,980	4,662,408
Other operating income	(11,439,962)	(861,057)
	<u>19,909,563</u>	<u>34,613,867</u>

4 OPERATING PROFIT/(LOSS)

	2012	2011
	£	£
Operating profit/(loss) is stated after charging/(crediting)		
Operating leases - land & buildings	10,568,879	10,782,539
- plant & machinery	264,459	363,587
Depreciation	1,897,816	2,316,198
Amortisation of leasehold property costs	224,000	217,000
Loss on disposal on fixed assets	2,162,931	260,865
Auditors' remuneration - audit fees	12,500	12,500
- tax services	10,260	22,200
Foreign currency gains	(220,797)	(169,447)
Exceptional items (note 7)	(9,365,307)	2,674,000

5 OPERATING LEASE COMMITMENTS

	2012		2011	
	Land & buildings	Plant & machinery	Land & buildings	Plant & machinery
	£	£	£	£
Annual commitments under operating leases at 31 January 2012 are as follows				
Expiring within one year	603,152	48,599	1,111,460	57,699
Expiring between two and five years	1,508,194	191,637	1,217,500	136,840
Expiring in over five years	8,235,156	-	9,501,103	-
	<u>10,346,502</u>	<u>240,236</u>	<u>11,830,063</u>	<u>194,539</u>

at 31 January 2012

## 6 EMPLOYEES

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

	2012 Number	2011 Number
Selling and administration	599	590
	599	590
Staff costs during the year amounted to	£	£
Wages and salaries	10,635,877	10,264,245
Social security costs	795,772	839,518
Other pension costs (note 21)	277,248	240,519
	11,708,897	11,344,282

The Group operates a centralised payroll function and therefore where these costs are not separately identifiable certain payroll related costs of this entity are borne by the parent company or fellow subsidiaries and recharged as appropriate

### 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

## 7 EXCEPTIONAL ITEMS

These comprise items which are exceptional by way of their nature or size and are therefore disclosed separately. In the period the Group incurred the following costs in relation to its continuing activities

	2012 £	2011 £
Onerous lease provisions	825,000	2,674,000
Gain on disposal of long leasehold property	(10,346,245)	-
Business restructuring costs	155,938	-
	(9,365,307)	2,674,000

Onerous lease provisions are made in respect of those leases which are considered onerous on the basis that the stores to which they relate are expected to generate net cash outflows over the remaining term. For further details in respect of the provisions calculation refer to note 15.

During the year, the Company sold the leasehold interest in its store at 103/113 Regent Street, London to Supergroup PLC. The net gain represents proceeds of £15 million less associated costs of disposal.

During the year, the Company decided to rationalise its store portfolio and therefore closed a significant number of branches in host stores where the return on investment did not reach the required level. The exceptional costs above include both staff costs, property reparations and the cost of re-processing stock. The tax charge for the year includes a credit of £258,183 in respect of these items.

at 31 January 2012

8 TAXATION

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

	2012	2011
	£	£
<b>Current tax</b>		
UK corporation tax at 26 32% (2011 - 28%)	68,045	73,942
Group relief receivable	428,082	(635,179)
Adjustments in respect of prior years	(288,712)	(12,963)
	207,415	(574,200)
Less relief for overseas tax	(68,045)	(73,942)
	139,370	(648,142)
Overseas taxation	68,045	73,942
Total current tax charge/(credit)	207,415	(574,200)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(402,848)	(673,398)
Adjustments in respect of prior years	289,783	(29,769)
Total deferred tax	(113,065)	(703,167)
Total tax charge/(credit) for the year	94,350	(1,277,367)
<b>Reconciliation of current tax charge/(credit):</b>		
Profit/(loss) on ordinary activities before taxation	9,778,675	(4,824,456)
Expected tax charge/(credit) at standard rate of 26 32% (2011 28%)	2,573,747	(1,350,848)
Expenses not deductible for corporation tax purposes	13,293	18,412
Accelerated capital allowances & other timing differences	632,559	673,399
Non-taxable income	(2,723,472)	-
Adjustments to tax charge in respect of prior periods	(288,712)	(12,963)
Difference in tax rates	-	97,800
Current tax charge/(credit) for the year	207,415	(574,200)

at 31 January 2012

9 DIVIDENDS PAID AND PROPOSED

	2012 £	2011 £
Dividends declared and paid during the year		
Interim dividend for the year to 31 January 2012 £900 (2011 £nil)	9,000,000	-
	<u>9,000,000</u>	<u>-</u>

10 TANGIBLE FIXED ASSETS

	Leasehold Property £	Plant & vehicles £	Total £
Cost or Valuation			
At 31 January 2011	-	22,808,916	22,808,916
Additions	5,000,000	4,925,384	9,925,384
Disposals	-	(7,980,397)	(7,980,397)
Written-out	-	(2,073,560)	(2,073,560)
At 31 January 2012	<u>5,000,000</u>	<u>17,680,343</u>	<u>22,680,343</u>
Depreciation			
At 31 January 2011	-	14,470,998	14,470,998
Charges in the year	-	1,897,816	1,897,816
Disposals	-	(5,817,466)	(5,817,466)
Written-out	-	(2,073,560)	(2,073,560)
At 31 January 2012	<u>-</u>	<u>8,477,788</u>	<u>8,477,788</u>
Net book value			
At 31 January 2012	<u>5,000,000</u>	<u>9,202,555</u>	<u>14,202,555</u>
At 31 January 2011	<u>-</u>	<u>8,337,918</u>	<u>8,337,918</u>

