

Registered Number 237511

Arcadia Group Limited
(formerly Arcadia Group plc)
Annual report
for the year ended 30 August 2003



Arcadia Group Limited
Annual report
for the year ended 30 August 2003

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Arcadia Group Limited

Directors' report for the year ended 30 August 2003

The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 30 August 2003.

Principal activities

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.

Developments during the year

On 15 October 2002, the Company was acquired by Taveta Investments Limited. As a consequence of the change of control, the Company's shares were de-listed from the London Stock Exchange on 9 December 2002 and the Company was re-registered as a private limited company on 10 December 2002.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results for the financial year and dividends

The profit and loss account is set out on page 5.

The directors have declared an interim dividend of £50,000,000 (2002: £11,749,000). The directors are not recommending the payment of a final dividend (2002: nil). After payment of the interim dividend, the retained loss for the year of £8,788,000 (2002: £18,010,000 retained profit) will be deducted from reserves.

Directors and their interests

The current directors of the Company are:

Lord Grabiner QC	(appointed 31 October 2002)
I Grabiner	(appointed 12 December 2002)
PE Budge	(appointed 31 March 2003)
PNR Green	(appointed 16 October 2002)
IM Allkins	(appointed 16 October 2002)
P Coackley	(appointed 16 October 2002)
JP Readman	(appointed 16 October 2002)

The following also held office during the year:

SAR Rose	(resigned 31 December 2002)
NP Hall	(resigned 21 February 2003)
CA Wilson	(resigned 26 February 2003)
AHC Broadbent	(resigned 16 October 2002)
AJ Camwath	(resigned 16 October 2002)
BA Cragg	(resigned 16 October 2002)
DMC Michels	(resigned 16 October 2002)
P Wicks	(resigned 16 October 2002)

PNR Green, IM Allkins and P Coackley are directors of Taveta Investments Limited, the Company's parent undertaking, and their interests in the shares of group undertakings are disclosed in that company's financial statements.

Arcadia Group Limited

Directors' report for the year ended 30 August 2003 (continued)

Directors and their interests (continued)

None of the other directors had an interest in the share capital of the Company or any of its' subsidiary undertakings. Their beneficial interests in the share capital of Taveta Investments Limited were as follows:

	Number of ordinary shares of 10 pence each	
	At date of appointment	At 30 August 2003
Lord Grabiner QC	-	515,000
I Grabiner	-	1,031,000
JP Readman	-	257,500

Donations

During the year the Company made charitable donations totalling £250,000 (2002: £135,000).

Employees

The Company and its subsidiaries (hereafter 'the Group') are committed to the principle of equal opportunity in employment. The Group seeks to ensure that all applicants or employees receive equal treatment on the grounds of gender, marital status, race, colour, nationality, ethnic or national origin, religion, disability or sexuality and are not disadvantaged by conditions or requirements, including age limits, which cannot be objectively justified on job-related grounds. It applies employment policies that are fair and equitable and which ensure that entry into, and progression within, the Group are determined solely by the application of job criteria and by personal aptitude and competence.

It is the Group's policy to comply with best practice on the employment of disabled people. Full and fair consideration is given to every application for employment from disabled persons whose aptitude and skills can be utilised within the business and to their training and career development. Wherever possible, this includes the retraining and retention of staff who become disabled during their employment.

All staff are kept informed about matters concerning their interests as employees and the financial position of the Group through a variety of communication channels including face-to-face briefings, an intranet site supplemented by e-mail announcements and a quarterly magazine. During the year, the Group promoted the involvement of employees in its performance through their participation in various performance-related bonus schemes. Wherever practicable, part-time employees were eligible to participate in these schemes on the same basis as full-time staff.

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 the 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 applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 30 August 2003 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.

Arcadia Group Limited

Directors' report for the year ended 30 August 2003 (continued)

Independent auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned with effect from 31 January 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. On 16 April 2003 the Company 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.

