

Wallis Retail Limited  
Annual report for the year ended  
2 September 2006

Registered Number 4250825

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Wallis Retail Limited  
Annual report  
for the year ended 2 September 2006  
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# **Wallis Retail Limited**

## **Directors and advisors**

### **Directors**

RL Burchill  
JSH Crossland  
CP Duckels  
GA Hague  
MA Healey

### **Secretary**

MH Cox

### **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 2 September 2006

The directors present their report and the audited financial statements of the Company for the year ended 2 September 2006

### Principal activity, business review and dividends

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

During the year, the Company formed part of Taveta Investments Limited and a review of the group's businesses and its position at 2 September 2006 is given on page 1 to the financial statements of that company

The profit for the financial year amounted to £17,136,000 (2005 £10,647,000) The directors do not recommend the payment of a dividend in respect of the year (2005 £8,626,000 interim paid) and the retained profit for the year has been transferred to reserves

### Management and reporting of risks and Key Performance Indicators (KPIs)

The directors of Taveta Investments Limited manage the Company's risks and those of its fellow subsidiaries at a group level Furthermore, management do not monitor the group's performance by reference to statutory entities

For these reasons the Company's directors do not believe that a discussion of the principal risks facing the Company or of the KPIs used to analyse its performance is appropriate for an understanding of its development, performance or financial position

The KPIs used by the group and the principal business risks it faces, are discussed on page 1 of Taveta Investments Limited's annual report which does not form part of this report

### Directors and directors' interests

The directors of the Company during the year were

DN Brown	(resigned 16 August 2006)
RL Burchill	(appointed 16 August 2006)
JSH Crossland	(appointed 17 February 2006)
CP Duckels	(appointed 14 September 2005)
GA Hague	(appointed 14 September 2005)
MA Healey	
AA Goldman	(resigned 17 February 2006)
IP Jackman	(resigned 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

# Wallis Retail Limited

## Directors' report for the year ended 2 September 2006 (continued)

### 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 that become disabled during their employment.

### 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 2 September 2006 and that applicable accounting standards have been followed.

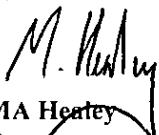
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

The Directors confirm that so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and that each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### 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 Heatey  
Director

5 February 2007

# Wallis Retail Limited

## Independent auditors' report to the members of Wallis Retail Limited

We have audited the financial statements of Wallis Retail Limited for the year ended 2 September 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) 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 International Auditing Standards (UK and Ireland). 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 report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

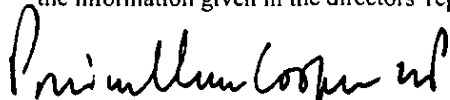
We conducted our audit in accordance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 2 September 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Leeds  
5 February 2007

# Wallis Retail Limited

## Profit and loss account for the year ended 2 September 2006

	Note	2006 £'000	2005 £'000
<b>Turnover</b>	1	193,841	180,968
Cost of sales		(159,420)	(151,236)
<b>Gross profit</b>		34,421	29,732
Administrative expenses		(11,592)	(13,692)
<b>Operating profit</b>	2	22,829	16,040
Interest receivable - other		26	455
Interest payable - group loans		(20)	(45)
<b>Profit before taxation</b>		22,835	16,450
Taxation	3	(5,699)	(5,803)
<b>Profit for the financial year</b>		17,136	10,647
Equity dividend paid - Interim		-	(8,626)
<b>Retained profit for the year</b>	10	17,136	2,021

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

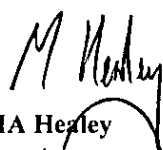
There is no difference between the results disclosed in the profit and loss account above and the results on an unmodified historical cost basis

# Wallis Retail Limited

## Balance sheet as at 2 September 2006

	Note	2006 £'000	2005 £'000
<b>Fixed assets</b>			
Intangible assets	4	55,378	59,070
Tangible assets	5	8,182	7,202
Investments	6	10,524	10,524
		<b>74,084</b>	<b>76,796</b>
<b>Current assets</b>			
Stock		9,320	9,366
Debtors	7	67,910	37,545
Cash at bank and in hand		386	663
		<b>77,616</b>	<b>47,574</b>
<b>Creditors' amounts falling due within one year</b>	8	<b>(36,150)</b>	<b>(25,956)</b>
<b>Net current assets</b>		<b>41,466</b>	<b>21,618</b>
<b>Net assets</b>		<b>115,550</b>	<b>98,414</b>
<b>Capital and reserves</b>			
Called up share capital	9	7	7
Share premium account	10	87,760	87,760
Profit and loss account	10	27,783	10,647
<b>Shareholders' funds (including non-equity)</b>	10	<b>115,550</b>	<b>98,414</b>

