

Wallis Retail Limited
Annual report for the year ended
27 August 2005

Registered Number: 4250825



Wallis Retail Limited

Annual report

for the year ended 27 August 2005

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Wallis Retail Limited

Directors and advisors

Directors

DN Brown
JSH Crossland
CP Duckels
GA Hague
MA Healey

Secretary

MH Ball

Independent auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Registered office

Colegrave House
70 Berners Street
London
W1T 3NL

Registered number

4250825

Wallis Retail Limited

Directors' report for the year ended 27 August 2005

The directors present their report and the audited financial statements of the Company for the year ended 27 August 2005.

Principal activity

The Company's principal activity is the operation of retail clothing stores under the Wallis brand name.

Financial results and business review

During the year, the Company formed part of Taveta Investments Limited and a review of the group's businesses and its position at 27 August 2005 is given in the financial statements of that company.

The profit for the financial year amounted to £10,647,000 (2004: £11,503,000). The Company has paid an interim dividend of £8,626,000 (2004: £10,000,000). The directors do not recommend the payment of a final dividend (2004: £nil) and the retained profit for the year will therefore be transferred to reserves.

Directors and directors' interests

The directors of the Company during the year were:

DN Brown	
GA Hague	(resigned 1 December 2004)
MA Healey	
AA Goldman	(resigned 17 February 2006)
IP Jackman	(resigned 14 September 2005)

The following were appointed directors of the Company after the year end:

JSH Crossland	(appointed 17 February 2006)
CP Duckels	(appointed 14 September 2005)
GA Hague	(appointed 14 September 2005)

At the year end none of the directors had an interest in the share capital of the Company or any other group undertaking.

Employment policies

All staff are informed about matters concerning their interests as employees and the financial position of the Arcadia Group through a number of communication channels including face-to-face briefings, an intranet site supplemented by e-mail announcements and a staff magazine.

The Group's board recognises the importance of a highly motivated and well trained workforce. It encourages employees' involvement in the Group's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in the part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service.

The Arcadia Group is an equal opportunities employer, recruiting and promoting employees on the basis of suitability for the job and on no other grounds. Proper consideration is given to employment applications from disabled persons whose aptitude and skills can be utilised within the business and to their training and career progression. Wherever possible, this includes the retraining and retention of staff who become disabled during their employment.

Wallis Retail Limited

Directors' report for the year ended 27 August 2005 (continued)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 27 August 2005 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors

The Company has passed an elective resolution to dispense with the annual appointment of auditors. PricewaterhouseCoopers LLP will therefore continue as auditors in accordance with and subject to Section 386 of the Companies Act 1985.

By order of the Board


MA Henley
Director
21 April 2006

Wallis Retail Limited

Independent auditors' report to the members of Wallis Retail Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the accounting policies 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 in to 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.

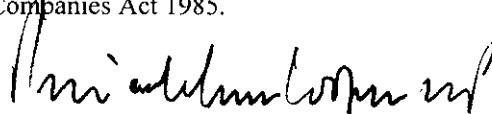
Basis of audit opinion

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



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
21 April 2006

Wallis Retail Limited

Profit and loss account for the year ended 27 August 2005

	Note	2005 £'000	2004 £'000
Turnover	1	180,968	169,293
Cost of sales		(151,236)	(138,742)
Gross profit		29,732	30,551
Administrative expenses		(13,692)	(13,692)
Operating profit	2	16,040	16,859
Interest receivable - other		455	-
Interest payable - group loans		(45)	(32)
Profit before taxation		16,450	16,827
Taxation	3	(5,803)	(5,324)
Profit for the financial year		10,647	11,503
Equity dividend paid - Interim		(8,626)	(10,000)
Retained profit for the year	10	2,021	1,503

All of the results above relate to continuing activities.

The only recognised gains and losses are those dealt with in the profit and loss account above.

There is no difference between the results disclosed in the profit and loss account above and the results on an unmodified historical cost basis.