On behalf of the Board



PE Budge

Director

29 January 2004

Arcadia Group Limited

Independent auditors' report to the members of Arcadia Group Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

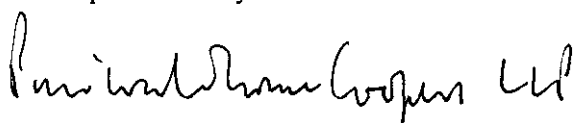
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 of the state of the Company's affairs at 30 August 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Leeds

29 January 2004

Arcadia Group Limited

Profit and loss account for the year ended 30 August 2003

	Note	2003 £'000	2002 £'000
Turnover	1	315,236	334,511
Cost of sales (including exceptional items)	3	(279,966)	(292,808)
Gross profit		35,270	41,703
Distribution costs		(44,940)	(41,098)
Administrative expenses (including exceptional items)	3	(43,273)	(44,770)
Other operating income	2	19,467	12,899
Operating loss	2	(33,476)	(31,266)
Operating loss before exceptional items		(17,156)	(31,266)
Exceptional items	3	(16,320)	-
Profit / (loss) on sale of fixed assets	3	17,970	(9,321)
Income from fixed asset investments		60,662	59,305
Net interest receivable and similar income	4	10,338	4,680
Profit before taxation		55,494	23,398
Taxation	6	(14,282)	6,361
Profit for the financial year		41,212	29,759
Dividends	7	(50,000)	(11,749)
Retained (loss) / profit for the year	18	(8,788)	18,010

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.

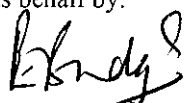
There is no significant difference between the profit before taxation and the retained loss for the year stated above and their historical cost equivalents.

Arcadia Group Limited

Balance sheet as at 30 August 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	8	43,812	62,447
Investments	9	3,019,803	2,717,451
		3,063,615	2,779,898
Current assets			
Stocks		692	-
Debtors – due within one year	10	24,906	105,899
Debtors – due after one year	10	4,662	33,884
		29,568	139,783
Cash at bank and in hand		66,563	294,584
		96,823	434,367
Creditors: amounts falling due within one year	11	(170,679)	(287,037)
Net current (liabilities) / assets		(73,856)	147,330
Total assets less current liabilities		2,989,759	2,927,228
Creditors: amounts falling due after more than one year	12	(2,187,780)	(2,173,542)
Provisions for liabilities and charges	14	-	(3,036)
Net assets		801,979	750,650
Capital and reserves			
Called up share capital	16	168,163	151,956
Share premium account	17	393,676	328,572
Capital redemption reserve	17	223,431	223,431
Profit and loss account	17	16,709	46,691
Equity shareholders' funds	18	801,979	750,650

The financial statements on pages 5 to 21 were approved by the board of directors on 29 January 2004 and were signed on its behalf by:



PE Budge
Director

Arcadia Group Limited

Accounting policies

Accounting convention

The financial statements are drawn up under the historical cost convention as modified by the revaluation of certain properties and in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been consistently applied, 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' parent undertaking, Taveta Investments Limited.

Turnover

Turnover represents rents receivable from other group undertakings and external tenants, together with amounts charged to group undertakings for the provision of administrative and logistical services.

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.

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.

Pension costs

The cost of providing pension benefits is charged to the profit and loss account as a constant percentage of pensionable earnings over the period benefiting from scheme employees' services. Actuarial surpluses are amortised over the expected remaining service lives of current scheme employees. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet. As disclosed in note 21 to the financial statements the Company has taken advantage of the transitional implementation arrangements provided by FRS 17 'Retirement benefits'.

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.

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Accounting policies (continued)

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. Receipts and payments from interest rate swaps used to manage interest on borrowings or deposits are accrued to match the income or expense of the underlying borrowing or deposit.

