Registered Number 4464926

Taveta Investments Limited

Annual report for the year ended 27 August 2011

Taveta Investments Limited

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Taveta Investments Limited (Registered Number: 4464926)

Directors' report for the year ended 27 August 2011

The directors present their report together with the audited financial statements of the Company and the Group for the year ended 27 August 2011

Developments during the year, principal activities, business review and dividends
The Group's principal activities are the retailing of clothing and clothing accessories in the United Kingdom and internationally through stores and the internet The Group trades primarily under the brand names Top Shop, Top Man, Dorothy Perkins, Burton Menswear, Wallis, Evans, Miss Selfridge, Bhs and Outfit

The Group's consolidated results, set out on page 5, show an operating profit before goodwill amortisation and exceptional items and after other finance costs of £189 7 million (2010 £275 8 million) Group turnover for the year totalled £2,682 0 million (2010 £2,777 0 million)

During the year, the Group incurred an exceptional charge of £253 2m, which arose as a direct consequence of the extremely difficult trading conditions currently being experienced The Group recognised an impairment of its fixed assets of £25 2m and provided in full against the carrying value of the goodwill that had arisen on a previous acquisition In accordance with FRS 12 'Provisions, contingent liabilities and contingent assets' a further £139 3m has been provided against the leasing obligations of the Group's loss-making stores

The Group now trades from 3,107 outlets representing 11 7 million square feet of space

Given the current retailing environment, the Group continues to focus on enhancing the productivity of the portfolio through effective space management, whilst expanding its internet offering and overseas presence The directors expect that ongoing product improvement and the realisation of 'back of house' synergies will also contribute to the Group's objective of maximising profitability Ongoing supply chain improvements, including tight stock and commitment management, remain particularly important to ensure gross margins are optimised

The Group has net debt of £888 0 million (2010 £935 0 million) and generated net cash inflows of £242 5 million (2010 £374 3 million) through its operating activities

The directors do not recommend the payment of a dividend in respect of the financial year (2010 £nil)

Key performance indicators ('KPIs')
The Board uses a range of KPIs to monitor the Group's performance and progress towards its strategic objectives The principal KPIs, which are reviewed at both Group and brand level and as frequently as daily, include like-for-like sales, best and least performing stores/lines, margins, mark-downs, cash flow and returns on capital invested in store openings/refits

Principal risks and uncertainties
The key business risks currently facing the Group are the challenging marketplace and the sourcing of new ranges to satisfy our fashion and value-conscious customers

Investment
The Group continues to seek suitable opportunities to increase its presence on the high street, both within the United Kingdom and overseas, as well as upgrading the existing store portfolio To this end, £104 9 million was invested during the year enhancing the productivity of the portfolio, refurbishing existing stores and developing the Group's back of house systems and e-commerce offering

Future outlook
A combination of the Group's portfolio of diverse, market-leading brands, international expansion and the close control of costs, together with a dedicated and enthusiastic workforce, lead the directors to view the Group's future performance with a degree of confidence despite the very challenging economic conditions

Directors
The Company's directors during the year and at the date of the approval of the financial statements were

Karren Brady (appointed 1 September 2010)
Paul Budge
Chris Coles
Ian Grabiner
Lord Grabiner QC
Sir Philip Green
Brett Palos

Charitable donations
During the year, the Group donated £257,000 (2010 £207,000) directly to various UK charitable organisations

In addition, all of the Group's brands work closely with a selected charity partner to raise funds through corporate and individual employee initiatives A number of the brands have created exclusive products, which are sold in-store, to generate proceeds for their selected charities

During the year, the total funds raised through the Group's charitable activities exceeded £1 2 million (2010 £1 6 million)

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 that 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 their 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 who become disabled during their employment

Directors' responsibilities statement
The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the Group and parent company 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 the Group and of the profit or loss of the Group 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 and the Group will continue in business

Taveta Investments Limited (Registered Number: 4464926)

Directors' report for the year ended 27 August 2011 (continued)

Directors' responsibilities statement (continued)
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group 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 or she ought to have taken in his or her duty as a director in order to make himself or herself 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

A. Goldman

Adam Goldman
Company secretary
1 November 2011

Taveta Investments Limited

Independent auditors' report to the members of Taveta Investments Limited

We have audited the consolidated and parent company financial statements ('the financial statements') of Taveta Investments Limited for the year ended 27 August 2011 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement, 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 (United Kingdom 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 in to 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 Group's and Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the Group's and the Company's affairs as at 27 August 2011 and of the Group's loss and cash flows 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 by the Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company's 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
1 November 2011