Wallis Retail Limited

Balance sheet as at 27 August 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Intangible assets	4	59,070	62,762
Tangible assets	5	7,202	7,633
Investments	6	10,524	10,524
		76,796	80,919
Current assets			
Stock		9,366	9,831
Debtors	7	37,545	24,629
Cash at bank and in hand		663	500
		47,574	34,960
Creditors: amounts falling due within one year	8	(25,956)	(19,486)
Net current assets		21,618	15,474
Net assets		98,414	96,393
Capital and reserves			
Called up share capital	9	7	7
Share premium account	10	87,760	87,760
Profit and loss account	10	10,647	8,626
Shareholders' funds (including non-equity)	10	98,414	96,393

The financial statements on pages 5 to 15 were approved by the board of directors on 21 April 2006 and were signed on its behalf by:


MA Healey
 Director

Wallis Retail Limited

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and generally accepted UK accounting principles which have been consistently applied.

Turnover

Turnover comprises the value of sales of all merchandise to third parties, including concession income, and excludes value added tax.

Cash flow statement

The Company has taken advantage of the exemption allowed by Financial Reporting Standard 1 (revised) from preparing a cash flow statement, as its cash flows are included in the consolidated cash flow statement of Taveta Investments Limited.

Goodwill

On the acquisition of a business, goodwill is capitalised and written off by equal annual instalments over the estimated useful economic life of the business concerned. Goodwill is the difference between the fair value of the net tangible assets/liabilities acquired and the fair value of the consideration given.

Investments

Fixed asset investments are shown at cost less amounts written off. Provision is made, where in the opinion of the directors, there has been an impairment in the carrying value of the investment.

Depreciation

Depreciation is calculated so as to allocate the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land	Not depreciated
Freehold and long leasehold buildings over 50 years	Depreciated to their estimated residual value over their estimated useful life
Short leasehold land and buildings	Life of lease
Fit out	15 years
Retail fixtures and fittings	3 to 10 years

Deferred taxation

Deferred taxation is provided on all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying tax differences can be deducted. Deferred tax assets and liabilities are not discounted.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account over the lease term.

Pension costs

The cost of providing pension benefits is charged to the profit and loss account as a constant percentage of pensionable earnings over the period benefiting from scheme employees' services. Actuarial surpluses are amortised over the expected remaining service lives of current scheme employees.

Wallis Retail Limited

Accounting policies (continued)

Stock valuation

Stocks are stated at the lower of cost and net realisable value and represent goods for resale.

Cost was previously assessed using the retail method but is now based on actual purchase price. During the year the Company has also introduced the direct costs of warehousing and transportation into its stock valuation as the directors believe that these form an integral cost of getting stock to its current location.

Foreign exchange

Assets and liabilities recorded in foreign currencies are translated either at the rates ruling at the balance sheet date or the rates fixed by forward contracts. Differences on exchange are dealt with in the profit and loss account.

Gains and losses on forward foreign exchange contracts, entered into as hedges of future purchases denominated in foreign currency, are carried forward and are recognised as part of the purchase cost on maturity.

Wallis Retail Limited

Notes to the financial statements for the year ended 27 August 2005

1 Turnover

Turnover arises in the United Kingdom apart from £18,730,000 (2004: £17,632,000) arising from overseas retailing operations, predominantly in the Republic of Ireland.

2 Operating profit

	2005 £'000	2004 £'000
This is stated after charging:		
Employment costs:		
Wages and salaries	25,956	24,207
Social security costs	1,696	1,671
Pension costs (note 13)	968	780
	28,620	26,658
Agency costs	430	403
Depreciation – owned assets	2,515	2,932
Goodwill amortisation	3,692	3,692
Operating lease rentals – property	19,694	18,448
Management charge from Arcadia Group Limited	10,000	10,000

Agency costs represent fees paid to a fellow subsidiary of Taveta Investments Limited for the use of the trade name used by the Company.

Arcadia Group Limited incurs distribution and administrative costs (including auditors' remuneration) on behalf of the Company.