Arcadia Group Limited

Notes to the financial statements for the year ended 30 August 2003

1 Turnover

Turnover is wholly attributable to the Company's principal activities and arises in the United Kingdom. Turnover includes management charges of £114,500,000 (2002: £122,500,000) levied on the Company's subsidiary undertakings.

2 Operating loss

	2003	2002
Operating loss before exceptional items is stated after charging / (crediting)	£'000	£'000
Employment costs (note 5)	95,691	99,327
Depreciation		
- owned assets	15,740	21,120
- under finance leases	1,070	288
Professional fees associated with aborted take-over approach	-	1,500
Property rentals received	(166,047)	(176,391)
Property rentals paid (see below)	185,131	198,070
Other operating lease rentals	2,647	3,012
Other operating income (see below)	(19,467)	(12,899)
Auditors' remuneration (see below)	229	100
Other fees paid to auditors	455	1,136

Other operating income arises from providing services to Rubicon (£10,967,000 (2002: £12,899,000) – refer note 22) and the operation of the Group's store cards (£8,500,000), including the release of deferred income. During 2003 the Group's audit fees have been borne by the Company. Property rentals are mainly paid to other group undertakings.

3 Exceptional items

	2003	2002
	£'000	£'000
Charged in arriving at operating loss		
Within cost of sales:		
- Write off of obsolete fixed assets	(7,476)	-
Within administrative expenses:		
- Costs associated with takeover	(8,844)	-
	(16,320)	-
Credited / (charged) after operating loss		
Profit on sale of fixed assets:		
- Profit on sale of own shares held by ESOPs to Taveta	8,523	-
- Profit on sale of shares in Rubicon	9,447	-
Loss on sale of subsidiary to Rubicon	-	(9,321)
	17,970	(9,321)
Total exceptional items	1,650	(9,321)

The tax credit arising on the exceptional items above amounts to £300,000 (2002: £560,000).

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Notes to the financial statements for the year ended 30 August 2003 (continued)

4 Net interest receivable and similar income

	2003 £'000	2002 £'000
Interest payable on:		
Bank loans and overdrafts repayable within five years	(294)	(1,811)
Interest payable on finance lease obligations	(62)	(128)
Other interest payable	(182)	(2,022)
Interest and similar charges payable	(538)	(3,961)
Interest receivable on:		
Rubicon loan notes (note 22)	661	-
Bank deposits	4,654	3,419
Loans to group undertakings	5,561	5,222
Interest receivable	10,876	8,641
Net interest receivable and similar income	10,338	4,680

5 Employees and directors

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

	2003 £'000	2002 £'000
Employees		
Wages and salaries	86,155	90,489
Social security costs	7,216	8,475
Pension costs (note 21)	2,507	363
Total employment costs	95,878	99,327

The average number of people employed by the Company was 1,629 (2002:1,752).

	2003 £'000	2002 £'000
Total directors' remuneration comprises:		
Aggregate emoluments	4,737	2,787
Company contributions to money purchase pension schemes	187	363
	4,924	3,150

At the year end, 3 directors (2002: 3) had retirement benefits accruing under the Company's defined benefit pension schemes. During the previous year, 2 directors were members of these schemes up to the Inland Revenue salary cap and were members of individual money purchase schemes in respect of the excess portion of their basic salary.

Arcadia Group Limited

Notes to the financial statements for the year ended 30 August 2003 (continued)

5 Employees and directors (continued)

	2003	2002
	£'000	£'000
Highest paid director		
Aggregate emoluments	1,476	1,225
Money purchase pension scheme contributions	48	298
	1,524	1,523

The highest paid director has an accrued deferred pension of £6,000 per annum (2002: £90,000).