The net book value of tangible fixed assets includes an amount of £nil (2011 £nil) in respect of assets held under finance leases by the parent company, Austin Reed Group Limited. The depreciation charged in the year on assets held under finance leases was £nil (2011 £86,627). The amounts outstanding under the lease in respect of these assets at 31 January 2012 was £nil (2011 £52,995).

at 31 January 2012

11 STOCKS

	2012	2011
	£	£
Finished Goods	9,152,250	9,492,644

12 DEBTORS

Amounts falling due within one year

	2012	2011
	£	£
Trade debtors	562,489	985,699
Amounts due from fellow subsidiaries	-	4,884,541
Other debtors	213,957	193,120
Deferred tax asset (note 15)	3,070,058	2,956,993
Prepayments	3,280,344	2,777,246
	7,126,848	11,797,599

13 CREDITORS

Amounts falling due within one year

	2012	2011
	£	£
Trade creditors	6,257,191	5,442,158
Amounts due to parent company	1,926,577	-
Other taxation and social security	4,189,294	2,776,259
Corporation tax payable	-	5,889
Accruals	4,742,294	6,410,528
	17,115,356	14,634,834

14 CREDITORS

Amounts falling due after more than one year

	2012	2011
	£	£
Deferred income	276,762	358,612
	276,762	358,612

Deferred income represents the value of lease inducements received from landlords  
These inducements are written-off over the period of the lease to the first rent review

at 31 January 2012

15 PROVISION FOR LIABILITIES AND CHARGES

	2012 £	2011 £
Provisions		
At 1 February 2011	3,042,000	514,000
Additions in respect of property provisions	825,000	2,674,000
Credit to profit in the period	(1,413,000)	(146,000)
At 31 January 2012	<u>2,454,000</u>	<u>3,042,000</u>

Property provisions are in respect of lease contracts which are considered onerous on the basis that the stores to which they relate are expected to generate net cash outflows over their remaining lease term. An assessment of future cash outflow is made on the following bases:

- the discounted value of future cash flows to the end of the lease using a risk free discounted rate of 5.6%,
- the discounted value of annual rental payments to the end of the lease using a risk free discounted rate of 5.6%, and
- the estimated cost to be incurred in order to exit the lease prior to its expiry.

The amount of the provision is calculated as the lowest of the three bases. In circumstances where the provision would be based on the exit cost but it is considered unlikely that the lease could be terminated for a one-off payment, the provision is based on the next highest discounted cash flow outcome.

In determining the appropriate amount of these provisions the directors have estimated the future cash flows expected from each relevant leased property. They have also made assumptions about the ability of the group to sublet or surrender leases, and the potential payments to be made to exit the lease. The provisions are highly sensitive to these assumptions.

The provisions are mostly expected to be utilised over the next five years. The discounting of the provision remaining at the end of 2012 is not considered to have a material impact to the level of the provision.

Deferred taxation provided for in the accounts at 25% (2011 - 28%) is as follows -

	2012 £	2011 £
Deferred taxation		
Amount at beginning of year	(2,956,993)	(2,253,826)
Charged to profit and loss account	(113,065)	(703,167)
	<u>(3,070,058)</u>	<u>(2,956,993)</u>
Deferred taxation consists of		
Depreciation in excess of capital allowances	(2,830,857)	(2,275,379)
Short term timing differences	(239,201)	(681,614)
Deferred tax asset (note 12)	<u>(3,070,058)</u>	<u>(2,956,993)</u>



at 31 January 2012

16 SHARE CAPITAL

	Authorised 2012 & 2011 £	Issued, Called-up & Fully Paid 2012 & 2011 £
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

17 PROFIT AND LOSS ACCOUNT

	2012 £	2011 £
At start of year	12,271,521	15,818,610
Profit/(loss) for the financial year	9,684,325	(3,547,089)
Dividends paid	(9,000,000)	-
At end of year	<u>12,955,846</u>	<u>12,271,521</u>

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
At start of year	13,949,202	17,496,291
Retained loss for the year	9,684,325	(3,547,089)
Dividends paid	(9,000,000)	-
Closing shareholders' funds	<u>14,633,527</u>	<u>13,949,202</u>

19 FUTURE CAPITAL EXPENDITURE

	2012 £	2011 £
Contracts for capital expenditure for which provision has not been made in the financial statements	<u>359,000</u>	<u>120,000</u>

at 31 January 2012

20 CONTINGENT LIABILITY

The company and a fellow subsidiary have guaranteed a loan to its holding company. As at 31 January 2012 the balance on this loan was £8,677,674 (2011 - £14,250,000)

21 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 2007 using the projected unit method. The valuation assumed that pensions, 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 2007 with assets representing 97% of the value of liabilities. At the valuation date, the market value of assets was £72.5 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 Limited.

22 ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Austin Reed Group Limited, 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 the Austin Reed Group Limited group of companies.

The ultimate controlling party is Gajan Holdings Limited. Copies of the consolidated accounts of Gajan Holdings Limited may be obtained from The Secretary, Station Road, Thirsk, North Yorkshire YO7 1QH.