Taveta Investments Limited

Consolidated profit and loss account for the year ended 27 August 2011

	Note	Before exceptional items £'000	Exceptional items (note 3) £'000	2011 Total £'000	2010 Total £'000
Total turnover	1	**2,682,538**	-	**2,682,538**	2,778,201
Less Share of turnover of joint venture		(536)	-	(536)	(1,154)
Group turnover		**2,682,002**	-	**2,682,002**	2,777,047
Cost of sales		(2,399,660)	(164,585)	(2,564,245)	(2,391,764)
Gross profit		**282,342**	**(164,585)**	**117,757**	385,283
Distribution costs		(58,836)	-	(58,836)	(54,853)
Administrative expenses		(60,346)	(88,592)	(148,938)	(78,682)
Other operating income	2	5,599	-	5,599	5,600
Group operating (loss) / profit		**168,759**	**(253,177)**	**(84,418)**	257,348
Share of joint venture's operating loss		(432)	-	(432)	(219)
Total operating (loss) / profit	2	**168,327**	**(253,177)**	**(84,850)**	257,129
Total operating profit before goodwill amortisation / impairment		190,416	(164,585)	25,831	279,550
Goodwill amortisation / impairment		(22,089)	(88,592)	(110,681)	(22,421)
Net interest payable and similar charges	4	(34,419)	-	(34,419)	(40,251)
Other finance costs	22	(764)	-	(764)	(3,715)
(Loss) / profit before taxation		**133,144**	**(253,177)**	**(120,033)**	213,163
Taxation	6			(2,830)	(70,895)
(Loss) / profit for the financial year	7,20			**(122,863)**	142,268

All of the results above relate to continuing activities

There is no difference between the (loss) / profit before taxation and the (loss) / profit for the financial year stated above and their historical cost equivalents

Consolidated statement of total recognised gains and losses for the year ended 27 August 2011

	Note	2011 £'000	2010 £'000
(Loss) / profit for the financial year		(122,863)	142,268
Exchange gain on overseas subsidiaries	20	179	344
Actuarial gain / (loss) on pension schemes	22	91,703	(90,281)
Movement on deferred tax relating to pensions	18	(28,579)	22,216
Total recognised (losses) / gains relating to the year		**(59,560)**	74,547

Taveta Investments Limited

Balance sheets as at 27 August 2011

		Group		Company	
		2011	2010	**2011**	2010
	Note	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Intangible assets	8	**181,784**	292,465	**-**	-
Tangible assets	9	**994,242**	1,023,852	**-**	-
Investments	10	**-**	-	**866,395**	866,395
		1,176,026	1,316,317	**866,395**	866,395
Current assets					
Stocks		**204,159**	179,688	**-**	-
Investments	11	**12,075**	11,565	**-**	-
Debtors - due within one year	12	**124,113**	116,286	**8,805**	4,103
Cash at bank and in hand		**16,372**	17,296	**-**	-
		356,719	324,835	**8,805**	4,103
Creditors: amounts falling due within one year	13	**(675,134)**	(740,977)	**-**	-
Net current (liabilities) / assets		**(318,415)**	(416,142)	**8,805**	4,103
Total assets less current liabilities		**857,611**	900,175	**875,200**	870,498
Creditors amounts falling due after more than one year	14	**(863,346)**	(907,921)	**(913,560)**	(896,271)
Provisions for liabilities and charges					
Interest in joint venture - share of gross assets		**372**	427	**-**	-
- share of gross liabilities		**(984)**	(705)	**-**	-
	17	**(612)**	(278)	**-**	-
Other provisions	17	**(196,214)**	(56,236)	**-**	-
	17	**(196,826)**	(56,514)	**-**	-
Net liabilities excluding pension deficit		**(202,561)**	(64,260)	**(38,360)**	(25,773)
Pension deficit	22	**(144,836)**	(223,577)	**-**	-
Net liabilities		**(347,397)**	(287,837)	**(38,360)**	(25,773)
Capital and reserves					
Called up share capital	19	**10,309**	10,309	**10,309**	10,309
Share premium account	20	**1,941**	1,941	**1,941**	1,941
Profit and loss account	20	**(364,647)**	(305,087)	**(50,610)**	(38,023)
Equity shareholders' deficit	20	**(352,397)**	(292,837)	**(38,360)**	(25,773)
Minority interests	10	**5,000**	5,000	**-**	-
Capital employed		**(347,397)**	(287,837)	**(38,360)**	(25,773)

