

Wallis Retail Limited
Annual report for the year ended
28 August 2010

Registered Number: 4250825

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Wallis Retail Limited
Annual report
for the year ended 28 August 2010
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Wallis Retail Limited

Directors and advisors

Directors

RL Burchill
MJM Geraghty
GA Hague
MA Healey

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 28 August 2010

The directors present their report and the audited financial statements of the Company for the year ended 28 August 2010

Principal activity, 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 28 August 2010 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. The directors do not recommend the payment of a dividend in respect of the year (2009 £nil) 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 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 were

RL Burchill
CP Duckels (resigned 25 February 2011)
MJM Geraghty
GA Hague
MA Healey

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.

Wallis Retail Limited (registered number: 4250825)

Directors' report for the year ended 28 August 2010 (continued)

Statement of directors' responsibilities

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 elected to prepare 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.

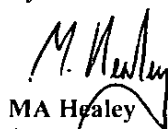
Statement of disclosure of information to auditors

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 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 487 of the Companies Act 2006.

By order of the Board



MA Healey
Director
28 February 2011

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 28 August 2010 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 directors' responsibilities statement 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 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.

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 28 August 2010 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 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

28 February 2011

Wallis Retail Limited

Profit and loss account for the year ended 28 August 2010

	Note	2010 £'000	2009 £'000
Turnover	1	175,229	145,466
Cost of sales		(150,814)	(132,809)
Gross profit		24,415	12,657
Administrative expenses		(12,778)	(10,092)
Operating profit	2	11,637	2,565
Other interest receivable		-	153
Profit before taxation		11,637	2,718
Taxation	3	(4,415)	(2,489)
Retained profit for the year	10	7,222	229

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

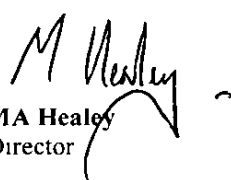
There is no difference between the results disclosed in the profit and loss account above and the results on an unmodified historical cost basis

Wallis Retail Limited

Balance sheet as at 28 August 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible assets	4	40,611	44,302
Tangible assets	5	7,887	6,826
Investments	6	12,822	12,822
		61,320	63,950
Current assets			
Stock		9,589	8,565
Debtors	7	94,219	79,359
Cash at bank and in hand		130	347
		103,938	88,271
Creditors' amounts falling due within one year	8	(26,736)	(20,921)
Net current assets		77,202	67,350
Net assets		138,522	131,300
Capital and reserves			
Called up share capital	9	7	7
Share premium account	10	87,760	87,760
Profit and loss account	10	50,755	43,533
Shareholders' funds (including non-equity)	10	138,522	131,300

The financial statements on pages 5 to 15 were approved by the board of directors on 28 February 2011 and were signed on its behalf by


MA Healey
 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, 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

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 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 28 August 2010

1 Turnover

Turnover arises in the United Kingdom apart from £6,438,000 (2009 £6,165,000) arising from overseas retailing operations

2 Operating profit

	2010 £'000	2009 £'000
This is stated after charging		
Employment costs		
Wages and salaries	25,722	22,273
Social security costs	1,498	1,436
Pension costs (note 13)	385	515
	<u>27,605</u>	<u>24,224</u>
Agency costs	456	410
Depreciation – owned assets	1,990	2,062
Goodwill amortisation	3,691	3,692
Operating lease rentals – property	19,623	20,167
Management charge from Arcadia Group Limited	9,087	6,400

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 2,848 (2009 2,530). The average number of full-time equivalent employees was 1,173 (2009 1,080).

None of the directors received any remuneration in respect of his or her services to the Company during the year (2009 £nil).

