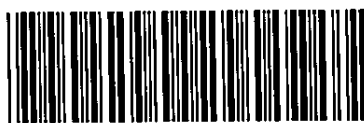


Registered Number 237511

Arcadia Group Limited  
Annual report  
for the year ended 29 August 2009

FRIDAY



\*LNYVTKDR\*

LD2

28/05/2010

113

COMPANIES HOUSE

---

**Arcadia Group Limited**  
**Annual report**  
**for the year ended 29 August 2009**

**Contents**

|  |   |
|--|---|
| Directors' report for the year ended 29 August 2009                  | 1 |
| Independent auditors' report to the members of Arcadia Group Limited | 3 |
| Profit and loss account for the year ended 29 August 2009            | 4 |
| Balance sheet as at 29 August 2009                                   | 5 |
| Accounting policies  | 6 |
| Notes to the financial statements for the year ended 29 August 2009  | 8 |

# **Arcadia Group Limited (registered number: 237511)**

## **Directors' report for the year ended 29 August 2009**

The directors present their report together with the audited financial statements of the Company for the year ended 29 August 2009

### **Principal activities, review of business and dividends**

The Company's principal activities are those of a property and investment holding company. The Company also provides administrative and logistical services to its subsidiary undertakings.

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 29 August 2009 is given on page 1 to the financial statements of that company.

The directors do not recommend the payment of a dividend (2008: £nil) and the retained profit for the year of £55,410,000 (2008: £56,178,000) has therefore 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, 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 held office during the year ended 29 August 2009 were as follows:

Ian Allkins (resigned 28 August 2009)

Paul Budge

Paul Coackley

Ian Grabiner

Lord Grabiner QC

Sir Philip Green

### **Donations**

During the year, donations to the value of £210,000 (2008: £321,000) were given to various UK charitable organisations.

# Arcadia Group Limited (registered number: 237511)

## Directors' report for the year ended 29 August 2009 (continued)

### Employees

All staff are informed about matters concerning their interests as employees and the financial position of the 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 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.

### 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.

### On behalf of the Board

Paul Budge

Director

22 April 2010



# Arcadia Group Limited

## Independent auditors' report to the members of Arcadia Group Limited

We have audited the financial statements of Arcadia Group Limited for the year ended 29 August 2009 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 29 August 2009 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 matters 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  
22 April 2010

# Arcadia Group Limited

## Profit and loss account for the year ended 29 August 2009

|   | Note | 2009<br>£'000 | 2008<br>£'000 |
|---|------|---------------|---------------|
| <b>Turnover</b>   | 1    | <b>67,931</b> | 66,853        |
| Cost of sales   |      | (15,532)      | (6,773)       |
| <b>Gross profit</b>   |      | <b>52,339</b> | 60,080        |
| Distribution costs  |      | (30,558)      | (33,946)      |
| Administrative expenses   |      | (25,055)      | (28,590)      |
| Other operating income  | 2    | 5,630         | 7,043         |
| <b>Operating profit</b>   | 2    | <b>2,416</b>  | 4,587         |
| Income from fixed asset investments                               |      | 72            | 7,491         |
| Provision against fixed asset investments                         |      | -             | (7,491)       |
| <b>Profit on ordinary activities before interest and taxation</b> |      | <b>2,488</b>  | 4,587         |
| Net interest receivable and similar income                        | 3    | 55,257        | 90,299        |
| <b>Profit before taxation</b>                                     |      | <b>57,745</b> | 94,886        |
| Taxation  | 5    | (2,335)       | (38,708)      |
| <b>Retained profit for the year</b>                               | 14   | <b>55,410</b> | 56,178        |

All of the results in the profit and loss account above relate to continuing activities

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

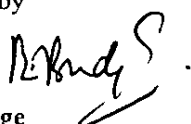
There is no difference between the profit before taxation and the retained profit for the year stated above and their historical cost equivalents