6 Taxation

	2003	2002
	£'000	£'000
a. Analysis of tax (charge) / credit for the year		
Based on the profit for the year		
UK corporation tax at 30% (2002: 30%):		
- Current year (note 6b)	(5,047)	8,445
- Prior years	(7,758)	-
Total current tax	(12,805)	8,445
Deferred tax – origination and reversal of timing differences (note 15)	(1,477)	(2,084)
Total taxation	(14,282)	6,361

The tax assessed for the period is lower than the standard rate of corporation tax in the United Kingdom (30%). The differences are explained below:

	2003	2002
	£'000	£'000
b. Factors affecting the tax (charge) / credit for the year		
Profit before taxation	55,494	23,398
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 30% (2002: 30%)	(16,648)	(7,019)
Effects of:		
Expenses not deductible for tax purposes	(928)	(3,333)
Income not assessable for tax purposes	18,000	17,792
Payments to QUEST (note 16)	2,421	-
Depreciation in excess of capital allowances	(579)	1,005
Other timing differences	(7,313)	-
Current tax (charge) / credit for the year (note 6a)	(5,047)	8,445

Arcadia Group Limited

Notes to the financial statements for the year ended 30 August 2003 (continued)

6 Taxation (continued)

During the year the Company has entered into a group payment arrangement with the Inland Revenue 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 11) whilst a corresponding debtor is recognised within amounts due from group undertakings.

c. Factors that may affect future tax charges

Based on current capital investment plans, the Company expects depreciation to exceed capital allowances in future years at a similar rate to the current year.

7 Dividends

	2003 £'000	2002 £'000
First interim declared / paid: 23.8p (2002: 3.5p) per ordinary share	50,000	6,488
Second interim declared: nil (2002: 4.0p) per ordinary share	-	5,793
	50,000	12,281
Receivable by ESOP trusts	-	(532)
	50,000	11,749

During 2002, shareholders waived the right to receive dividends totalling £2,104,000.

8 Tangible fixed assets

	Land and buildings £'000	Fit out, fixtures and equipment £'000	Total £'000
Cost			
At 1 September 2002	1,725	151,356	153,081
Additions	13	11,490	11,503
Group transfers out (net)	(867)	(3,941)	(4,808)
Disposals	(351)	(18,691)	(19,042)
At 30 August 2003	520	140,214	140,734
Depreciation			
At 1 September 2002	561	90,073	90,634
Charge for the year	32	16,778	16,810
Group transfers out (net)	(34)	-	(34)
Disposals	(351)	(10,137)	(10,488)
At 30 August 2003	208	96,714	96,922
Net book value			
At 30 August 2003	312	43,500	43,812
At 31 August 2002	1,164	61,283	62,447

Arcadia Group Limited

Notes to the financial statements for the year ended 30 August 2003 (continued)

8 Tangible fixed assets (continued)

Assets held under finance leases and included in fit out, fixtures and equipment:

	2003 £'000	2002 £'000
Cost	4,610	4,152
Accumulated depreciation	(1,825)	(755)
Net book amount	2,785	3,397
	2003 £'000	2002 £'000
Analysis of land and buildings		
Net book amount		
Freehold	-	837
Short leasehold	312	327
	312	1,164

9 Fixed asset investments

	2003 £'000	2002 £'000
Own shares	-	20,673
Group undertakings	3,019,803	2,696,778
	3,019,803	2,717,451
a. Own shares		£'000
Cost		
At 1 September 2002		40,405
Issue of shares to trust beneficiaries		(35,432)
Disposals		(4,973)
At 30 August 2003		-
Aggregate amortisation		
At 1 September 2002		19,732
Utilised on issue of shares to trust beneficiaries		(19,732)
At 30 August 2003		-
Net book amount at 30 August 2003		-
Net book amount at 31 August 2002		20,673

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Notes to the financial statements for the year ended 30 August 2003 (continued)

9 Fixed asset investments (continued)

	Shares		Loans		Total
	Cost	Provision	Cost	Provision	
b. Group undertakings	£'000	£'000	£'000	£'000	£'000
At 1 September 2002	1,455,515	(288,929)	1,686,283	(156,091)	2,696,778
Additions	15,250	-	743,596	-	758,846
Disposals	(350)	-	(435,471)	-	(435,821)
At 30 August 2003	1,470,415	(288,929)	1,994,408	(156,091)	3,019,803