The financial statements on pages 5 to 15 were approved by the board of directors on 5 February 2007 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

### Changes in accounting policies

The Company has adopted FRS 17 'Retirement benefits', FRS 21 'Events after the balance sheet date' and FRS 25 'Financial instruments disclosure and presentation', in these financial statements

Whilst the adoption of these standards represents a change in accounting policy and has resulted in certain revised disclosures, it has had no effect on the financial statements

### 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 Company's employees participate in a couple of defined benefit schemes operated by the Group to which the Company contributes in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company is unable to identify its share of the underlying assets and liabilities of the schemes

The main defined benefit scheme is now closed to new entrants and eligible employees are offered the opportunity to join the Group's defined contribution scheme. For this scheme, the amounts charged to the profit and loss account are the contributions payable during the period

# **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 represents actual purchase price and includes the direct costs of warehousing and transportation to the stores.

### **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 2 September 2006

### 1 Turnover

Turnover arises in the United Kingdom apart from £20,490,000 (2005 £18,730,000) arising from overseas retailing operations, predominantly in the Republic of Ireland

### 2 Operating profit

	2006 £'000	2005 £'000
This is stated after charging		
Employment costs		
Wages and salaries	27,168	25,956
Social security costs	1,994	1,696
Pension costs (note 13)	1,175	968
	<u>30,337</u>	<u>28,620</u>
Agency costs	418	430
Depreciation – owned assets	2,510	2,515
Goodwill amortisation	3,692	3,692
Operating lease rentals – property	20,903	19,694
Management charge from Arcadia Group Limited	<u>7,900</u>	<u>10,000</u>

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 2,626 (2005 2,788). The average number of full-time equivalent employees was 1,031 (2005 1,078).

None of the directors received any remuneration in respect of his or her services to the Company during the year (2005 £nil).

# Wallis Retail Limited

## Notes to the financial statements for the year ended 2 September 2006 (continued)

### 3 Taxation

	2006 £'000	2005 £'000
<b>a. Analysis of the tax charge for the year</b>		
Based on the profit for the year		
UK corporation tax at 30% (2005 30%)		
Current year	7,866	5,930
Prior years	(2,516)	(327)
Total current tax (note 3b)	5,350	5,603
Deferred taxation		
Current year	270	278
Prior years	79	(78)
Total deferred tax – origination and reversal of timing differences	349	200
Total taxation	5,699	5,803

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

	2006 £'000	2005 £'000
<b>b Factors affecting the tax charge for the year</b>		
Profit before taxation	<u>22,835</u>	<u>16,450</u>
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30%	6,851	4,935
Effects of		
Expenses not deductible for tax purposes	1,262	1,272
Capital allowances in excess of depreciation	(247)	(277)
Adjustment in respect of prior years	(2,516)	(327)
Current tax charge for the year (note 3a)	5,350	5,603

#### 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 2 September 2006 (continued)

### 4 Intangible fixed assets

	Goodwill £'000
<b>Cost</b>	
At 28 August 2005 and 2 September 2006	73,838
<b>Aggregate amortisation</b>	
At 28 August 2005	14,768
Charge for year	3,692
At 2 September 2006	18,460
<b>Net book amount</b>	
At 2 September 2006	55,378
At 27 August 2005	59,070

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
<b>Cost</b>	
At 28 August 2005	28,211
Additions	4,223
Disposals	(5,380)
At 2 September 2006	27,054
<b>Depreciation</b>	
At 28 August 2005	21,009
Charge for year	2,510
Disposals	(4,647)
At 2 September 2006	18,872
<b>Net book amount</b>	
At 2 September 2006	8,182
At 27 August 2005	7,202

