Registered number: 4250825

Wallis Retail Limited

Directors' report and financial statements
for the year ended 31 August 2013

Wallis Retail Limited

Company Information

Directors	RL Burchill R de Dombal MJM Geraghty GA Hague S Wightman
Company secretary	G Premi
Company number	4250825
Registered office	Colegrave House 70 Berners Street London W1T 3NL
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Benson House 33 Wellington Street Leeds LS1 4JP

Wallis Retail Limited

Contents

Wallis Retail Limited

Directors' report
for the year ended 31 August 2013

The directors present their report and the audited financial statements of the Company for the year ended 31 August 2013.

Principal activities

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

Business review

During the year, the Company was a wholly owned subsidiary of Taveta Investments Limited and a review of the group's businesses during the year, its future outlook and its position at 31 August 2013 is given on page 1 to the financial statements of that company.

Results and dividends

The loss for the financial year, after taxation, amounted to £1,139,000 (2012: £765,000).

During the year, the Company incurred an exceptional charge of £6,366,000 (2012: £4,640,000). This establishes a provision against the future leasing obligations of the Company's loss-making stores.

The directors do not recommend the payment of a dividend in respect of the year (2012: £nil) and hence the loss for the financial year of £1,139,000 (2012: £765,000) 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, they monitor the group's performance on a brand basis rather than at statutory company level.

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 who served during the year and up to the date of signing of the financial statements were:

RL Burchill
R de Dombal
MJM Geraghty
GA Hague
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 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 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.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006. The ultimate parent company (Taveta Investments Limited) also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

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.

Wallis Retail Limited

Directors' report
for the year ended 31 August 2013

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report 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.

This report was approved by the board on 12 May 2014 and signed on its behalf by

S Wightman
Director

Independent auditors' report to the members of Wallis Retail Limited

We have audited the financial statements of Wallis Retail Limited for the year ended 31 August 2013, which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement set out on page 2, 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 Directors' 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 31 August 2013 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.

Independent auditors' report to the members of Wallis Retail Limited

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

16 May 2014

Wallis Retail Limited

Profit and loss account
for the year ended 31 August 2013

	Note	2013 £000	2012 £000
Turnover	2	**167,270**	167,406
Cost of sales		**(151,419)**	(153,464)
Exceptional cost of sales	6	**(6,366)**	(4,640)
Total cost of sales		**(157,785)**	(158,104)
Gross profit		**9,485**	9,302
Administrative expenses		**(9,087)**	(8,999)
Operating profit	3	**398**	303
Interest payable and similar charges	5	**(631)**	-
(Loss)/profit on ordinary activities before taxation		**(233)**	303
Tax on (loss)/profit on ordinary activities	7	**(906)**	(1,068)
Loss for the financial year	17	**(1,139)**	(765)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account.

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

The notes on pages 8 to 18 form part of these financial statements.

Wallis Retail Limited
Registered number: 4250825

Balance sheet
as at 31 August 2013

	Note	£000	2013 £000	£000	2012 £000
Fixed assets					
Intangible assets	8		**29,535**		33,227
Tangible assets	9		**5,064**		5,404
Investments	10		**12,822**		12,822
			47,421		51,453
Current assets					
Stocks	11	**10,120**		10,967	
Debtors	12	**113,040**		107,651	
Cash at bank and in hand		**199**		280	
		123,359		118,898	
Creditors: amounts falling due within one year	13	**(22,701)**		(23,916)	
Net current assets			**100,658**		94,982
Total assets less current liabilities			**148,079**		146,435
Provisions for liabilities					
Other provisions	15		**(19,504)**		(16,721)
Net assets			**128,575**		129,714
Capital and reserves					
Called up share capital	16		**7**		7
Share premium account	17		**87,760**		87,760
Profit and loss account	17		**40,808**		41,947
Total shareholders' funds	18		**128,575**		129,714

The financial statements were approved and authorised for issue by the board and were signed on its behalf by 12 May 2014.

S Wightman
Director

The notes on pages 8 to 18 form part of these financial statements.

Notes to the financial statements for the year ended 31 August 2013

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements are 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. A summary of the principal accounting policies, which have been consistently applied, are set out below.