Advantage has been taken of Section 231(5) of the Companies Act 1985 not to disclose all group undertakings on the basis that such information would be of excessive length. The Company's principal group undertakings 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
Miss Selfridge Retail Ltd	UK & Ireland	England	Fashion retailing
Outfit Retail Ltd	UK	England	Fashion retailing
Redcastle Ltd	UK	England	Property investment
Redcastle (214 Oxford Street) Ltd*	UK	England	Property investment
Redcastle Properties Ltd	UK	England	Property trading
Redcastle Property Mortgage Ltd*	UK	England	Property investment
Top Shop/Top Man Ltd*	UK	England	Fashion retailing
Wallis Retail Ltd	UK & Ireland	England	Fashion retailing
Zoom.co.uk Ltd	UK	England	E-commerce

* Denotes indirect subsidiary

A full list of subsidiary undertakings will be annexed to the Company's next annual return.

Other than Zoom.co.uk Ltd, which one of the Company's subsidiaries jointly owns with Associated Newspapers Limited, all of the above investments are wholly-owned subsidiaries. The Company's investment is in the ordinary share capital of the subsidiary concerned.

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 group undertakings is not less than the amount at which they are stated.

Arcadia Group Limited

Notes to the financial statements for the year ended 30 August 2003 (continued)

10 Debtors

	2003	2002
	£'000	£'000
Amounts falling due within one year		
Amounts due from joint venture	1,226	6,660
Amounts due from associate	-	8,941
Corporation tax recoverable	-	63,306
Other debtors	17,961	8,296
Prepayments and accrued income	3,075	14,625
Deferred tax (note 15)	2,644	4,071
	24,906	105,899

	2003	2002
	£'000	£'000
Amounts falling due after one year		
Amounts due from associate	-	21,767
Prepayments and accrued income	4,662	12,117
	4,662	33,884

At 31 August 2002 amounts due from associate falling due within and after one year included the £27,542,000 of redeemable loan notes issued by Rubicon Retail Limited (note 22).

Prepayments recoverable after more than one year represent the pension prepayment arising from the application of SSAP 24.

11 Creditors – amounts falling due within one year

	2003	2002
	£'000	£'000
Bank overdrafts	-	216,244
Finance leases (note 13)	500	1,102
Corporation tax (note 6)	65,399	-
Other taxation and social security	4,137	5,467
Other creditors	10,569	18,429
Accruals and deferred income	40,074	40,257
Proposed dividend	50,000	5,538
	170,679	287,037

Arcadia Group Limited

Notes to the financial statements for the year ended 30 August 2003 (continued)

12 Creditors – amounts falling due after one year

	2003 £'000	2002 £'000
Finance leases (note 13)	312	436
Amounts owed to subsidiary undertakings	2,115,433	2,173,106
Other creditors	4,300	-
Accruals and deferred income	67,735	-
	2,187,780	2,173,542

13 Lease obligations

The Company's finance lease obligations, which relate to fixtures and fittings, are as follows:

	2003 £'000	2002 £'000
Falling due:		
Within one year	500	1,102
Between one and two years	267	330
Between two and five years	45	106
	812	1,538

14 Provisions for liabilities and charges

	Rubicon £'000
At 1 September 2002	3,036
Utilised during the year	(1,963)
Transferred to creditors	(1,073)
At 30 August 2003	-

The Rubicon provision brought forward represented the Company's commitment to incur certain costs separating the Rubicon brands and has been partially utilised during the year. The unutilised element of the provision has been transferred to creditors as the timing and quantification of the Company's remaining obligations can now be readily ascertained.