The financial statements on pages 5 to 31 were approved by the board of directors on 1 November 2011 and were signed on its behalf by

Paul Budge
Director

Ian Grabiner
Director

Taveta Investments Limited

Consolidated cash flow statement for the year ended 27 August 2011

	Note	2011 £'000	2011 £'000	2010 £'000	2010 £'000
Cash inflow from operating activities	23b		**242,533**		374,252
Returns on investments and servicing of finance					
Interest received		**1,133**		141	
Interest paid		**(37,176)**		(24,457)	
			(36,043)		(24,316)
Taxation paid			**(49,887)**		(64,019)
Capital expenditure					
Purchase of tangible fixed assets		**(112,805)**		(112,555)	
Inflows from the sale of tangible fixed assets		**3,459**		11,907	
			(109,346)		(100,648)
Acquisitions					
Purchase of Bhs			**-**		(3)
Management of liquid resources					
Purchase of current asset investments			**-**		(11,494)
Cash inflow before financing			**47,257**		173,772
Financing					
Repayment of bank and other borrowings		**(30,548)**		(200,023)	
Net repayment of finance leases		**(2,154)**		(2,539)	
Net cash outflow from financing	23c		**(32,702)**		(202,562)
Increase / (decrease) in cash	23c		**14,555**		(28,790)

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Accounting policies

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

Basis of consolidation
The financial statements of all subsidiary undertakings are consolidated from the date of their acquisition to the date of their sale using the acquisition method of accounting

All transactions between subsidiaries and inter-company profits or losses are eliminated on consolidation

The Group's share of its joint venture's results is included in the consolidated profit and loss account The Group's share of its joint venture's net assets/liabilities is included in the consolidated balance sheet using the gross equity accounting method

Minority interests represent the amount of capital and reserves attributable to shares in subsidiary undertakings not held by the Group

Goodwill
Upon the acquisition of a business, goodwill is capitalised and written off by annual instalments over the shorter of 20 years and its estimated useful economic life

Purchased goodwill represents the difference between the fair value of the separately identifiable tangible assets/liabilities acquired and the fair value of the consideration given

The goodwill that arose on the acquisition of Matte plc attached to the properties that the Group acquired as part of that transaction with the intention of trading This goodwill is therefore being amortised over the remaining periods of the related leases which, at the date of acquisition, ranged between 2 and 20 years

The goodwill that arose on the acquisition of Zoom co uk Limited is being amortised over 10 years This relatively short amortisation period reflected the recent development of Zoom's business and its technology-based nature

Goodwill is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

Upon subsequent disposal, any goodwill that has not been amortised through the profit and loss account, is taken into account in calculating the profit or loss on disposal

Revenue
Turnover comprises the value of sales of all merchandise to third parties, including concession income, and excludes value added tax Sales to franchisees and internet customers are recognised on despatch of the goods, and in the case of internet business includes charges levied on customers for postage and packaging

Commissions and related income from the operation of the Group's store card business are 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

Taveta Investments Limited

Accounting policies (continued)

Tangible fixed assets
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation Fixed asset values are reviewed for impairment in accordance with FRS 11 Impairment of fixed assets and goodwill

Except as noted, 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
Fit-out 15 years
Retail fixtures and fittings 3 to 10 years
Office equipment 10 years
Computer equipment 2 to 4 years
Motor vehicles 25% per annum on a reducing balance basis

Impairment of fixed assets and goodwill
Fixed assets and goodwill are attributed to individual businesses and are reviewed where there is an indication that their carrying value may have been impaired The recoverability of each business' fixed assets and goodwill is determined by reference to the higher of their net realisable value and value in use In this latter regard, value in use is assessed by reviewing the business' cash flows over the expected useful economic life of the related fixed assets and goodwill These cash flows are discounted using a rate of return appropriate to the specific business

Where the carrying value of fixed assets and goodwill exceeds their recoverable amount, impairment has occurred and their carrying value is written down accordingly If subsequent reviews indicate that the assets are no longer impaired, the related provision is reversed