Wallis Retail Limited

Notes to the financial statements for the year ended 28 August 2010 (continued)

3 Taxation

	2010 £'000	2009 £'000
a. Analysis of the tax charge for the year		
Based on the profit for the year		
UK corporation tax at 28% (2009 28%)		
Current year	4,239	1,791
Prior years	(8)	181
Total current tax (note 3b)	4,231	1,972
Deferred taxation		
Current year	246	199
Prior years	(62)	318
Total deferred tax – origination and reversal of timing differences	184	517
Total taxation	4,415	2,489

The tax charge for the year is higher than the standard rate of corporation tax in the United Kingdom (28%)
The differences are explained below

	2010 £'000	2009 £'000
b. Factors affecting the tax charge for the year		
Profit before taxation	11,637	2,718
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2009 28%)	3,258	761
Effects of		
Expenses not deductible for tax purposes	1,223	1,211
Capital allowances in excess of depreciation	(242)	(181)
Adjustment in respect of prior years	(8)	181
Current tax charge for the year (note 3a)	4,231	1,972

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 offset against amounts owed by group undertakings (note 7)

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

The standard rate of corporation tax will reduce to 27% with effect from 1 April 2011. Furthermore, in the emergency budget, the government announced its intention to reduce the standard rate of corporation tax to 24% during the life of the current parliament

Wallis Retail Limited

Notes to the financial statements for the year ended 28 August 2010 (continued)

4 Intangible fixed assets

	Goodwill £'000
Cost	
At 30 August 2009 and 28 August 2010	73,838
Accumulated amortisation	
At 30 August 2009	29,536
Charge for year	3,691
At 28 August 2010	33,227
Net book amount	
At 28 August 2010	40,611
At 29 August 2009	44,302

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 30 August 2009	26,545
Additions	3,051
Disposals	(1,418)
At 28 August 2010	28,178
Depreciation	
At 30 August 2009	19,719
Charge for year	1,990
Release of impairment provision	(5)
Disposals	(1,413)
At 28 August 2010	20,291
Net book amount	
At 28 August 2010	7,887
At 29 August 2009	6,826

Wallis Retail Limited

Notes to the financial statements for the year ended 28 August 2010 (continued)

6 Fixed asset investments

Cost and net book value	£'000
At 30 August 2009 and 28 August 2010	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, 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

	2010 £'000	2009 £'000
Amounts falling due within one year		
Trade debtors	3,933	4,285
Amounts owed by group undertakings	90,074	74,685
Prepayments and accrued income	115	108
Deferred tax (refer below)	97	281
	94,219	79,359

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 28 August 2010 (continued)

8 Creditors - amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	12,572	9,193
Amounts owed to subsidiary undertakings	38	38
Other taxation and social security	5,044	3,580
Other creditors	956	803
Accruals and deferred income	8,126	7,307
	26,736	20,921

9 Called up share capital

	2010 £	2009 £
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 total shareholders' funds

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2010 £'000	Total 2009 £'000
Retained profit for the year	-	-	7,222	7,222	229
Opening shareholders' funds	7	87,760	43,533	131,300	131,071
Closing shareholders' funds	7	87,760	50,755	138,522	131,300

Wallis Retail Limited

Notes to the financial statements for the year ended 28 August 2010 (continued)

11 Operating lease commitments

	2010 £'000	2009 £'000
Operating lease commitments in respect of		
Land and buildings payable in the 2011 financial year		
Within one year	1,221	1,578
Between two and five years	9,223	6,439
After five years	12,002	13,737
	22,446	21,754

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 £465,331,000 (2009 £640,331,000). The directors do not expect a loss to arise as a result of providing these guarantees.

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 £385,000 (2009 £515,000) to one of the above schemes. This comprised a contribution of 34.7% of members' pensionable salary to fund future benefits, a payment towards the scheme's administrative expenses and a further contribution to help repair the past service funding deficit. During the year, the Company did not contribute to the other scheme, as contributions that would be payable in respect of future benefits are being offset by the utilisation of the past service funding surplus identified at the last actuarial valuation.

An actuarial valuation of the defined benefit schemes referred to above, and carried out as at 28 August 2010 for the purposes of FRS 17, identified that the present value of their liabilities exceeded the market value of the schemes' assets by £143,389,000 (2009 £80,502,000). 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 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 28 August 2010 (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 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.