# Arcadia Group Limited

## Balance sheet as at 29 August 2009

|   | Note | 2009<br>£'000    | 2008<br>£'000    |
|---|------|------------------|------------------|
| <b>Fixed assets</b>   |      |                  |                  |
| Tangible assets   | 6    | 31,747           | 42,789           |
| Investments   | 7    | 2,948,240        | 2,734,979        |
|   |      | <b>2,979,987</b> | <b>2,777,768</b> |
| <b>Current assets</b>   |      |                  |                  |
| Stocks  |      | 270              | 320              |
| Debtors   | 8    | 20,587           | 26,975           |
| Cash at bank and in hand                                      |      | 11,447           | 1,491            |
|   |      | <b>32,304</b>    | <b>28,786</b>    |
| <b>Creditors</b> amounts falling due within one year          | 9    | (108,717)        | (144,408)        |
| <b>Net current liabilities</b>                                |      | <b>(76,413)</b>  | <b>(115,622)</b> |
| <b>Total assets less current liabilities</b>                  |      | <b>2,903,574</b> | <b>2,662,146</b> |
| <b>Creditors</b> amounts falling due after more than one year | 10   | (1,824,835)      | (1,631,915)      |
| <b>Provisions for liabilities and charges</b>                 | 11   | (2,418)          | (9,320)          |
| <b>Net assets</b>   |      | <b>1,076,321</b> | <b>1,020,911</b> |
| <b>Capital and reserves</b>                                   |      |                  |                  |
| Called up share capital                                       | 12   | 168,163          | 168,163          |
| Share premium account   | 13   | 393,676          | 393,676          |
| Capital redemption reserve                                    | 13   | 223,431          | 223,431          |
| Profit and loss account                                       | 13   | 291,051          | 235,641          |
| <b>Equity shareholders' funds</b>                             | 14   | <b>1,076,321</b> | <b>1,020,911</b> |

The financial statements on pages 4 to 17 were approved by the board of directors on 22 April 2010 and were signed on its behalf by

  
Paul Budge  
Director

# Arcadia Group Limited

## Accounting policies

### Accounting convention

The financial statements are drawn up on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

### 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 the Company's cash flows are included within the consolidated cash flow statement of its ultimate parent undertaking, Taveta Investments Limited.

### Turnover

Turnover represents rents receivable from group undertakings and external tenants, together with amounts charged to group undertakings for the provision of administrative and logistical services. It accrues on a daily basis and is stated net of value added tax.

### Other operating income

Income from the operation of the Group's store card business is recognised in the same period as the underlying sales transaction. Upfront contributions towards the Group's store card business have been deferred and are being released to the profit and loss account over the term of the related contract.

### 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 investments. Income from fixed asset investments represents dividends received from subsidiary undertakings.

### Tangible fixed assets

Fixed assets are stated at cost. Fixed asset values are reviewed for impairment in accordance with Financial Reporting Standard 11. Impairment of fixed assets and goodwill.

### Depreciation

Depreciation is provided so as to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Land: not depreciated

Freehold and long leasehold buildings over 50 years: depreciated to their estimated residual value over their estimated useful economic life.

Short leasehold land and buildings: life of lease.

Office equipment: 10 years.

Computer equipment: 3 to 4 years.

Motor vehicles are depreciated on the reducing balance basis at a rate of 25% per annum.



# Arcadia Group Limited

## Accounting policies (continued)

### Pension costs

The Company operates a couple of defined benefit schemes on behalf of its employees and those of its subsidiaries. The employing companies contribute 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 and its subsidiaries are unable to identify their respective share of the schemes' underlying assets and liabilities.

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

### 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 is not recognised on revalued assets unless there is a binding agreement at the balance sheet date to sell the revalued asset and the related gain or loss has been recognised in the financial statements. Deferred tax assets and liabilities are not discounted.

### Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. 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. Exchange differences are dealt with in the profit and loss account.

### Leased assets

Assets held under finance leases are capitalised as tangible fixed assets and depreciated over the shorter of their estimated useful economic lives and the period of the lease. Rentals are apportioned between reductions in the capital obligations included within creditors and finance charges which are charged to the profit and loss account at a constant effective rate of interest.

Rentals payable under operating leases are charged to the profit and loss account as incurred 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.

### Treasury instruments

Gains and losses on hedges of payments or receipts are deferred and only recognised as they crystallise. Gains and losses on forward currency 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.

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009

### 1 Turnover

Turnover is wholly attributable to the Company's principal activities and arises in the United Kingdom. Turnover includes management charges of £67,100,000 (2008: £65,650,000) levied on the Company's subsidiary undertakings.