Pension costs
The Group operates a number of defined benefit schemes under which contributions are paid by group companies and employees to provide pension and other benefits expressed in terms of a percentage of pensionable salary The amounts charged to operating profit, as part of employee costs, are the current service costs and gains and losses on settlements and curtailments Past service costs are recognised immediately in the profit and loss account if the benefits have vested If the benefits have not vested, the costs are recognised over the period until vesting occurs The interest cost and the expected return on assets are shown as a net amount of other finance income or costs

Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the schemes' liabilities Actuarial valuations are obtained triennially and are updated at each balance sheet date The resulting defined benefit asset or liability, net of related deferred taxation, is presented separately after other net assets on the face of the balance sheet

The assets of the schemes are held separately from those of the Group in independently administered funds

The Group also operates a number of defined contribution schemes for eligible staff For these schemes, 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 assets and liabilities are not discounted

Taveta Investments Limited

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 on a straight line basis over the lease term, except where incentives to sign the leases have been received Such incentives are spread on a straight-line basis over the lease term, or if shorter, the period to the next open market rent review date

Where the Group has leasehold stores that are loss-making, and projections indicate that their future cash flows will be insufficient to meet the related property costs, provision is made for the expected net cash outflows These cash flows are discounted using a rate of return appropriate to the business operating the stores

Where the Group is committed to disposing of a leasehold property, provision is made for the expected direct costs of disposal, together with any net cash outflows under the lease during the period prior to disposal The Group also provides for the unavoidable costs of vacant properties and, where properties are sub-let, any shortfall between the rents payable to its landlords and those recovered under tenancy agreements These provisions are not discounted, on the grounds of materiality, and unwind upon the earlier of lease expiry and disposal

Stock valuation
Stocks are stated at the lower of cost and net realisable value and represent goods for resale Cost represents actual purchase price and includes the direct costs of warehousing and transportation to the stores

Foreign exchange
Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction Profits and losses of overseas branches and subsidiaries which have currencies of operation other than sterling are translated into sterling at the average rates of exchange for the period Monetary assets and liabilities recorded in foreign currencies are translated either at the rates ruling at the balance sheet date or the rates fixed by forward contracts Exchange differences arising from the re-translation of the opening net assets of overseas subsidiaries are taken to reserves Other exchange differences are dealt with in the profit and loss account

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

Finance costs
Costs associated with the issue of bank and other borrowings are deferred and are charged to the profit and loss account over the term of the respective loan at a constant rate to the loan's carrying value The carrying value of bank borrowings and subordinated loan notes in the balance sheet are stated net of unamortised issue costs

Investments
The Company's fixed asset investments are shown at cost less amounts impaired Provision is made, where in the opinion of the directors, there has been an impairment in the investments' carrying value

The Group's current asset investments comprise floating rate loan notes that were purchased at a discount to their nominal value These investments were initially valued at their purchase cost and their appreciation in value is being recognised on a straight-line basis during the period leading up to their redemption As these investments form part of the Group's treasury activities they are treated as liquid resources for the purposes of the cash flow statement

Taveta Investments Limited

Notes to the financial statements for the year ended 27 August 2011

1 Turnover

Turnover is wholly attributable to the Group's principal activities and apart from £264,354,000 (2010 £248,078,000) arises in the United Kingdom The Group's principal overseas market is the Republic of Ireland

2 Total operating (loss) / profit

Total operating profit (before exceptional items) is stated after charging / (crediting):	**2011 £'000**	2010 £'000
Depreciation - owned assets	**105,033**	100,678
- leased assets	**1,478**	2,697
Amortisation of goodwill	**22,089**	22,421
Other operating income (refer below)	**(5,599)**	(5,600)
Property rentals (net)	**336,096**	354,919
Other operating lease rentals	**5,269**	5,112
Auditors' remuneration:		
Audit services		
Statutory group audit (including Company £20,000 (2010 £20,000))	**110**	110
Statutory audit of subsidiaries and associates	**185**	180
Tax services		
Compliance	**85**	11
Other tax services	**389**	65
All other services		
Pensions advisory	**469**	361
Other	**124**	55

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

Notes to the financial statements for the year ended 27 August 2011 (continued)

3 Exceptional items

Charged in arriving at total operating (loss) / profit	2011 £'000	2010 £'000
Within cost of sales		
Provision for onerous leases on loss-making stores	**(139,342)**	-
Impairment of fixed assets	**(25,243)**	-
	(164,585)	-
Within administrative expenses		
Impairment of goodwill	**(88,592)**	-
Total exceptional items	**(253,177)**	-

