

COUNTRY CASUALS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2005



COUNTRY CASUALS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JANUARY 2005

The Directors present herewith the audited accounts for the year ended 31 January 2005.

Business Activities

The principal activities of the Company are design, distribution and multiple retailing of ladies' fashion wear through free-standing shops and shop-in-shop concessions.

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

Results 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 £720,438 (2004: £4,953,433 profit).

The Directors recommend that no final dividend be paid for the year ended 31 January 2005 (2004: nil), thus leaving £720,438 to be offset against retained reserves (2004: £4,953,433).

The Environment

The Environmental Committee, comprising of representatives from throughout the Austin Reed Group, has increased the focus of attention on issues of an environmental nature during the year. It reports directly to the Acting Chief Executive of Austin Reed Group who is responsible for overseeing the implementation of an environmental policy. The Committee has developed and issued an Environmental Statement to employees and suppliers.

During the year staff have been reminded of the Group's commitment to environmental issues and ways in which they can individually make a difference. The main focus of attention remains in the areas of packaging waste, use of raw materials, energy usage and transport.

Directors

The Directors of the Company at 31 January 2005 all of whom have served throughout the year, unless otherwise stated were:

G Gibson

WA Lowbridge Resigned 14 April 2005

NW Hollingworth Appointed 26 May 2004

WA Lowbridge stepped down from his executive duties with effect from 19 July 2004 but resigned as a Director with effect from 14 April 2005.

Directors' Interests

According to the register, required to be kept by Section 325 of the Companies Act 1985, no director at 31 January 2005 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 people 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 and periodic reports. A Group intranet site has also been established and staff are encouraged to access this to be kept informed of business progress, along with financial and personnel issues. Employees are encouraged to consider personal development opportunities and ways of improving their performance and customer service.

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 31 January 2005 was 13 days (2004: 23 days).

By Order of the Board



Tony Lee
Company Secretary

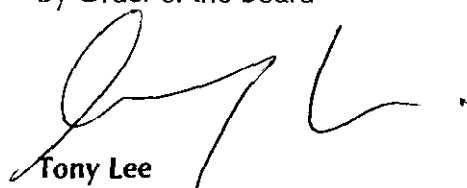
4 July 2005

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 31 January 2004 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 which 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



Tony Lee
Company Secretary

4 July 2005

Independent auditors' report to the members of Country Casuals Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes.

Respective responsibilities of directors and auditors

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

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

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

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.


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 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Edinburgh
4 July 2005

For the year ended 31 January 2005

	Notes	2005 Before Exceptional Items £	2005 Exceptional Items £	2005 Total £	2004 Before Exceptional Items £	2004 Exceptional Items £	2004 Total £
Turnover	2	50,879,274	-	50,879,274	54,892,033	-	54,892,033
Cost of sales		23,452,906	-	23,452,906	24,987,605	-	24,987,605
Gross profit		27,426,368	-	27,426,368	29,904,428	-	29,904,428
Net operating expenses	3 & 7	27,413,143	1,113,212	28,526,355	27,364,251	132,283	27,496,534
Operating profit/(loss)		13,225	(1,113,212)	(1,099,987)	2,540,177	(132,283)	2,407,894
Profit on disposal of fixed assets	8	-	-	-	-	3,248,870	3,248,870
Profit/(loss) on ordinary activities before taxation	4	13,225	(1,113,212)	(1,099,987)	2,540,177	3,116,587	5,656,764
Taxation	9	(45,586)	(333,963)	(379,549)	743,016	(39,685)	703,331
Retained profit for the financial year	16	58,811	(779,249)	(720,438)	1,797,161	3,156,272	4,953,433
All operations are continuing.							

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.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

For the year ended 31 January 2005

	Total £	Total £
Profit on ordinary activities before taxation	(1,099,987)	5,656,764
Realisation of property revaluation gains of prior years	-	451,000
Historical cost profit on ordinary activities before taxation	(1,099,987)	6,107,764
Historical cost profit for the year retained after taxation and dividends	(720,438)	5,404,433

COUNTRY CASUALS LIMITED
BALANCE SHEET

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at 31 January 2005

	Notes	2005		2004 (Restated)	
		£	£	£	£
FIXED ASSETS					
Tangible assets	11		3,920,456		4,005,563
CURRENT ASSETS					
Stock	12	5,751,403		6,539,356	
Debtors	13	18,868,438		21,089,554	
Cash in hand		78,720		79,946	
		<u>24,698,561</u>		<u>27,708,856</u>	
CREDITORS					
Amounts falling due within one year	14	<u>3,589,725</u>		<u>5,549,689</u>	
			21,108,836		22,159,167
Total assets less current liabilities			<u>25,029,292</u>		<u>26,164,730</u>
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	10	<u>(80,200)</u>		<u>334,800</u>	
			(80,200)		334,800
			<u>25,109,492</u>		<u>25,829,930</u>
CAPITAL AND RESERVES					
Called up share capital	15		2,001		2,001
Profit and loss account	16		25,107,491		25,827,929
Equity shareholder's funds	17		<u>25,109,492</u>		<u>25,829,930</u>

The accounts on pages 6 to 14 were approved by the Board of Directors on 4 July 2005 and are signed on its behalf by :

G Gibson



Director

at 31 January 2005

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards in the United Kingdom.