### 2 Operating profit

|   | 2009<br>£'000 | 2008<br>£'000 |
|---|---------------|---------------|
| <b>Operating profit is stated after charging / (crediting):</b> |               |               |
| Employment costs (note 4)                                       | 101,349       | 93,502        |
| Depreciation - owned assets                                     | 8,984         | 9,147         |
| - leased assets   | 949           | 811           |
| Property rentals received                                       | (816)         | (1,199)       |
| Property rentals paid   | 1,193         | 1,164         |
| Other operating lease rentals                                   | 2,799         | 2,995         |
| Other operating income (see below)                              | (5,630)       | (7,043)       |
| <b>Auditors' remuneration</b>                                   |               |               |
| <i>Audit services</i>   |               |               |
| Statutory audit of the Company and its subsidiaries             | 147           | 151           |
| <i>Tax services</i>   |               |               |
| Compliance  | 16            | 16            |
| Other tax services  | 407           | 218           |
| <i>All other services</i>                                       | 28            | 79            |

Other operating income mainly arises from the operation of the Group's store cards.

### 3 Net interest receivable and similar income

|   | 2009<br>£'000  | 2008<br>£'000  |
|---|----------------|----------------|
| <b>Interest and similar charges payable on</b>    |                |                |
| Bank overdrafts                                   | (936)          | (2,005)        |
| Finance leases                                    | (508)          | -              |
|   | <b>(1,444)</b> | <b>(2,005)</b> |
| <b>Interest receivable on</b>                     |                |                |
| Bank deposits                                     | 10             | 29             |
| Other deposits                                    | 464            | 765            |
| Loans to group undertakings                       | 56,227         | 91,510         |
| <b>Interest receivable and similar income</b>     | <b>56,701</b>  | <b>92,304</b>  |
| <b>Net interest receivable and similar income</b> | <b>55,257</b>  | <b>90,299</b>  |

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 4 Employees and directors

Particulars of employee costs (including executive directors) are shown below

|  | 2009<br>£'000  | 2008<br>£'000 |
|--|----------------|---------------|
| <b>Employees (including executive directors)</b> |                |               |
| Wages and salaries                               | 90,283         | 82,434        |
| Social security costs                            | 9,347          | 8,593         |
| Pension costs (note 17)                          | 1,719          | 2,475         |
| <b>Total employment costs</b>                    | <b>101,349</b> | <b>93,502</b> |

The average monthly number of people employed by the Company during the year was 2,118 (2008 2,163). All of these employees provide administrative support to the Company's retailing subsidiaries and where this can be directly allocated, the related employment costs are recharged accordingly.

The equivalent average number of full-time employees was 2,061 (2008 2,106).

|   | 2009<br>£'000 | 2008<br>£'000 |
|---|---------------|---------------|
| <b>Total directors' remuneration comprises:</b> |               |               |
| Aggregate emoluments                            | 2,994         | 2,463         |

The Company has not contributed to any money purchase pension arrangements on behalf of its directors.

At the year end, 2 directors (2008 2) had retirement benefits accruing under the Company's defined benefit pension schemes.

|                              | 2009<br>£'000 | 2008<br>£'000 |
|------------------------------|---------------|---------------|
| <b>Highest paid director</b> |               |               |
| Aggregate emoluments         | 1,627         | 1,167         |

The highest paid director has an accrued annual pension of £27,500 (2008 £22,200) under the Company's defined benefit arrangements.

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 5 Taxation

|   | 2009<br>£'000 | 2008<br>£'000 |
|---|---------------|---------------|
| <b>a Analysis of tax charge for the year</b>                            |               |               |
| Based on the profit for the year  |               |               |
| UK corporation tax at 28% (2008 29 17%)                                 |               |               |
| - Current year  | 16,389        | 33,589        |
| - Prior years   | (7,152)       | 503           |
| Total current tax (note 5b)   | 9,237         | 34,092        |
| Deferred tax – origination and reversal of timing differences (note 11) | (6,902)       | 4,616         |
| <b>Total taxation</b>   | <b>2,335</b>  | <b>38,708</b> |

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

|  | 2009<br>£'000 | 2008<br>£'000 |
|--|---------------|---------------|
| <b>b Factors affecting the current tax charge for the year</b>   |               |               |
| Profit before taxation   | 57,745        | 94,886        |
| Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2008 29 17%) | 16,169        | 27,678        |
| Effects of   |               |               |
| Expenses not deductible for tax purposes   | 979           | 5,521         |
| Income not assessable for tax purposes   | (20)          | -             |
| Capital allowances in excess of depreciation   | (151)         | (610)         |
| Other timing differences   | (588)         | 1,000         |
| Adjustment in respect of prior years   | (7,152)       | 503           |
| <b>Current tax charge for the year (note 5a)</b>   | <b>9,237</b>  | <b>34,092</b> |

