

Taveta Investments (No. 2) Limited
Annual report for the year ended
2 September 2006

Registered Number 5137091



Taveta Investments (No. 2) Limited

Annual report for the year ended 2 September 2006

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Taveta Investments (No. 2) Limited

Directors and advisers

Directors

IM Allkins
PE Budge
P Coackley
PNR Green

Secretary

AA Goldman

Independent auditors

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Registered office

Marylebone House
129-137 Marylebone Road
London
NW1 5QD

Registered number

5137091

Taveta Investments (No. 2) Limited

Directors' report for the year ended 2 September 2006

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

Principal activity, results and dividends

The Company acts as an intermediate holding company

The profit and loss account is set out on page 4. During the year, the Company formed part of Taveta Investments Limited and a review of the group's businesses during the year and its position at 2 September 2006 is given on page 1 to the financial statements of that company.

The directors do not recommend the payment of a dividend in respect of the year (2005 £1,300,000,000 interims paid)

Directors and their interests

The directors of the Company during the year were

IM Allkins
PE Budge
P Coackley
PNR Green

PE Budge had no interest in the share capital of the Company or any other group undertaking at the year end. IM Allkins, P Coackley and PNR Green are directors of the Company's parent undertaking, Taveta Investments Limited, and their interests in the share capital of group undertakings are disclosed in the directors' report of that company.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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 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 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



PE Budge

Director

12 February 2007

Taveta Investments (No. 2) Limited

Independent auditors' report to the members of Taveta Investments (No. 2) Limited

We have audited the financial statements of Taveta Investments (No. 2) 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 loss 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
12 February 2007

Taveta Investments (No. 2) Limited

Profit and loss account for the year ended 2 September 2006

		Year ended 2 September 2006 £'000	15 months ended 27 August 2005 £'000
	Note		
Income from fixed asset investments		-	200,000
Net interest payable and similar charges (including exceptional item)	3	(71,222)	(29,138)
(Loss) / profit before taxation	2	(71,222)	170,862
Taxation	4	(5,233)	8,741
(Loss) / profit for the financial year / period		(76,455)	179,603
Interim dividends paid		-	(1,300,000)
Sustained loss for the year / period	10	(76,455)	(1,120,397)

All of the results above relate to continuing activities

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

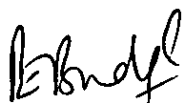
There is no difference between the results shown in the profit and loss account and the results on an unmodified historical cost basis

Taveta Investments (No. 2) Limited

Balance Sheet as at 2 September 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investment	5	2,300,000	2,300,000
Current assets			
Debtors – amounts falling due within one year	6	110,299	104,109
Creditors - amounts falling due within one year	7	(74,751)	(129,768)
Net current assets / (liabilities)		35,548	(25,659)
Total assets less current liabilities		2,335,548	2,274,341
Creditors - amounts falling due after more than one year	8	(1,232,400)	(1,094,738)
Net assets		1,103,148	1,179,603
Capital and reserves			
Share capital	9	10,000	10 000
Profit and loss account	10	1,093,148	1,169,603
Equity shareholders' funds	10	1,103,148	1,179,603

The financial statements on pages 4 to 11 were approved by the Board on 12 February 2007 and were signed on its behalf by



PE Budge
Director

Taveta Investments (No. 2) Limited

Notes to the financial statements for the year ended 2 September 2006

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important accounting policies is set out below.

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, it has had no effect on the financial statements.

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 one is included in the consolidated financial statements of its parent undertaking, Taveta Investments Limited.

Fixed asset investment

The Company's fixed asset investment is shown at cost less amounts written off. Provision is made, where in the opinion of the directors, there has been an impairment in the investment's carrying value.

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.

Finance costs

The costs associated with obtaining the Company's present bank loan were initially deferred and are being charged to the profit and loss account over the life of the loan at a constant rate to the loan's carrying amount.

Taveta Investments (No. 2) Limited

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

2 (Loss) / profit before taxation

Auditors' remuneration has been borne by Arcadia Group Limited. None of the directors received any emoluments for his services to the Company (2005 £nil). During the year the Company had no employees.

