Company No: 510900

COUNTRY CASUALS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2011

COUNTRY CASUALS LIMITED
REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 JANUARY 2011

The Directors present the audited financial statements for the year ended 31 January 2011

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

The Directors expect that the present level of activity will remain robust in a challenging environment

Business Review

Introduction

The CC brand, formally known as Country Casuals, targets affluent women in their 40's, 50's and 60's with co-ordinated collections of contemporary clothes This female baby boomer generation is the focus of the business, CC exists to clothe them in a way that reflects their desire for modern, wearable fashion that is tailored to their needs This generation is not ageing as previous generations did but is demanding more contemporary clothes that reflect current fashions

Financial performance

Total turnover in the year to 31 January 2011 was £49 8m, representing a decrease of £3 0m (6%) compared to £52 8m achieved for the year to 31 January 2010 Gross profit was £31 6m (2010 £34 0m)

For the year to January 2011 EBITDA (pre-exceptionals) was £3,362,251 (2010 £5,595,950)

Retail portfolio

The continuing programme of store modernisations has resulted in a marked improvement in operating performance In the forthcoming year we will continue to take advantage of Landlord funded property deals to open new space where we are not represented and close under performing space

Key Performance Indicators

A range of performance measures are used by management 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-exceptional), Sales Density (gross sales per sq ft), Units per Customer, Return on Sales, Branch Contribution and Payback

E-commerce

Since the launch on the new platform in 2009, CC has seen significant growth online

There is now a culture of continuous improvement; testing, measuring and retesting with the aim of remaining competitive in a fast changing market place

We now have the basis for a very strong online offering that should see 2011 as the year that the online operation becomes a major contributor to the Company

Marketing Strategy

The CC brand continues to gain distinction and authority with existing and target consumer groups through our marketing strategies Campaigns continue to feature Jane Seymour and have been very successful

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 economic success story in China continues to cause inflationary pressure Also although the increase in the price of cotton has abated, other raw material prices, notably wool, continue to increase creating upward pressure on prices in the Far East where we source much of our product The Company will continue to balance the need to offer a quality product at an acceptable price whilst maintaining margin

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

The Company has guaranteed the loans to its ultimate parent company Gajan Holdings Ltd These loans with Landsbanki Commercial Finance totalling £14 3m (2010 £17 0m) are repayable in varying amounts between 3 and 7 years and bear interest charged at LIBOR plus a margin

Dividends

The Directors do not recommend the payment of a dividend for the year ended 31 January 2011 (2010 £nil)

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 have been updated and re-issued for all business locations during 2009 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 the 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

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 2011, 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 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, 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

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 2011 was 30 days (2010· 28 days)

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 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,
22 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COUNTRY CASUALS LIMITED

We have audited the financial statements of Country Casuals Limited for the year ended 31 January 2011 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

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 2011 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

BDO LLP

Ian Beaumont (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
United Kingdom
28 September 2011

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

For the year ended 31 January 2011

	Notes	2011 Before Execeptional Items £	2011 Execeptional Items £	2011 £	2010 £
Turnover	2	49,824,394	-	49,824,394	52,789,642
Cost of sales		(18,187,294)	-	(18,187,294)	(18,750,017)
Gross profit		31,637,100	-	31,637,100	34,039,625
Net operating expenses	3 & 7	(29,987,896)	(270,000)	(30,257,896)	(29,938,688)
Operating profit before taxation	4	1,649,204	(270,000)	1,379,204	4,100,937
Taxation	8	(450,440)	75,600	(374,840)	(1,273,736)
Profit for the financial year	16	1,198,764	(194,400)	1,004,364	2,827,201