During the year none of the employees had service contracts with the Company. These were held by Arcadia Group Limited and one of its subsidiaries. Employment costs are recharged to the Company in full. The average monthly number of people employed by the Arcadia Group providing retailing services to the Company during the year was 2,788 (2004: 2,734). The average number of full-time equivalent employees was 1,078 (2004: 1,059).

None of the directors received any remuneration in respect of his or her services to the Company during the year (2004: £nil).

Wallis Retail Limited

Notes to the financial statements for the year ended 27 August 2005 (continued)

3 Taxation

	2005 £'000	2004 £'000
a. Analysis of the tax charge for the year		
Based on the profit for the year:		
UK corporation tax at 30% (2004: 30%):		
Current year	5,930	6,004
Prior years	(327)	(385)
Total current tax (note 3b)	5,603	5,619
Deferred taxation:		
Current year	278	371
Prior years	(78)	(666)
Total deferred tax – origination and reversal of timing differences	200	(295)
Total taxation	5,803	5,324

The tax charge for the year is higher than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

	2005 £'000	2004 £'000
b. Factors affecting the tax charge for the year		
Profit before taxation	16,450	16,827
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30%	4,935	5,048
Effects of:		
Expenses not deductible for tax purposes	1,272	1,327
Capital allowances in excess of depreciation	(277)	(371)
Adjustment in respect of prior years	(327)	(385)
Current tax charge for the year (note 3a)	5,603	5,619

c. Factors that may affect future tax charges

The Company expects to incur non-deductible expenditure in future years at a similar rate to the current year.

Wallis Retail Limited

Notes to the financial statements for the year ended 27 August 2005 (continued)

4 Intangible fixed assets

	Goodwill £'000
Cost	
At 29 August 2004 and 27 August 2005	73,838
Aggregate amortisation	
At 29 August 2004	11,076
Charge for year	3,692
At 27 August 2005	14,768
Net book amount	
At 27 August 2005	59,070
At 28 August 2004	62,762

Goodwill is being amortised on a straight-line basis over 20 years, being the directors' estimate of the period during which the value of the underlying business is expected to exceed the value of the underlying assets.

5 Tangible fixed assets

	Fit-out, fixtures and equipment £'000
Cost	
At 29 August 2004	26,917
Additions	2,301
Disposals	(1,007)
At 27 August 2005	28,211
Depreciation	
At 29 August 2004	19,284
Charge for year	2,515
Disposals	(790)
At 27 August 2005	21,009
Net book amount	
At 27 August 2005	7,202
At 28 August 2004	7,633

Wallis Retail Limited

Notes to the financial statements for the year ended 27 August 2005 (continued)

6 Fixed asset investments

Cost and net book value	£'000
At 27 August 2005 and 28 August 2004	10,524

The Company's principal subsidiary undertakings, both of which are wholly owned, are:

Company	Country of operation	Country of registration	Activity
Wallis Retail Properties Limited	United Kingdom	England	Property investment
Arcadia Group Womenswear Netherlands BV*	Germany	Holland	Fashion retailing

* denotes indirect subsidiary

Consolidated financial statements have not been prepared, as the Company is a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepares consolidated financial statements. In the opinion of the directors the aggregate value of the Company's investments in its subsidiary undertakings is not less than the amount at which they are stated.

7 Debtors

	2005 £'000	2004 £'000
Amounts falling due within one year		
Trade debtors	4,707	4,283
Amounts owed by group undertakings	30,520	18,166
Corporation tax	-	540
Prepayments and accrued income	963	85
Deferred tax (refer below)	1,355	1,555
	37,545	24,629

The deferred tax asset above arises as a result of capital allowances and is measured on a non-discounted basis at the tax rates that are expected to apply in the periods when timing differences reverse. There are no unprovided deferred tax assets or liabilities.