3 Net interest payable and similar charges

	Year ended 2 September 2006 £'000	15 months ended 27 August 2005 £'000
Interest receivable on		
Loans to group undertakings	6,290	4,251
Bank deposits	5	470
Total interest receivable and similar income	6,295	4,721
Interest payable on loans from group undertakings	(15,156)	(2,380)
Interest payable on bank loans	(61,414)	(25,983)
Amortisation of bank loan issue costs	(947)	(826)
Exceptional amortisation of issue costs on bank loans repaid early	-	(4,670)
	(947)	(5,496)
Total interest payable and similar charges	(77,517)	(33,859)
Net interest payable and similar charges	(71,222)	(29,138)

The tax credit on the exceptional interest charge during 2005 was £1,401,000.

4 Taxation

	Year ended 2 September 2006 £'000	15 months ended 27 August 2005 £'000
a. Analysis of tax (charge) / credit for the year / period		
Based on the loss / profit for the year / period		
UK corporation tax at 30% (2005 30%)		
- Current year / period	4,667	8,741
- Prior years	(9,900)	-
Total current tax (note 4b)	(5,233)	8,741

Taveta Investments (No. 2) Limited

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

4 Taxation (continued)

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

	Year ended 2 September 2006 £'000	15 months ended 27 August 2005 £'000
b Factors affecting the tax (charge) / credit for the year / period		
(Loss) / profit before taxation	<u>(71,222)</u>	<u>170,862</u>
(Loss) / profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2005 30%)	21,367	(51,259)
Effects of		
Income not assessable for tax purposes	-	60,000
Expenses not deductible for tax purposes	(16,700)	-
Adjustment in respect of prior years	(9,900)	-
Corporation tax (charge) / credit for the year / period (note 4a)	(5,233)	8,741

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 debtor has been offset against amounts due to group undertakings (note 8).

The directors are not aware of any factors that may affect the Company's future tax charges.

5 Fixed asset investment

Shares in subsidiary undertaking	£'000
At 27 August 2005 and 2 September 2006	2,300,000

The above investment comprises the whole of the issued ordinary share capital of Arcadia Group Limited. Arcadia Group Limited is a property and investment holding company which operates in the United Kingdom and is registered in England and Wales.

Consolidated financial statements have not been prepared as the Company is a wholly owned subsidiary of Taveta Investments Limited. In the opinion of the directors the aggregate value of the Company's investment is not less than the amount at which it is stated in the Company's balance sheet.

Taveta Investments (No. 2) Limited

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

6 Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year		
Amounts due from group undertakings	110,299	104,109

7 Creditors – Amounts falling due within one year

	2006 £'000	2005 £'000
Bank loan (note 8)	74,198	129,063
Accruals	553	705
	74,751	129,768

8 Creditors – Amounts falling due after more than one year

	2006 £'000	2005 £'000
Bank loan repayable		
Between one and two years	74,269	124,198
Between two and five years	223,229	223,018
After five years		
- by instalments	94,423	168,903
- other than by instalments	460,000	420,000
	554,423	588,903
Amounts due to group undertakings	380,479	158,619
	1,232,400	1,094,738

The bank loan repayable within and after one year is secured by way of a fixed charge over certain of the group's freehold properties and by legal charge over its other assets and undertaking. The loan attracts interest at the rate of Libor plus 1.35% and is repayable by instalments each year before culminating in a final payment of £460,000,000 during 2012.

The above repayment profile is stated net of unamortised issue costs of £3,881,000 (2005: £4,818,000).

Taveta Investments (No. 2) Limited

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

9 Called up share capital

	2006 £'000	2005 £ 000
Authorised		
10 000,100 Ordinary shares of £1 each	10,000	10,000
Allotted and fully paid		
10,000,001 Ordinary shares of £1 each	10,000	10,000

10 Reconciliation of movements in equity shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total 2006 £'000	Total 2005 £ 000
(Loss) / profit for the financial period	-	(76,455)	(76,455)	179,603
Dividends	-	-	-	(1,300,000)
	-	(76,455)	(76,455)	(1,120,397)
Issue of ordinary share capital	-	-	-	2 300,000
Net change in the year / period	-	(76,455)	(76,455)	1 179,603
Opening shareholders' funds	10,000	1,169,603	1,179,603	-
Closing shareholders' funds	10,000	1,093,148	1,103,148	1,179,603

11 Contingent liabilities

The Company, along with certain of its subsidiary undertakings, has provided cross guarantees in respect of Arcadia Group Limited's 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 guaranteed by the Company under these arrangements totalled £6,007,000 (2005 £8,828,000). The directors do not expect a loss to arise as a result of this guarantee.

Taveta Investments (No. 2) Limited

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

12 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.