Wallis Retail Limited

Annual report for the year ended 25 August 2012

Registered Number: 4250825

Wallis Retail Limited

Annual report

for the year ended 25 August 2012

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Wallis Retail Limited

Directors and advisers

Directors
RL Burchill
R de Dombal
MJM Geraghty
GA Hague
S Wightman

Company secretary
AL Waldron

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 (registered number: 4250825)

Directors' report for the year ended 25 August 2012

The directors present their report and the audited financial statements of the Company for the year ended 25 August 2012

Principal activities, developments during the year and dividends
The Company's principal activity is the operation of retail clothing stores under the Wallis brand name

The Company forms part of Taveta Investments Limited and a review of the group's businesses and its position at 25 August 2012 is given on page 1 to the financial statements of that company

The Company's results for the year are set out in the profit and loss account on page 5

During the year, the Company incurred an exceptional charge of £4,640,000 (2011 £14,862,000) in connection with establishing a provision against the future leasing obligations of its loss-making stores

The directors do not recommend the payment of a dividend in respect of the year (2011 £nil) and the loss for the financial year of £765,000 (2011 £8,043,000) has been deducted from 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 does 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
The directors of the Company during the year and up to the date of approval of the financial statements were

RL Burchill	
R de Dombal	(appointed 1 May 2012)
MJM Geraghty	
GA Hague	
MA Healey	(resigned 10 February 2012)
S Wightman	

Employment policies
Staff are consulted on a regular basis so that their views can be taken into account in making decisions that are likely to affect their interests as employees They are also made aware of the financial and economic factors that affect the performance of the Company via 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

Directors' report for the year ended 25 August 2012 (continued)

Directors' responsibilities statement
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors
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 or she ought to have taken in his or her duty as a director in order to make himself or herself 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 487 of the Companies Act 2006

By order of the Board

S Wightman
Director
24 May 2013

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 25 August 2012 which comprise the profit and loss account, the balance sheet, the accounting policies 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)

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 3, 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 Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, 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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 25 August 2012 and of its loss 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 matter 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

Steve Denison (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
24 May 2013

Wallis Retail Limited

Profit and loss account for the year ended 25 August 2012

	Note	2012 Total £'000	2011 Total £'000
Turnover	1	**167,406**	175,911
Cost of sales		**(153,464)**	(157,898)
Exceptional cost of sales		**(4,640)**	(14,892)
Total cost of sales		**(158,104)**	(172,760)
Gross profit		**9,302**	3,151
Administrative expenses		**(8,999)**	(12,692)
Profit / (loss) before taxation	2	**303**	(9,541)
Tax on profit / (loss) on ordinary activities	4	**(1,068)**	1,498
Loss for the financial year	12	**(765)**	(8,043)

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 25 August 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Intangible assets	5	**33,227**	36,919
Tangible assets	6	**5,404**	6,845
Investments	7	**12,822**	12,822
		51,453	56,586
Current assets			
Stock		**10,967**	9,955
Debtors	8	**107,651**	103,379
Cash at bank and in hand		**280**	307
		118,898	113,641
Creditors: amounts falling due within one year	9	**(23,916)**	(24,886)
Net current assets		**94,982**	88,755
Total assets less current liabilities		**146,435**	145,341
Provisions for liabilities	10	**(16,721)**	(14,862)
Net assets		**129,714**	130,479
Capital and reserves			
Called up share capital	11	**7**	7
Share premium account	12	**87,760**	87,760
Profit and loss account	12	**41,947**	42,712
Shareholders' funds (including non-equity)	12	**129,714**	130,479

The financial statements on pages 5 to 15 were approved by the board of directors on 24 May 2013 and were signed on its behalf by

S Wightman
Director

Wallis Retail Limited

Accounting policies

Basis of accounting
The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom, which have been applied consistently, and generally accepted UK accounting principles

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

Tangible fixed assets
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation

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

Fit out	15 years
Retail fixtures and equipment	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 on a straight line basis over the lease term, except where incentives to sign the leases have been received Such incentives are spread on a straight-line basis over the lease term, or if shorter, the period to the next open market rent review date

Where the Company has leasehold stores that are loss-making, and projections indicate that their future cash flows will be insufficient to meet the related property costs, provision is made for the expected net cash outflows These cash flows are discounted using a rate of return appropriate to the Company's business

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
Monetary 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 25 August 2012

1 Turnover

Turnover arises in the United Kingdom apart from £9,261,000 (2011 £7,554,000) arising from overseas retailing operations

2 Profit / (loss) before taxation

	2012 £'000	2011 £'000
This is stated after charging		
Employment costs		
Wages and salaries	**23,094**	25,221
Social security costs	**1,505**	1,920
Pension costs (note 15)	**464**	1,346
	25,063	28,487
Agency costs	**543**	519
Depreciation – owned assets	**2,275**	2,342
Goodwill amortisation	**3,692**	3,692
Operating lease rentals – property	**18,433**	19,781
Management charge from Arcadia Group Limited	**9,000**	9,000

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 no 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 2,623 (2011 3,005) The average number of full-time equivalent employees was 1,056 (2011 1,222)

None of the directors received any remuneration in respect of his or her services to the Company during the year (2011 £nil)

3 Exceptional items

Charged in arriving at profit / (loss) before taxation	2012 £'000	2011 £'000
Within cost of sales		
Provision for onerous leases on loss-making stores (note 10)	**(4,640)**	(14,862)

In light of the difficult trading environment being experienced by the Company, the directors have reviewed those leasehold stores currently making a loss to assess whether their future operating cash flows are projected to meet their rental and other property cost obligations Where appropriate, the projected shortfall between the operating cash flows and the property costs for the period of the lease or, if earlier, the date of disposal, has been provided for The resultant provision has been discounted to net present value using a rate of return of 4% per annum