Wallis Retail Limited

Notes to the financial statements for the year ended 27 August 2005 (continued)

8 Creditors - amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	6,370	5,853
Amounts owed to group undertakings	736	2,901
Amounts owed to subsidiary undertakings	3,526	-
Corporation tax	2,327	-
Other taxation and social security	4,764	3,786
Other creditors	1,830	1,407
Accruals and deferred income	6,403	5,539
	25,956	19,486

9 Called up share capital

	2005 £	2004 £
Authorised, allotted and fully paid		
4,958 ordinary shares of £1 each	4,958	4,958
1,742 cumulative participating preference shares of £1 each	1,742	1,742
	6,700	6,700

The holders of the cumulative participating preference shares are entitled to an initial dividend at the annual rate of LIBOR plus 1.75 per cent and, in the event that the Company's profits for the year exceed £50,000,000, a further dividend of 0.01%. Dividends payable to the cumulative participating preference shareholders take priority over those payable on the ordinary shares. The preference shares also confer on their holders priority to a return of capital in the event of a winding up and rank pari passu with the ordinary shares with regards the right to attend and vote at general meetings.

Non-equity interests in the Company represent the paid up amount on the cumulative participating preference shares, together with any accrued dividends.

10 Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2005 £'000	Total 2004 £'000
Profit for the financial year	-	-	10,647	10,647	11,503
Dividends	-	-	(8,626)	(8,626)	(10,000)
Net change in the year	-	-	2,021	2,021	1,503
Opening shareholders' funds	7	87,760	8,626	96,393	94,890
Closing shareholders' funds	7	87,760	10,647	98,414	96,393

Wallis Retail Limited

Notes to the financial statements for the year ended 27 August 2005 (continued)

11 Operating lease commitments

	2005 £'000	2004 £'000
Operating lease commitments in respect of:		
Land and buildings payable in the 2006 financial year		
Within one year	1,632	1,622
Between two and five years	4,420	4,047
After five years	16,297	17,242
	22,349	22,911

12 Contingent liabilities

The Company, along with certain other subsidiary undertakings, has provided cross guarantees in respect of its parent undertakings' bank borrowings. These borrowings are secured by way of a fixed charge over certain of the Company's freehold properties and by legal charge over its other assets and undertaking.

At the year end the amount outstanding under these guarantees totalled £1,078,828,000. The directors do not expect a loss to arise as result of providing this guarantee.

13 Pension commitments

Arcadia Group Limited operates two pension schemes on behalf of the Company and a number of other subsidiaries covering all UK employees who are eligible on the basis of age and length of service. These schemes, which are of the defined benefit type, are financed through separate trustee administered funds. Contributions to the schemes are based on actuarial advice following the most recent valuations of the funds.

The most recent formal actuarial valuations of the Group's pension schemes, for the purposes of SSAP 24, were carried out by a qualified independent actuary as at 31 March 2004, using the projected unit method. At the date of these valuations, the total market value of the schemes' assets was £536,300,000 and the actuarial value of the assets was sufficient to cover 102% of the benefits that had accrued to members, after allowing for future increases in earnings.

The Company's pension cost for the year is £968,000 (2004: £780,000). There is no pension prepayment or provision at the year end (2004: £nil).

The directors are unable to identify the share of the pension schemes' assets and liabilities that relate to the Company's current and former employees. Accordingly the detailed disclosures required by FRS17 have been provided for the group as a whole in the financial statements of the Company's parent undertaking, Taveta Investments Limited.

Further details of the pension schemes' most recent actuarial valuations can be found in the consolidated financial statements of Taveta Investments Limited.

Wallis Retail Limited

Notes to the financial statements for the year ended 27 August 2005 (continued)

14 Parent undertaking, controlling party and related party disclosures

The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England. Taveta is also the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Taveta's consolidated financial statements can be obtained by writing to the Secretary at Marylebone House, 129 – 137 Marylebone Road, London, NW1 5QD.

The Company has taken advantage of the exemption under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Taveta group or investees of Taveta.

The Company's ultimate controlling party is CS Green and her immediate family.