In light of the difficult trading environment, the Group has reviewed those leasehold stores currently making a loss to assess whether their future operating cash flows are projected to meet their rental and other property cost obligations Where appropriate, the projected shortfall between the operating cash flows and the property costs for the period of the lease or, if earlier, the date of disposal, has been provided for The resultant provision has been discounted to net present value as detailed below

During 2011 a number of the Group's discrete businesses made a loss As a consequence, impairment testing has been carried out on these businesses to assess whether their future cash flows are expected to exceed the carrying values of their tangible and intangible fixed assets

The related value in use calculations were based on detailed internal forecasts for the next 12 months and thereafter reflect management's expectations of future trends and the results of specific actions being taken The cash flow projections extend over the average life of the related fixed assets, which, in the case of the most significant business, is 28 years

The discount rates applied to the projections reflect the risk profile of the individual businesses The discount rates used ranged between 4% and 8%, with the latter rate being applied to the most prominent business

To the extent that there is a shortfall between the businesses' expected discounted cash flows and the carrying value of their tangible and intangible fixed assets (goodwill), the latter are regarded as impaired and have been provided against accordingly

The tax credit arising on the exceptional items above is £41,150,000 (2010 £nil)

4 Net interest payable and similar charges

	2011 £'000	2010 £'000
Payable on bank loans and overdrafts	**(20,214)**	(22,601)
Payable on non-bank loans and loan notes	**(14,698)**	(16,557)
Payable on finance leases	**(165)**	(205)
Amortisation of issue costs of bank loans	**(985)**	(1,100)
Total interest and similar charges payable	**(36,062)**	(40,463)
Receivable on		
Bank deposits	**2**	3
Other deposits	**1,641**	209
Total interest receivable	**1,643**	212
Net interest payable and similar charges	**(34,419)**	(40,251)

Notes to the financial statements for the year ended 27 August 2011 (continued)

5 Employees and directors

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

Employee costs	2011 £'000	2010 £'000
Wages and salaries	**450,769**	457,026
Social security costs	**31,598**	32,008
Pension (credit) / cost	**(1,312)**	11,067
Total employment costs	**481,055**	500,101

The average monthly number of people employed by the Group during the year was 44,030 (2010 44,443), including 31,696 (2010 31,988) part-time employees The equivalent average number of full-time employees was 20,131 (2010 20,476)

Directors' emoluments
Directors' emoluments total £2,660,000 (2010 £3,464,000) The highest paid director received £1,123,000 (2010 £1,918,000) and at the year end had accrued an annual pension of £33,000 (2010 £32,000) Including the highest paid director, two directors (2010 2) have accrued retirement benefits under the Group's defined benefit schemes

6 Taxation

a. Analysis of the charge for the year	2011 £'000	2010 £'000
Based on the loss / profit for the year		
UK corporation tax at 27 2% (2010 28%)		
- Current year	**9,154**	68,918
- Prior years	**(5,310)**	(1,207)
- Share of joint venture	**(98)**	(62)
Overseas taxation	**592**	2,225
Total current tax (note 6b)	**4,338**	69,874
Deferred tax - Origination and reversal of timing differences (note 18)	**(1,508)**	1,021
Total taxation	**2,830**	70,895

6 Taxation (continued)

The tax assessed for the year is higher than the effective rate of corporation tax in the United Kingdom (27 2%) The differences are explained below

b. Factors affecting the tax charge for the year	**2011 £'000**	2010 £'000
(Loss) / profit before taxation	**(120,033)**	213,163
(Loss) / profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 27 2% (2010 28%)	**(32,649)**	59,686
Effects of		
Expenses not deductible for tax purposes	**44,858**	15,807
Depreciation in excess of capital allowances	**2,975**	(4,027)
Other short term timing differences	**(5,951)**	(633)
Adjustment in respect of foreign tax rates	**642**	391
Adjustment to the tax charge in respect of previous years	**(5,537)**	(1,350)
Current tax charge for the year (note 6a)	**4,338**	69,874

c. Factors that may affect future tax charges
Based on current forecasts the Group expects to incur a lower amount of non-deductible expenditure in future years The government has announced plans to reduce the standard rate of corporation tax by 1% per annum, until it reaches 23% on 1 April 2014 If enacted, this will reduce the Group's effective rate of corporation tax for the next four years These changes will not have a material impact on the deferred tax assets and liabilities held on the balance sheet