Turnover

Turnover is the amount receivable from customers. 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. Risks associated with stock holding, selling price and commission rates are shared by both parties and therefore the Company recognises the total value of sales in turnover. For the year to January 2005 this amounted to £1,338,180 (2004: £1,759,090).

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. 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.

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 in even amounts over the lease term. No depreciation is provided on properties that are held awaiting disposal.

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

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 commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. 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

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 Pension Fund. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary.

During the year the Group has adopted FRS 17 'Post retirement benefits' in the financial statements. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The financial effects of the adoption of FRS 17 are disclosed in full in the financial statements of Austin Reed Group plc. As the pensionable employees of Country Casuals Limited are members of the Group scheme, it is not possible to separately identify the effects that the adoption of FRS 17 has on the financial statements of Country Casuals Limited alone.

at 31 January 2005

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

Turnover

	2005	2004
	£	£
Sales by destination		
United Kingdom	49,904,261	53,559,833
Continental Europe	975,013	1,332,200
	<u>50,879,274</u>	<u>54,892,033</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 accounts of the parent company.

All net assets are situated in the United Kingdom.

3. NET OPERATING EXPENSES

Net operating expenses are analysed as follows :-

	2005	2004
	£	£
Selling expenses	23,697,614	23,382,018
Administration expenses	4,828,741	4,114,516
	<u>28,526,355</u>	<u>27,496,534</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2005	2004
	£	£
Profit on ordinary activities before taxation		
is stated after charging/(crediting) :		
Property rentals	(193,938)	(245,104)
Depreciation	672,751	599,552
(Profit)/loss on sale of fixed assets	176,966	(3,238,883)
Operating leases - land & buildings	3,905,153	3,549,600
- plant & machinery	98,203	111,092
Gain on translation of foreign currency	368,349	(141,234)
Auditors remuneration - Audit fees	30,000	30,000
Auditors remuneration - Non-Audit fees	5,425	-

at 31 January 2005

5. OPERATING LEASE COMMITMENTS

	2005		2004	
	Land & Buildings	Plant & Machinery	Land & Buildings	Plant & Machinery
	£	£	£	£
<i>Annual commitments under operating leases at 31 January 2005 are as follows :</i>				
Expiring within one year	64,117	10,579	203,950	11,264
Expiring between two and five years	1,127,400	39,931	751,575	36,153
Expiring in over five years	2,666,898	-	2,772,689	-
	<u>3,858,415</u>	<u>50,510</u>	<u>3,728,214</u>	<u>47,417</u>

6. EMPLOYEES

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

	2005 Number	2004 Number
Selling and administration	<u>477</u>	<u>544</u>
Staff costs during the year amounted to :		
	£	£
Wages and salaries	8,273,054	8,031,687
Social security costs	472,492	441,231
Other pension costs	212,155	215,523
	<u>8,957,701</u>	<u>8,688,441</u>

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 OPERATING EXPENSES

The exceptional operating expenses and other income comprise items which by way of their nature or size are not considered part of the regular trade of the Company and are therefore disclosed separately. These relate to reorganisation costs incurred by the Company.

Of the £1,113,212 exceptional operating losses, the most significant of these were associated with profit improvement initiatives. Reorganisation costs amounted to £337,420 and the closure costs associated with a strategic branch review were £593,651.

Following the actions of the administrators of Allders Stores Limited, a provision of £182,141 has also been made against related closure costs and the non recoverability of certain debts.

The tax credit for the year includes £333,963 in respect of these items.

8. PROFIT ON DISPOSAL OF FIXED ASSETS

In 2004 the exceptional profit on disposal of fixed assets represented profit from the sale of a freehold property in Coalville.