The Company has entered into a group payment arrangement with HMRC whereby it undertakes to make corporation tax payments on behalf of all subsidiary companies within the same tax group Accordingly, at the year end the aggregate corporation tax liability of all companies within this tax group has been included within the Company's creditors (note 9) whilst a corresponding debtor has either been recognised within loans to group undertakings (note 7) or offset against amounts owed to subsidiary undertakings (note 10)

#### c. Factors that may affect future tax charges

Based on current capital investment plans, the Company expects capital allowances to exceed depreciation in future years at a similar rate to the current year The Company also expects to incur a similar level of non-deductible expenditure

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 6 Tangible fixed assets

|                                 | Short leasehold<br>land and buildings<br>£'000 | Fit out, fixtures<br>and equipment<br>£'000 | Total<br>£'000 |
|---------------------------------|--|---|----------------|
| <b>Cost</b>                     |  |   |                |
| At 31 August 2008               | 331  | 71,111                                      | 71,442         |
| Transfers to group undertakings | -  | (39)  | (39)           |
| Disposals                       | -  | (1,428)                                     | (1,428)        |
| <b>At 29 August 2009</b>        | <b>331</b>                                     | <b>69,644</b>                               | <b>69,975</b>  |
| <b>Accumulated depreciation</b> |  |   |                |
| At 31 August 2008               | 95   | 28,558                                      | 28,653         |
| Charge for the year             | 47   | 9,886                                       | 9,933          |
| Transfers to group undertakings | -  | (3)   | (3)            |
| Disposals                       | -  | (355)                                       | (355)          |
| <b>At 29 August 2009</b>        | <b>142</b>                                     | <b>38,086</b>                               | <b>38,228</b>  |
| <b>Net book value</b>           |  |   |                |
| <b>At 29 August 2009</b>        | <b>189</b>                                     | <b>31,558</b>                               | <b>31,747</b>  |
| At 30 August 2008               | 236  | 42,553                                      | 42,789         |

| <b>Assets held under finance leases and capitalised in<br/>fit out, fixtures and equipment</b> | <b>2009<br/>£'000</b> | <b>2008<br/>£'000</b> |
|--|-----------------------|-----------------------|
| Cost   | 4,470                 | 4,470                 |
| Accumulated depreciation   | (1,760)               | (811)                 |
| <b>Net book amount</b>   | <b>2,710</b>          | <b>3,659</b>          |

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 7 Fixed asset investments

| Group undertakings | Shares in group undertakings |                    | Loans         |                    | Total     |
|--------------------|------------------------------|--------------------|---------------|--------------------|-----------|
|                    | Cost<br>£'000                | Provision<br>£'000 | Cost<br>£'000 | Provision<br>£'000 |           |
| At 31 August 2008  | 1,487,492                    | (296,420)          | 1,701,227     | (157,320)          | 2,734,979 |
| Additions          | 225                          | -                  | 234,844       | (1,949)            | 233,120   |
| Repayments         | (7,864)                      | 7,619              | (32,597)      | 12,983             | (19,859)  |
| At 29 August 2009  | 1,479,853                    | (288,801)          | 1,903,474     | (146,286)          | 2,948,240 |

Advantage has been taken of Section 430 (1) and (2) of the Companies Act 2006 not to disclose all group undertakings on the basis that such information would be of excessive length. The principal group undertakings in which the Company is invested are as follows:

| Group undertaking                       | Country of operation | Country of incorporation or registration | Main activity               |
|---|----------------------|--|-----------------------------|
| Arcadia Group Brands Ltd *              | UK                   | England                                  | Brand management            |
| Arcadia Group Multiples (Ireland) Ltd * | Ireland              | Ireland                                  | Fashion retailing           |
| Burton Retail Ltd*                      | UK                   | England                                  | Fashion retailing           |
| Dorothy Perkins Retail Ltd*             | UK                   | England                                  | Fashion retailing           |
| Evans Ltd*                              | UK                   | England                                  | Fashion retailing           |
| Gresse Street Ltd                       | UK                   | England                                  | Property investment         |
| Miss Selfridge Retail Ltd               | UK                   | England                                  | Fashion retailing           |
| Miss Selfridge Retail (Ireland) Ltd*    | Ireland              | Ireland                                  | Fashion retailing           |
| Muse Retail Ltd                         | UK                   | England                                  | Fashion accessory retailing |
| Outfit Retail Ltd                       | UK                   | England                                  | Fashion retailing           |
| Redcastle Ltd                           | UK                   | England                                  | Property investment         |
| Redcastle (214 Oxford Street) Ltd*      | UK                   | England                                  | Property investment         |
| Redcastle Property Mortgage Ltd*        | UK                   | England                                  | Property investment         |
| Top Shop/Top Man Ltd*                   | UK                   | England                                  | Fashion retailing           |
| Wallis Retail Ltd                       | UK                   | England                                  | Fashion retailing           |
| Wallis Retail (Ireland) Ltd*            | Ireland              | Ireland                                  | Fashion retailing           |
| Zoom.co.uk Ltd                          | UK                   | England                                  | E-commerce                  |

\* Denotes indirect shareholding

Other than Gresse Street Limited and Muse Retail Limited, which are 53% and 50% owned, respectively, the Company owns the whole of the above companies issued ordinary share capital.