7 Loss for the financial year

Taveta Investments Limited has not presented its own profit and loss account as permitted by Section 408(1) of the Companies Act 2006 The parent company contributed a loss of £12,587,000 (2010 £10,550,000) to the consolidated loss for the financial year

8 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 29 August 2010 and 27 August 2011	**431,463**
Accumulated amortisation	
At 29 August 2010	138,998
Charge for the year (refer below)	22,089
Provision for impairment (note 3)	88,592
At 27 August 2011	**249,679**
Net book amount	
At 27 August 2011	**181,784**
At 28 August 2010	292,465

Goodwill is amortised over the period during which the value of the underlying business acquired is expected to exceed the value of the underlying net assets This period is assessed for each acquisition on its individual merit and ranges between two and twenty years

Notes to the financial statements for the year ended 27 August 2011 (continued)

9 Tangible fixed assets

Group	Land and buildings £'000	Fit out, fixtures and equipment £'000	Total £'000
Cost			
At 29 August 2010	980,605	711,271	1,691,876
Additions	14,220	90,636	104,856
Reclassifications	91	(91)	-
Disposals	(14,423)	(192,049)	(206,472)
At 27 August 2011	**980,493**	**609,767**	**1,590,260**
Accumulated depreciation			
At 29 August 2010	228,494	439,530	668,024
Charge for the year	21,870	84,641	106,511
Impairment charge for the year (note 3)	20,351	4,892	25,243
Reclassifications	87	(87)	-
Disposals	(13,710)	(189,449)	(203,159)
Release of earlier impairment provision	-	(601)	(601)
At 27 August 2011	**257,092**	**338,926**	**596,018**
Net book amount			
At 27 August 2011	**723,401**	**270,841**	**994,242**
At 28 August 2010	752,111	271,741	1,023,852

Analysis of net book value of land and buildings	2011 £'000	2010 £'000
Freehold	**174,059**	174,903
Long leasehold	**344,595**	347,151
Short leasehold	**204,747**	230,057
	723,401	752,111

Assets held under finance leases and capitalised in fit out, fixtures and equipment	2011 £'000	2010 £'000
Cost	**9,755**	8,450
Accumulated depreciation	**(6,137)**	(4,659)
Net book amount	**3,618**	3,791

The Company has no tangible fixed assets

Taveta Investments Limited

Notes to the financial statements for the year ended 27 August 2011 (continued)

10 Fixed asset investments

Company **Ordinary shares in subsidiary undertaking**	**Cost and net book value** **£'000**
At 28 August 2010 and 27 August 2011	**866,395**

Details of all group undertakings are disclosed in note 25 to the financial statements

The minority interest disclosed in the balance sheet represents the external shareholding in Gresse Street Limited

11 Current asset investments

Group	**Floating rate loan notes** **£'000**
At 28 August 2010	11,565
Appreciation in value	510
At 27 August 2011	**12,075**

12 Debtors

	Group		**Company**	
	2011	2010	**2011**	2010
Amounts falling due within one year	**£'000**	£'000	**£'000**	£'000
Trade debtors	**51,299**	54,124	-	-
Amounts due from joint venture – trading balances	-	394	-	-
Corporation tax recoverable	**11,122**	-	-	-
Group relief receivable	-	-	**8,805**	4,103
Other debtors	**4,229**	5,221	-	-
Prepayments and accrued income	**57,463**	56,547	-	-
	124,113	116,286	**8,805**	4,103

13 Creditors – amounts falling due within one year

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Bank overdrafts	**5,855**	21,347	-	-
Bank loans and property mortgages (note 15)	**98,985**	98,859	-	-
Other loans (note 16)	**1,106**	765	-	-
Subordinated loan notes (note 14)	**34,400**	35,898	-	-
Finance leases (note 16)	**1,181**	1,831	-	-
Trade creditors	**252,383**	236,859	-	-
Corporation tax payable	-	34,265	-	-
Other taxation and social security	**39,313**	39,173	-	-
Other creditors	**70,172**	76,672	-	-
Accruals and deferred income	**171,739**	195,308	-	-
	675,134	740,977	-	-