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Notes to the financial statements for the year ended 30 August 2003 (continued)

15 Deferred taxation

The movement on the Company's deferred tax asset is as follows:

	£'000
At 1 September 2002	4,071
Charged to profit and loss account	(1,477)
Transferred from group undertakings	50
At 30 August 2003	2,644

	Amount recognised		Amount unrecognised	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Accelerated capital allowances	3,232	3,350	-	-
Other timing differences	(588)	721	-	-
	2,644	4,071	-	-

The Company's deferred tax asset is included within debtors. 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.

16 Called up share capital

	2003		2002	
	£'000	No. ('000)	£'000	No. ('000)
Authorised				
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
	520,000	1,050,000	520,000	1,050,000

Called up and fully paid

Ordinary shares of 80p each	168,163	210,204	151,956	189,945
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During the year, the Company allotted 20,259,000 ordinary shares, with a nominal value of £16,207,000, at an aggregate consideration of £81,311,000. Of this amount, 3,176,000 ordinary shares were subscribed for by the Arcadia Group Qualifying Employee Share Ownership Trust (QUEST) at a market value of £12,862,000. These shares were allocated to employees in satisfaction of options exercised under the Arcadia Group Employee Sharesave Scheme. The Company provided £8,070,000 to the QUEST for this purpose, for which it has received a corporation tax deduction.

One of the ESOP trusts operated by the Arcadia Group subscribed for a further 16,488,000 shares at their market value of £67,272,000. These shares were provided to directors and employees in satisfaction of options held under various incentive schemes. The Company contributed £13,124,000 to the ESOP to fund the purchase of these shares.

The cost of the contributions made by the Company to the QUEST and ESOP has been transferred directly to the profit and loss account reserve (note 17).

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Notes to the financial statements for the year ended 30 August 2003 (continued)

17 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 September 2002	328,572	223,431	46,691	598,694
Retained loss for the year	-	-	(8,788)	(8,788)
Premium on issue of shares	65,104	-	-	65,104
QUEST and share symmetry (note 16)	-	-	(21,194)	(21,194)
At 30 August 2003	393,676	223,431	16,709	633,816

18 Reconciliation of movements in shareholders' funds

	2003 £'000	2002 £'000
Profit for the financial year	41,212	29,759
Dividends	(50,000)	(11,749)
	(8,788)	18,010
Shares issued net of costs	81,311	817
QUEST and share symmetry (note 16)	(21,194)	-
Net change in shareholders' funds	51,329	18,827
Opening shareholders' funds	750,650	731,823
Closing shareholders' funds	801,979	750,650

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Notes to the financial statements for the year ended 30 August 2003 (continued)

19 Financial commitments

At 30 August 2003 the Company had capital commitments approved but not provided for amounting to £3,910,000 (2002: £10,947,000). 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:

	2003 £'000	2002 £'000
Operating leases which expire:		
- after five years	1,568	1,624

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

Other assets	2003 £'000	2002 £'000
Operating leases which expire:		
- within one year	480	464
- between two and five years inclusive	898	1,601
- after five years	1,670	3,335
	3,048	5,400

20 Contingent liabilities

The Company has guaranteed the rents payable by certain subsidiary undertakings which amounted to £90,298,000 (2002: £93,119,000) during the year.

The Company has also provided guarantees in respect of the bank overdraft facilities of certain overseas franchises, which at the year end amounted to £485,000 (2002: £510,000).

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Notes to the financial statements for the year ended 30 August 2003 (continued)

21 Pension schemes

The Company operates two funded defined benefit schemes in the UK, for the benefit of the group's employees. The assets of the two schemes are held in separate trustee administered funds, which were most recently actuarially valued as at 31 March 2001, using the projected unit method. The next formal actuarial valuations are due to take place as at 31 March 2004. Additionally, as a consequence of Taveta Investments Limited's purchase of the Company on 15 October 2002, the schemes' qualified independent actuaries conducted a review of the actuarial position of the Group's schemes as at that date.