The tax credit arising on the exceptional items above is £1,169,000 (2011 £4,036,000)

Notes to the financial statements for the year ended 25 August 2012 (continued)

4 Tax on profit / (loss) on ordinary activities

a. Analysis of the tax charge/(credit) for the year	2012 £'000	2011 £'000
Based on the profit / (loss) for the year		
UK corporation tax at 25 2% (2011 27 2%)		
Current year (note 4b)	1,225	(1,423)
Deferred taxation		
Current year	(7)	(7)
Prior years	(150)	(68)
Total deferred tax – origination and reversal of timing differences	(157)	(75)
Total taxation	1,068	(1,498)

The tax charge for the year is higher than the effective rate of corporation tax in the United Kingdom (25 2%) The differences are explained below

b. Factors affecting the tax charge / (credit) for the year	2012 £'000	2011 £'000
Profit / (loss) before taxation	303	(9,541)
Profit / (loss) before taxation multiplied by the effective rate of corporation tax in the United Kingdom of 25 2% (2011. 27 2%)	76	(2,595)
Effects of		
Expenses not deductible for tax purposes	970	1,145
Depreciation in excess of capital allowances	179	27
Current tax charge / (credit) for the year (note 4a)	1,225	(1,423)

The Company has entered into a group payment arrangement whereby Arcadia Group Limited undertakes to make corporation tax payments on behalf of all companies within the Arcadia group Accordingly, at the year end the Company's corporation tax creditor has been deducted from amounts owed by group undertakings (note 8)

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

In addition to the changes in rates of Corporation tax disclosed above further changes to the UK Corporation tax rates were announced in the 2012 Autumn Statement and the March 2013 Budget These include further reductions to the main rate to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015 These changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements

Wallis Retail Limited

Notes to the financial statements for the year ended 25 August 2012 (continued)

5 Intangible fixed assets

	Goodwill £'000
Cost	
At 28 August 2011 and 25 August 2012	**73,838**
Accumulated amortisation	
At 28 August 2011	36,919
Charge for year	3,692
At 25 August 2012	**40,611**
Net book amount	
At 25 August 2012	**33,227**
At 27 August 2011	36,919

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

6 Tangible fixed assets

	Fit-out, fixtures and equipment £'000
Cost	
At 28 August 2011	18,882
Additions	834
Disposals	(1,451)
At 25 August 2012	**18,265**
Accumulated depreciation	
At 28 August 2011	12,037
Charge for year	2,275
Disposals	(1,451)
At 25 August 2012	**12,861**
Net book amount	
At 25 August 2012	**5,404**
At 27 August 2011	6,845

7 Fixed asset investments

Cost and net book value	£'000
At 27 August 2011 and 25 August 2012	12,822

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

Company	Country of operation	Country of registration	Activity
Wallis Retail (Ireland) Limited	Ireland	Ireland	Fashion retailing
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 (under section 400 of the Companies Act 2006), as the Company is a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepares publicly available 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

8 Debtors

Amounts falling due within one year	2012 £'000	2011 £'000
Trade debtors	3,508	2,960
Amounts owed by group undertakings	103,231	99,910
Prepayments and accrued income	583	337
Deferred tax (refer below)	329	172
	107,651	103,379

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

Amounts owed by group undertakings are interest free, unsecured and repayable on demand

Notes to the financial statements for the year ended 25 August 2012 (continued)

9 Creditors - amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	**14,219**	14,631
Amounts owed to subsidiary undertakings	**38**	38
Other taxation and social security	**4,717**	4,459
Other creditors	**1,870**	920
Accruals and deferred income	**3,072**	4,838
	23,916	24,886

10 Provisions for liabilities

	Onerous leases £'000
At 28 August 2011	14,862
Additions (note 3)	4,640
Release	(3,342)
Unwind of discount	561
At 25 August 2012	**16,721**

The onerous lease provision relates to loss-making stores and is discounted at a rate of return of 4% per annum

11 Called up share capital

	2012 £	2011 £
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

12 Reconciliation of movements in total shareholders' funds

	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	**Total 2012 £'000**	Total 2011 £'000
Loss for the financial year	-	-	(765)	**(765)**	(8,043)
Opening shareholders' funds	7	87,760	42,712	**130,479**	138,522
Closing shareholders' funds	**7**	**87,760**	**41,947**	**129,714**	130,479

13 Operating lease commitments

	2012 £'000	2011 £'000
Operating lease commitments in respect of		
Land and buildings payable in the 2012 financial year		
Within one year	**979**	595
Between two and five years	**9,391**	8,607
After five years	**10,725**	10,574
	21,095	19,776

14 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 £296,780,000 (2011 £461,780,000) The directors do not expect a loss to arise as a result of providing these guarantees

Notes to the financial statements for the year ended 25 August 2012 (continued)

15 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 £nil (2011 £1,038,000) to the above schemes This comprised a contribution based on members' pensionable salary to fund future benefits for the first four months of the year, a payment towards the scheme's administrative expenses and a further contribution to help repair the past service funding deficit

An actuarial valuation of the defined benefit schemes referred to above, and carried out as at 25 August 2012 for the purposes of FRS 17, identified that the present value of their liabilities exceeded the market value of the schemes' assets by £173,503,000 (2011 £88,374,000) 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 defined benefit schemes above closed to future accrual during the prior year and eligible employees were offered the opportunity to join the Group's defined contribution scheme, to which the Company contributed £464,000 (2011 £308,000)

16 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 Colegrave House, 70 Berners Street, London, W1T 3NL

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 Lady Cristina Green and her immediate family