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.

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 8 Debtors

|   | 2009<br>£'000 | 2008<br>£'000 |
|---|---------------|---------------|
| <b>Amounts falling due within one year</b>        |               |               |
| Amounts due from joint venture – loan             | 449           | 149           |
| Amounts due from joint venture – trading balances | -             | 572           |
| Other debtors (including VAT)                     | 8,853         | 15,536        |
| Prepayments and accrued income                    | 11,285        | 10,718        |
|   | <b>20,587</b> | <b>26,975</b> |

### 9 Creditors – amounts falling due within one year

|   | 2009<br>£'000  | 2008<br>£'000  |
|---|----------------|----------------|
| Bank overdrafts                                 | 374            | 47,548         |
| Trade creditors                                 | 16,263         | 16,433         |
| Finance leases                                  | 951            | 1,605          |
| Amounts due to joint venture – trading balances | 86             | -              |
| Corporation tax (note 5)                        | 40,428         | 30,925         |
| Other taxation and social security              | 4,985          | 5,643          |
| Other creditors                                 | 9,995          | 7,649          |
| Accruals and deferred income                    | 35,635         | 34,605         |
|   | <b>108,717</b> | <b>144,408</b> |

### 10 Creditors – amounts falling due after one year

|   | 2009<br>£'000    | 2008<br>£'000    |
|---|------------------|------------------|
| Finance leases falling due              |                  |                  |
| - between one and two years             | 92               | 951              |
| - between two and five years            | -                | 92               |
| Amounts owed to subsidiary undertakings | 1,785,046        | 1,585,575        |
| Other creditors                         | 9,915            | 9,915            |
| Accruals and deferred income            | 29,782           | 35,382           |
|   | <b>1,824,835</b> | <b>1,631,915</b> |

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 11 Provisions for liabilities and charges

#### Deferred taxation

The movement in the Company's deferred tax balance is as follows

|                                   | £'000        |
|-----------------------------------|--------------|
| At 31 August 2008                 | 9,320        |
| Profit and loss account (note 5a) | (6,902)      |
| <b>At 29 August 2009</b>          | <b>2,418</b> |

|                                | Amount provided /<br>(recognised) |               | Amount unrecognised |                |
|--------------------------------|-----------------------------------|---------------|---------------------|----------------|
|                                | 2009<br>£'000                     | 2008<br>£'000 | 2009<br>£'000       | 2008<br>£'000  |
| Accelerated capital allowances | (2,500)                           | (977)         | -                   | -              |
| Other timing differences       | 4,918                             | 10,297        | -                   | -              |
| Capital losses                 | -                                 | -             | (6,603)             | (6,603)        |
|                                | <b>2,418</b>                      | <b>9,320</b>  | <b>(6,603)</b>      | <b>(6,603)</b> |

The Company has not recognised a potential deferred tax asset in respect of agreed capital losses as there is insufficient evidence that it will generate the capital profits required to utilise the losses

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods when timing differences reverse, based on tax rates at the balance sheet date

### 12 Called up share capital

|                                 | 2009           |                  | 2008           |                  |
|---------------------------------|----------------|------------------|----------------|------------------|
|                                 | £'000          | No ('000)        | £'000          | No ('000)        |
| <b>Authorised</b>               |                |                  |                |                  |
| Ordinary shares of 80p each     | 200,000        | 250,000          | 200,000        | 250,000          |
| Deferred shares of 40p each     | 320,000        | 800,000          | 320,000        | 800,000          |
|                                 | <b>520,000</b> | <b>1,050,000</b> | <b>520,000</b> | <b>1,050,000</b> |
| <b>Called up and fully paid</b> |                |                  |                |                  |
| Ordinary shares of 80p each     | 168,163        | 210,204          | 168,163        | 210,204          |



# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 13 Reserves

|                              | Share<br>premium<br>account<br>£'000 | Capital<br>redemption<br>reserve<br>£'000 | Profit and loss<br>account<br>£'000 | Total<br>£'000 |
|------------------------------|--------------------------------------|---|-------------------------------------|----------------|
| At 31 August 2008            | 393,676                              | 223,431                                   | 235,641                             | 852,748        |
| Retained profit for the year | -                                    | -   | 55,410                              | 55,410         |
| <b>At 29 August 2009</b>     | <b>393,676</b>                       | <b>223,431</b>                            | <b>291,051</b>                      | <b>908,158</b> |

### 14 Reconciliation of movements in equity shareholders' funds

|                                    | 2009<br>£'000    | 2008<br>£'000    |
|------------------------------------|------------------|------------------|
| Retained profit for the year       | 55,410           | 56,178           |
| Opening shareholders' funds        | 1,020,911        | 964,733          |
| <b>Closing shareholders' funds</b> | <b>1,076,321</b> | <b>1,020,911</b> |

### 15 Financial commitments

At 29 August 2009 the Company had capital commitments contracted but not provided for of £4,537,000 (2008 £7,151,000). In addition, the Company leases a number of properties from external landlords under non-cancellable operating leases that are subject to renegotiation at various dates. The minimum annual rentals under the foregoing are

|  | 2009<br>£'000 | 2008<br>£'000 |
|--|---------------|---------------|
| Operating leases which expire          |               |               |
| - within one year                      | 840           | 808           |
| - between two and five years inclusive | 316           | 316           |
| - after five years                     | 883           | 883           |
|  | <b>2,039</b>  | <b>2,007</b>  |

The Company also leases certain items of plant and machinery along with vehicles whose minimum annual rentals are as follows

|  | 2009<br>£'000 | 2008<br>£'000 |
|--|---------------|---------------|
| <b>Other assets</b>                    |               |               |
| Operating leases which expire          |               |               |
| - within one year                      | 1,712         | 318           |
| - between two and five years inclusive | 1,657         | 1,602         |
|  | <b>3,369</b>  | <b>1,920</b>  |

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 16 Contingent liabilities

The Company, along with certain of its subsidiary undertakings, has provided cross guarantees in respect of its parent undertaking's bank borrowings. The borrowings are secured by way of 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 £635,000,000 (2008 £670,000,000). The directors do not expect a loss to arise as a result of providing these guarantees.

The Company has also guaranteed the rents payable by certain subsidiary undertakings which amounted to £21,554,000 (2008 £24,587,000) during the year.

### 17 Pension schemes

Eligible employees participate in a couple of defined benefit schemes operated by the Company to which the Company and a number of its subsidiaries contribute 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 £6,719,000 (2008 £12,475,000) to the above schemes, which included £5,000,000 (2008 £10,000,000) of prepaid contributions in respect of future years. The current year amount related to only one of the schemes and comprised three separate elements. A contribution, representing 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 scheme's past service funding deficit. The Company did not contribute to the other scheme, as any contributions that would have been payable in respect of future benefits were 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 29 August 2009 for the purposes of FRS 17, identified that the present value of their liabilities exceeded the market value of the schemes' assets by £80,502,000 (2008 £32,793,000 surplus). 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 Company's defined benefit schemes are now closed to new entrants and eligible employees joining the Company are offered the opportunity to join the Group's defined contribution scheme.

# Arcadia Group Limited

## Notes to the financial statements for the year ended 29 August 2009 (continued)

### 18 Parent undertaking, controlling party and related party disclosures

The Company's ultimate parent undertaking is Taveta Investments Limited ('Taveta'), a company incorporated in England, which 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 available within 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.

Muse Retail Limited ('Muse') is a joint venture between the Company and DCK Concessions Limited. The Company provides Muse with support in a number of areas including administration, marketing and treasury. During the year the Company invoiced Muse £266,000 (2008 £265,000) in respect of these services. At the year end Muse owed the Company £363,000 (2008 £721,000).

One of the Company's subsidiaries is a member of the Fashion Retail Academy ('FRA'), which is a higher education academy that provides students with a range of courses with an emphasis on retailing. During the year, the Company charged FRA £37,000 (2008 £44,000) for administrative expenses and also provided FRA with other services on a gratis basis. In addition, FRA invoiced the Company £10,000 (2008 £25,000) for the use of its facilities and during 2008 earned £13,000 of interest on bank balances deposited on its behalf by the Company. At the year end there was no amount outstanding between the two companies (2008 £29,000 debtor).