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

COUNTRY CASUALS LIMITED
BALANCE SHEET

at 31 January 2011

Company No 510900	Notes	2011 £	2011 £	2010 £	2010 £
FIXED ASSETS					
Tangible assets	9		6,301,841		6,097,098
CURRENT ASSETS					
Stock	10	7,886,400		7,872,031	
Debtors	11	11,705,397		9,738,281	
Cash at bank and in hand		984,577		665,545	
		20,576,374		18,275,857	
CREDITORS					
Amounts falling due within one year	12	(9,711,810)		(8,333,875)	
NET CURRENT ASSETS			10,864,564		9,941,982
Total assets less current liabilities			17,166,405		16,039,080
CREDITORS					
Amounts falling due after more than one year	13		(183,460)		(159,499)
PROVISION FOR LIABILITIES AND CHARGES	14		(744,000)		(645,000)
NET ASSETS			16,238,945		15,234,581
CAPITAL AND RESERVES					
Called up share capital	15		2,001		2,001
Profit and loss account	16		16,236,944		15,232,580
Shareholder's funds	17		16,238,945		15,234,581

The financial statements on pages 6 to 16 were approved by the Board of Directors and authorised for issue on 22 September 2011 and are signed on its behalf by

A Charlton Director

at 31 January 2011

1 ACCOUNTING POLICIES

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

The financial statements have been prepared under the historical cost convention

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 The Company acts as an undisclosed agent and therefore the Company recognises the total value of sales in turnover For the year to January 2011 this amounted to £nil (2010 £2,841)

Fixed Assets and Depreciation

Fixtures and equipment 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 Fixtures and fittings are written-off in even amounts over 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 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

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 Country Casuals Limited alone The pension scheme has been accounted for on a deferred contribution basis in these financial statements

at 31 January 2011

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 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

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

Sales by destination	2011 £	2010 £
United Kingdom	47,442,174	49,746,034
Continental Europe	2,382,220	3,043,608
	49,824,394	52,789,642

All sales originate from the United Kingdom

It is not possible to analyse profit before taxation by geographic segment, therefore it has not been presented above

All net assets are situated in the United Kingdom

3 NET OPERATING EXPENSES

Net operating expenses are analysed as follows -

	2011 £	2010 £
Selling expenses	27,960,605	27,929,727
Administration expenses	2,297,291	2,008,961
	30,257,896	29,938,688

at 31 January 2011

4 OPERATING PROFIT

	2011 £	2010 £
Operating profit is stated after charging/(crediting)		
Depreciation	1,318,169	1,122,721
Loss on sale of fixed assets	197,878	164,792
Amortisation of leasehold property costs	197,000	207,500
Operating leases - land & buildings	5,557,721	5,164,448
- plant & machinery	39,478	84,466
Foreign currency gains	(178,012)	(210,944)
Auditors remuneration - audit fees	12,500	12,300
- tax services	22,207	8,700
Exceptional items (note 7)	270,000	-

5 OPERATING LEASE COMMITMENTS

	2011		2010	
	Land & Buildings £	Plant & Machinery £	Land & Buildings £	Plant & Machinery £
Annual commitments under operating leases at 31 January 2011 are as follows ·				
Expiring within one year	255,700	5,382	415,750	4,885
Expiring between two and five years	1,115,350	11,248	1,254,600	16,929
Expiring in over five years	4,277,998	-	2,581,967	-
	5,649,048	16,630	4,252,317	21,814

at 31 January 2011

6 EMPLOYEES

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

	2011 Number	2010 Number
Selling and administration	584	568

Staff costs during the year amounted to

	2011 £	2010 £
Wages and salaries	10,004,517	8,937,079
Social security costs	520,226	521,999
Other pension costs (note 19)	214,130	207,275
	10,738,873	9,666,353

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

	2011 £	2010 £
Onerous lease provisions	270,000	-
Restructuring costs	-	-
	270,000	-

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 14
The tax charge for the year includes a credit £75,600 in respect of these items

at 31 January 2011

8 TAXATION

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

	2011 £	2010 £
Current tax		
Group relief payable at 28% (2010 - 28%)	679,752	1,413,017
Adjustments in respect of prior years	(12,051)	(30,268)
	667,701	1,382,749
Less relief for overseas tax	-	-
	667,701	1,382,749
Overseas taxation	-	-
Total current tax charge	667,701	1,382,749
Deferred tax		
Origination and reversal of timing differences	(261,122)	(137,878)
Adjustments in respect of prior years	(31,739)	28,865
Total deferred tax	(292,861)	(109,013)
Total tax charge for the year	374,840	1,273,736
Reconciliation of current tax charge:		
Profit on ordinary activities before taxation	1,379,204	4,100,937
Expected tax charge at standard rate of corporation tax at 28% (2010 28%)	386,177	1,148,262
Expenses not deductible for corporation tax purposes	7,274	126,877
Accelerated capital allowances & other timing differences	261,122	137,878
Adjustments to tax charge in respect of prior years	(12,051)	(30,268)
Difference in tax rate	25,179	-
Current tax charge for the year	667,701	1,382,749