The tax charge for the year included £nil in respect of this transaction as any gain will be offset by unrelieved capital losses.

at 31 January 2005

9. TAXATION

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

	2005	2004
	£	£
Current tax		
UK Corporation tax at 30% (2004 - 30%)	-	-
Group relief payable	(188,969)	676,256
Adjustments in respect of prior years	224,420	(15,925)
	35,451	660,331
Less relief for overseas tax	-	(27,586)
	35,451	632,745
Overseas taxation	-	27,586
Total current tax	35,451	660,331
Deferred tax		
Origination and reversal of timing differences	(255,000)	57,000
Adjustments in respect of prior years	(160,000)	(14,000)
	(379,549)	703,331
Reconciliation of current tax charge:		
Profit on ordinary activities before taxation	(1,099,987)	5,656,764
Expected tax charge at standard rate	(329,996)	1,697,029
Expenses not deductible for corporation tax	54,698	41,671
Accelerated capital allowances & other timing differences	240,785	(56,922)
Gain on sale of assets relieved by capital losses	-	(1,005,522)
Adjustments to tax charge in respect of prior periods	224,420	(15,925)
Relief for overseas losses	(154,456)	-
Current tax charge for the year	35,451	660,331

10. DEFERRED TAXATION

Deferred taxation provided for in the accounts at 30.0% (2004 - 30.0%) is as follows :-

	2005	2004 (Restated)
	£	£
Amount provided at beginning of year - as previously stated	-	84,000
Prior year adjustment - FRS17	-	146,800
Amount provided at beginning of year - restated	334,800	230,800
Transfer from parent company	-	61,000
Transfer (to)/from profit and loss account	(415,000)	43,000
	(80,200)	334,800
Deferred taxation is provided on :		
Accelerated capital allowances	(50,000)	309,900
Short term timing differences	(30,200)	24,900
	(80,200)	334,800

at 31 January 2005

11. FIXED ASSETS

	Freehold Property £	Fixtures & Equipment £	Total £
Cost (or Valuation) :			
At 1 February 2004			
- Valuation at 1 February 2004	-	-	-
- Cost	-	6,349,165	6,349,165
Additions	-	764,610	764,610
Disposals	-	(321,876)	(321,876)
At 31 January 2005	<u>-</u>	<u>6,791,899</u>	<u>6,791,899</u>
At 31 January 2005			
- Valuation	-	-	-
- Cost	<u>-</u>	<u>6,791,899</u>	<u>6,791,899</u>
Depreciation :			
At 1 February 2004	-	2,343,602	2,343,602
Charges in the year	-	672,751	672,751
Disposals	-	(144,910)	(144,910)
At 31 January 2005	<u>-</u>	<u>2,871,443</u>	<u>2,871,443</u>
Net book value :			
At 31 January 2005	<u>-</u>	<u>3,920,456</u>	<u>3,920,456</u>
At 1 February 2004	<u>-</u>	<u>4,005,563</u>	<u>4,005,563</u>

at 31 January 2005

12. STOCK

	2005	2004
	£	£
Raw Materials	-	-
Finished Garments	5,751,403	6,539,356
	<u>5,751,403</u>	<u>6,539,356</u>

13. DEBTORS

Amounts falling due within one year

	2005	2004
	£	£
Trade debtors	3,803,630	3,558,884
Amounts due from fellow subsidiaries	14,474,616	16,667,731
Other debtors	9,922	11,472
Corporation tax recoverable	174,394	-
Prepayments	405,876	851,467
	<u>18,868,438</u>	<u>21,089,554</u>

14. CREDITORS

Amounts falling due within one year

	2005	2004
	£	(Restated) £
Overdraft	150,400	38,022
Trade creditors	1,335,687	1,403,960
Other taxation and Social security	138,818	152,702
Corporation tax payable	-	286,462
Other creditors and accruals	1,964,820	3,668,543
	<u>3,589,725</u>	<u>5,549,689</u>

15. SHARE CAPITAL

	2005	2004
	£	£
<u>Authorised</u>		
Ordinary Shares of £1 each	<u>5,000</u>	<u>5,000</u>
<u>Issued, called up and fully paid</u>		
Ordinary Shares of £1 each	<u>2,001</u>	<u>2,001</u>

at 31 January 2005

16. PROFIT AND LOSS ACCOUNT

	2005 £
At 1 February 2004 - as previously stated	25,476,514
Prior year adjustment	351,415
At 1 February 2004 - restated	25,827,929
Transfer from revaluation reserve	-
Retained profit for the year	(720,438)
At 31 January 2005	<u>25,107,491</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2005 £
At 1 February 2004 - as previously stated	25,478,515
Prior year adjustment	351,415
Opening shareholder's funds - restated	25,829,930
Other recognised gains	-
Retained profit for the year	(720,438)
Closing shareholder's funds	<u>25,109,492</u>

18. 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 inline 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 Country Casuals and those attributable to other Fund members, this disclosure has not been provided. Additional disclosure for the whole Fund is provided in note 29 to the accounts of Austin Reed Group PLC.

19. 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 Country Casuals 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, Station Road, Thirsk, North Yorkshire YO7 1QH.