# Wallis Retail Limited

## Notes to the financial statements for the year ended 2 September 2006 (continued)

### 6 Fixed asset investments

<b>Cost and net book value</b>	<b>£'000</b>
<b>At 2 September 2006 and 27 August 2005</b>	<b>10,524</b>

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

<b>Company</b>	<b>Country of operation</b>	<b>Country of registration</b>	<b>Activity</b>
Wallis Retail Properties Limited	United Kingdom	England	Property investment
Wallis (London) GmbH*	Germany	Germany	Investment company

\* 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

	<b>2006</b>	<b>2005</b>
<b>Amounts falling due within one year</b>	<b>£'000</b>	<b>£'000</b>
Trade debtors	5,848	4,707
Amounts owed by group undertakings	60,693	30,520
Prepayments and accrued income	363	963
Deferred tax (refer below)	1,006	1,355
	<b>67,910</b>	<b>37,545</b>

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 2 September 2006 (continued)

### 8 Creditors - amounts falling due within one year

	2006 £'000	2005 £'000
Trade creditors	10,845	6,370
Amounts owed to group undertakings	-	736
Amounts owed to subsidiary undertakings	2,371	3,526
Corporation tax	7,338	2,327
Other taxation and social security	5,468	4,764
Other creditors	1,764	1,830
Accruals and deferred income	8,364	6,403
	<b>36,150</b>	<b>25,956</b>

### 9 Called up share capital

	2006 £	2005 £
<b>Authorised, allotted and fully paid</b>		
4,958 ordinary shares of £1 each	4,958	4,958
1,742 cumulative participating preference shares of £1 each	1,742	1,742
	<b>6,700</b>	<b>6,700</b>

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 2006 £'000	Total 2005 £'000
Profit for the financial year	-	-	17,136	17,136	10,647
Dividends	-	-	-	-	(8,626)
Net change in the year	-	-	17,136	17,136	2,021
Opening shareholders' funds	7	87,760	10,647	98,414	96,393
<b>Closing shareholders' funds</b>	<b>7</b>	<b>87,760</b>	<b>27,783</b>	<b>115,550</b>	<b>98,414</b>

# Wallis Retail Limited

## Notes to the financial statements for the year ended 2 September 2006 (continued)

### 11 Operating lease commitments

	2006 £'000	2005 £'000
Operating lease commitments in respect of		
Land and buildings payable in the 2007 financial year		
Within one year	1,004	1,632
Between two and five years	5,871	4,420
After five years	17,121	16,297
	23,996	22,349

### 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 companies' freehold properties and by legal charge over their other assets and undertaking.

At the year end the amount outstanding under these guarantees totalled £936,007,000 (2005 £1,078,828,000). The directors do not expect a loss to arise as result of providing this guarantee.

### 13 Pension commitments

The Company's eligible employees participate in a couple of defined benefit schemes operated by Arcadia Group Limited to which the Company contributes in order to provide pension and other benefits expressed in terms of a percentage of pensionable salary. These schemes are financed through separate trustee administered funds. Contributions to the schemes are based on actuarial advice following the most recent valuations of the funds.

Although these pension schemes are defined benefit in nature the Company accounts for its contributions as though they were defined contribution schemes as the Company is unable to identify its share of the underlying assets and liabilities of the schemes.

During the year, the Company contributed £1,175,000 (2005 £968,000) to the above schemes. For the period prior to 28 February 2006 this contribution represented 10.4% of members' pensionable salary to the main Arcadia Group scheme and 22.3% of pensionable earnings to the other UK scheme. Thereafter contributions to the latter scheme were increased to 34.7% of pensionable earnings. A further index-linked annual contribution of £2,500,000 is being made by the Group to one of the schemes.

An actuarial valuation of the Group's defined benefit schemes, carried out as at 2 September 2006 for the purposes of FRS 17, identified that the market value of the schemes' assets exceeded the present value of their liabilities by £15,629,000 (2005 £11,688,000 deficit). The detailed disclosures required by FRS 17 are provided for the Group as a whole in the consolidated financial statements of the Company's ultimate parent undertaking, Taveta Investments Limited.

The main defined benefit scheme is now closed to new entrants and eligible employees joining the Company are therefore offered the opportunity to join the Group's defined contribution scheme.

## **Wallis Retail Limited**

### **Notes to the financial statements for the year ended 2 September 2006 (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.