The Company is itself a wholly owned subsidiary undertaking of Taveta Investments Limited, which prepared consolidated financial statements and is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

1.2 Cash flow

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

1.3 Turnover

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

1.4 Intangible fixed assets and amortisation

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.

1.5 Tangible fixed assets and depreciation

Fixed assets are stated at historic purchase cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of fixed assets over their expected useful economic lives from the date they are brought into use, at the following annual rates:

Retail fixtures and equipment	-	3 to 10 years
Fit out	-	15 years

1.6 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.

1. Accounting policies (continued)

1.7 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.

1.8 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 business operating the stores.

1.9 Pension costs

The Company's employees participate in two 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 above schemes are now closed 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.

1.10 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.

1.11 Foreign currencies

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 31 August 2013

2. Turnover

A geographical analysis of turnover is as follows:

	2013	2012
	£000	£000
United Kingdom	**159,119**	158,145
Rest of world	**8,151**	9,261
	167,270	167,406

3. Operating profit

The operating profit is stated after charging:

	2013	2012
	£000	£000
Amortisation - intangible fixed assets	**3,692**	3,692
Depreciation of tangible fixed assets:		
- owned by the company	**1,986**	2,275
Agency costs	**549**	543
Operating lease rentals - other	**16,430**	18,433
Management charge from Arcadia Group Limited	**9,087**	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, a fellow group undertaking, incurs distribution costs and administrative expenses (including auditors' remuneration) on behalf of the Company.

None of the directors received any remuneration in respect of his or her services to the Company during the year (2012: £nil).

4. Staff costs

Staff costs were as follows:

	2013	2012
	£000	£000
Wages and salaries	**23,076**	23,049
Social security costs	**1,434**	1,505
Other pension costs	**476**	464
	24,986	25,018

The average monthly number of employees, including the directors, during the year was as follows:

	2013	2012
	No.	No.
Retailing activities	**2,502**	2,623

The average number of full-time equivalent employees was 1,006 (2012: 1,056).

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.

5. Interest payable and similar charges

	2013	2012
	£000	£000
Other interest payable	**631**	-

6. Exceptional items

	2013	2012
	£000	£000
Provision for onerous leases on loss-making stores (note 15)	**6,366**	4,640

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 £1,604,000 (2012: £1,169,000).

Wallis Retail Limited

Notes to the financial statements for the year ended 31 August 2013

7. Tax on (loss)/profit on ordinary activities

	2013 £000	2012 £000
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on (loss)/profit for the year	**978**	1,225
Deferred tax		
Origination and reversal of timing differences	**(129)**	(157)
Adjustment in respect of previous periods	**(7)**	-
Effect of changes in tax rates	**64**	-
Total deferred tax (see note 14)	**(72)**	(157)
Tax on (loss)/profit on ordinary activities	**906**	1,068

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2012: higher than) the standard rate of corporation tax in the UK of 23.6% (2012: 25.2%). The differences are explained below:

	2013 £000	2012 £000
(Loss)/profit on ordinary activities before tax	**(233)**	303
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.6% (2012: 25.2%)	**(55)**	76
Effects of:		
Expenses not deductible for tax purposes	**904**	970
Depreciation in excess of capital allowances	**129**	179
Current tax charge for the year (see note above)	**978**	1,225

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 12).

7. Tax on (loss)/profit on ordinary activities (continued)

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.

On 2 July 2013 changes to the main rate of UK corporation tax were substantively enacted as part of the Finance Act 2013. These changes will reduce the main rate from 23% to 21% from 1 April 2014, and to 20% from 1 April 2015. Therefore within these financial statements, deferred tax assets and liabilities being realised or settled before 1 April 2014 have been measured at the 23% rate, those being realised or settled between 1 April 2014 and 1 April 2015 at the 21% rate, and those realised or settled after 1 April 2015 at the 20% rate.

8. Intangible fixed assets

	Goodwill £000
Cost	
At 26 August 2012 and 31 August 2013	**73,838**
Amortisation	
At 26 August 2012	**40,611**
Charge for the year	**3,692**
At 31 August 2013	**44,303**
Net book value	
At 31 August 2013	**29,535**
At 25 August 2012	33,227

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.