The actuarial assumptions used during the course of these valuations, which had the most significant effect on the pension cost for the year, are set out below:

	15 October 2002	31 March 2001
	% per annum	% per annum
Investment return on investments in respect of:		
- non-active members	5.0	5.0
- active members	7.4	6.0
Rate of increase in salaries	4.5	4.5
Rate of increase in pensions	2.5	2.5
Rate of price inflation	2.5	2.5

At 31 March 2001 the total value of the schemes' assets was £570,000,000, which was sufficient to cover 130% of the benefits that had accrued to members at that date, after allowing for assumed future increases in earnings. The review at 15 October 2002 indicated that the total market value of the schemes' assets was £460,600,000, sufficient to cover 103% of the benefits that had accrued to members at that date, after allowing for assumed future increases in earnings.

Statement of Standard Accounting Practice Number 24 'Accounting for Pension Costs' requires the costs of providing pensions to be recognised over the period benefiting from the employees' services, with any difference between the charge to the profit and loss account and the contributions paid to the scheme being shown as an asset or liability in the balance sheet. The pension cost has been assessed in accordance with the advice of qualified independent actuaries using the projected unit method. Variations in cost are being spread over the estimated average remaining working lifetime of the members of each scheme.

As the Group does not allocate surpluses/deficiencies in its' schemes to the employing companies, the whole of the pension surplus is accounted for by the Company. Subsidiary undertakings are allocated a pension charge based on regular cost and contribute accordingly. Variations in pension costs are therefore recognised by the Company.

The Company's total pension cost for the year ended 30 August 2003 was £2,507,000 (2002: £363,000), including £685,000 of pension augmentations funded by the Company and £187,000 of contributions to employees' personal pension arrangements. Other than the pension augmentations, the Company did not contribute to the Group's pension schemes during the year (2002: £nil). Regular cash contributions will however re-commence during the 2003/04 financial year. At the year end, the Company recognised a pension prepayment of £4,662,000 (2002: £12,117,000), arising from the application of SSAP 24.

The structure of the Group's pension schemes does not enable the individual participating subsidiaries to identify their share of the schemes' underlying assets and liabilities. In this situation FRS 17 'Retirement Benefits' recommends that each employer accounts for their pension costs as though they participated in defined contribution arrangements. On this basis the Company's pension costs for the year ended 30 August 2003 would have been £872,000 (2002: £363,000).

The detailed disclosures required by FRS 17 have been provided for the group as a whole in the consolidated financial statements of the Company's parent undertaking, Taveta Investments Limited.

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Notes to the financial statements for the year ended 30 August 2003 (continued)

22 Parent undertaking, controlling party and related party disclosures

The Company's immediate and 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 PNR Green and his immediate family.

During the year BHS Group Limited invoiced the Company £1,394,000. These charges mainly related to the provision of management services by BHS Group Limited. At 30 August 2003 the Company owed the BHS Group £287,000. PNR Green, P Coackley and IM Allkins are directors of both BHS Group Limited and the Company.

During the year SGP Property Services Limited ('SGP'), a company in which JP Readman is a director and shareholder, invoiced the Company £4,351,000 in connection with the management of the Group's properties. No amount was due to SGP at 30 August 2003. JP Readman is a director of the Company.

The Group's joint venture undertaking, Zoom.co.uk Limited, hosts and maintains web-sites relating to Arcadia's stores and brands. During the year the Company charged Zoom £1,193,000 (2002: £1,301,000) for the provision of administrative and operational services in support of this business. At 30 August 2003 the Company was owed £1,226,000 (2002: £6,660,000) by Zoom.

On 13 December 2002, the Company sold its 45.5% shareholding in Rubicon Retail Limited ('Rubicon'), but continued to provide Rubicon with financial, administrative and logistical support. During the period prior to the disposal of its shares, the Company invoiced Rubicon £3,013,000 for these services. The Company also received interest of £661,000 on the £27,542,000 of loan notes issued as a consequence of the Group's sale of certain brands to Rubicon during 2002. These loan notes were redeemed when the Company sold its shares.