at 31 January 2011

9 TANGIBLE FIXED ASSETS

	Fixtures & Equipment £	Total £
Cost		
At 31 January 2010	10,653,227	10,653,227
Additions	1,720,790	1,720,790
Disposals	(439,288)	(439,288)
Written-out	(861,891)	(861,891)
At 31 January 2011	11,072,838	11,072,838
Depreciation :		
At 31 January 2010	4,556,129	4,556,129
Charges in the year	1,318,169	1,318,169
Disposals	(241,410)	(241,410)
Written-out	(861,891)	(861,891)
At 31 January 2011	4,770,997	4,770,997
Net book value		
At 31 January 2011	6,301,841	6,301,841
At 31 January 2010	6,097,098	6,097,098

10 STOCK

	2011 £	2010 £
Finished Stock	7,886,400	7,872,031
	7,886,400	7,872,031

at 31 January 2011

11 DEBTORS

Amounts falling due within one year

	2011 £	2010 £
Trade debtors	3,248,214	5,024,760
Amounts due from fellow subsidiaries	6,265,583	2,853,243
Other debtors	-	91,084
Corporation tax recoverable	-	211,670
Deferred tax (note 14)	679,831	386,970
Prepayments	1,511,769	1,170,554
	11,705,397	9,738,281

12 CREDITORS

Amounts falling due within one year

	2011 £	2010 £
Trade creditors	2,685,958	3,249,064
Amounts due to parent company	-	-
Other taxation and social security	749,020	1,193,232
Corporation tax payable	40,125	-
Other creditors and accruals	6,236,707	3,891,579
	9,711,810	8,333,875

13 CREDITORS

Amounts falling due after more than one year

	2011 £	2010 £
Deferred income	183,460	159,499
	183,460	159,499

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 2011

14 PROVISION FOR LIABILITIES AND CHARGES

	2011 £	2010 £
Provisions		
At 1 February 2010	645,000	833,000
Additions in respect of property provisions	270,000	-
Credit to profit in the period	(171,000)	(188,000)
At 31 January 2011	744,000	645,000

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 1%,
- the discounted value of annual rental payments to the end of the lease using a risk free discounted rate of 5 1%, 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 seven years The discounting of the provision remaining at the end of 2011 is not considered to have a material impact to the level of the provision

Deferred taxation provided for in the accounts at 28% (2010 - 28%) is as follows -

	2011 £	2010 £
Amount provided at beginning of year	(386,970)	(277,957)
Charged to profit and loss account	(292,861)	(109,013)
	(679,831)	(386,970)
Deferred taxation is provided on		
Accelerated capital allowances	(652,831)	(365,970)
Short term timing differences	(27,000)	(21,000)
Deferred tax asset (note 11)	(679,831)	(386,970)

15 SHARE CAPITAL

	2011 £	2010 £
Authorised		
Ordinary Shares of £1 each	5,000	5,000
Issued, called up and fully paid		
Ordinary Shares of £1 each	2,001	2,001

at 31 January 2011

16. PROFIT AND LOSS ACCOUNT

	2011
	£
At 1 February 2010	15,232,580
Profit for the year	1,004,364
At 31 January 2011	16,236,944

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2011
	£
Opening shareholder's funds	15,234,581
Profit for the year	1,004,364
Closing shareholder's funds	16,238,945

18 FUTURE CAPITAL EXPENDITURE

	2011	2010
	£	£
Contracts for capital expenditure for which provision has not been made in the accounts	319,900	57,300

19 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 Country Casuals 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

20 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 Country Casuals 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