Wallis Retail Limited

Notes to the financial statements for the year ended 31 August 2013

9. Tangible fixed assets

	Fit out, fixtures and equipment £000
Cost	
At 26 August 2012	**18,265**
Additions	**1,646**
Disposals	**(861)**
At 31 August 2013	**19,050**
Accumulated depreciation	
At 26 August 2012	**12,861**
Charge for the year	**1,986**
Disposals	**(861)**
At 31 August 2013	**13,986**
Net book value	
At 31 August 2013	**5,064**
At 25 August 2012	5,404

10. Fixed asset investments

	Shares in group undertakings £000
Cost	
At 26 August 2012 and 31 August 2013	**12,822**

At 31 August 2013, the Company owned the whole of the issued ordinary share capital of the group undertakings listed below:

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

In the opinion of the directors the aggregate value of the Company's investments in its group undertakings is not less than the amount at which they are stated.

Wallis Retail Limited

Notes to the financial statements for the year ended 31 August 2013

11. Stocks

	2013 £000	2012 £000
Finished goods and goods for resale	**10,120**	10,967

12. Debtors

	2013 £000	2012 £000
Trade debtors	**4,468**	3,508
Amounts owed by group undertakings	**107,886**	103,231
Prepayments and accrued income	**285**	583
Deferred tax asset (note 14)	**401**	329
	113,040	107,651

The deferred tax asset above arises as a result of accelerated capital allowances and is measured on a non-discounted basis at the rates that are expected to apply when the 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.

13. Creditors: Amounts falling due within one year

	2013 £000	2012 £000
Trade creditors	**12,611**	14,219
Amounts owed to group undertakings	**-**	38
Other taxation and social security	**4,655**	4,717
Other creditors	**1,827**	1,870
Accruals and deferred income	**3,608**	3,072
	22,701	23,916

14. Deferred tax asset

	2013 £000	2012 £000
At beginning of year	**329**	329
Movements during year	**72**	-
At end of year	**401**	329

14. Deferred tax asset (continued)

The deferred tax asset is made up as follows:

	2013 £000	2012 £000
Accelerated capital allowances	**401**	329

15. Other provisions

	Onerous leases £000
At 26 August 2012	**16,721**
Profit and loss account (note 6)	**6,366**
Utilised during the year	**(4,214)**
Discount unwind	**631**
At 31 August 2013	**19,504**

Onerous leases

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

16. Called up share capital

	2013 £	2012 £
Allotted, called up and fully paid		
4,958 (2012: 4,958) ordinary shares of £1 each	**4,958**	4,958
1,742 (2012: 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.

17. Reserves

	Share premium account £000	Profit and loss account £000
At 26 August 2012	**87,760**	**41,947**
Loss for the financial year	**-**	**(1,139)**
At 31 August 2013	**87,760**	**40,808**

18. Reconciliation of movement in shareholders' funds

	2013 £000	2012 £000
Opening shareholders' funds	**129,714**	130,479
Loss for the financial year	**(1,139)**	(765)
Closing shareholders' funds	**128,575**	129,714

19. Pension commitments

The Company's eligible employees participate in two 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 (2012: £nil) to the above schemes.

An actuarial valuation of the defined benefit schemes referred to above, and carried out as at 31 August 2013 for the purposes of FRS 17, identified that the present value of their liabilities exceeded the market value of the schemes' assets by £156,758,000 (2012: £173,503,000). 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 £476,000 (2012: £464,000).

20. 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 £25,880,000 (2012: £296,780,000). The directors do not expect a loss to arise as a result of providing these guarantees.

21. Related party transactions

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 Investments Limited group or investees of Taveta Investments Limited.

22. Ultimate parent undertaking and controlling party

The Company's ultimate parent company is Taveta Investments Limited ('Taveta'), a company incorporated in England. The largest group to consolidate these financial statements is Taveta Investments Limited. The smallest group is Arcadia Group Limited. Copies of both Arcadia Group Limited and Taveta consolidated financial statements can be obtained by writing to the Secretary at Colegrave House, 70 Berners Street, London, W1T 3NL.

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