14 Creditors – amounts falling due after more than one year

	Group		Company	
	2011 £'000	2010 £'000	**2011 £'000**	2010 £'000
Bank loans and property mortgages (note 15)	**607,056**	615,994	-	-
Subordinated loan notes (refer below)				
- repayable between one and two years	**19,989**	19,987	-	-
- repayable between two and five years	**59,976**	59,972	-	-
- repayable after five years	**79,991**	99,984	-	-
Other loans (note 16)	**6,248**	7,354	-	-
Finance leases (note 16)	**1,649**	1,848	-	-
Amounts owed to subsidiary undertakings	-	-	**913,560**	896,271
Other creditors	**17,098**	22,412	-	-
Accruals and deferred income	**71,339**	80,370	-	-
	863,346	907,921	**913,560**	896,271

The subordinated loan notes above are listed on the Channel Islands Stock Exchange, are unsecured and are redeemable in nine equal annual instalments Interest on the loan notes accrues at the rate of 8% per annum, and is paid annually in arrears The subordinated loan notes disclosure above is stated net of unamortised issue costs of £57,000 (2010 £71,000)

Notes to the financial statements for the year ended 27 August 2011 (continued)

15 Bank loans and property mortgages

Group	Bank loans ((a) below) £'000	Property mortgages ((b) below) £'000	2011 Total £'000	2010 Total £'000
Maturity of debt				
Within one year	**94,292**	**4,693**	**98,985**	98,859
Between one and two years	**359,791**	**245,565**	**605,356**	99,067
Between two and five years	**-**	**1,700**	**1,700**	516,927
	454,083	**251,958**	**706,041**	714,853

Details of the security provided in support of the above loans and property mortgages are given below

a) 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, and

b) secured by legal mortgage or fixed charge over certain of the Group's long leasehold and freehold interests

The Group's bank loans and property mortgages are stated net of unamortised issue costs of £1,201,000 (2010 £2,172,000)

16 Other loans and lease obligations

In 1988 the Group sold a number of properties to certain banks These properties were subsequently leased back on peppercorn rentals over 25 years and at the same time the Group entered into full tenant and repairing sub-leases on the properties for the same period The aggregate rentals payable under these arrangements is structured to give the lessors a financing return linked to LIBOR In the early years, the amounts payable are below LIBOR whilst in later years they exceed LIBOR The financing costs are, however, allocated so as to achieve an annual funding cost, which is consistent with LIBOR The Group's rental commitment in this respect, together with certain finance lease obligations relating to fixtures and equipment, are as follows

Group	2011 £'000	2010 £'000
Property rental obligations falling due		
Within one year	**1,106**	765
Between one and two years	**6,248**	1,099
Between two and five years	**-**	6,255
	7,354	8,119
Finance lease obligations falling due		
Within one year	**1,181**	1,831
Between one and two years	**1,013**	744
Between two and five years	**636**	1,104
	2,830	3,679

17 Provisions for liabilities and charges

Group	Property remediation £'000	Onerous leases £'000	Joint venture £'000	Deferred taxation £'000	**Total £'000**
At 29 August 2010	18,900	11,561	278	25,775	56,514
Profit and loss account	-	139,899	334	(7,343)	132,890
Transfer from creditors	-	9,593	-	-	9,593
Utilised during the year	(944)	(1,227)	-	-	(2,171)
At 27 August 2011	**17,956**	**159,826**	**612**	**18,432**	**196,826**

The Group owns 50% of the issued ordinary share capital of Muse Retail Limited ('Muse') Muse is engaged in the retailing of fashion accessories and operates in the United Kingdom As Muse had net liabilities at 27 August 2011 the Group has provided for its share of the deficiency

The property remediation provision is not discounted on the grounds of materiality That element of the onerous lease provision that relates to loss-making stores (£139,342,000, 2010 £nil) is discounted at a rate of return appropriate to the businesses concerned, which ranges between 4% and 8%

The Company has no provisions (2010 £nil)

18 Deferred taxation

The movements on the Group's deferred tax balances are as follows

Group	£'000
At 29 August 2010	56,918
Deferred tax charge in the profit and loss account (note 6)	1,508
Deferred tax charge in the statement of total recognised gains and losses	(28,579)
At 27 August 2011	**29,847**

	2011		2010	
Group	**Provided £'000**	**Unprovided £'000**	Provided £'000	Unprovided £'000
Accelerated capital allowances	**(17,995)**	-	(23,242)	-
Trading losses	-	**14,275**	-	16,739
Capital losses	-	**34,018**	-	37,141
Other timing differences	**(437)**	-	(2,533)	-
Deferred tax (provision) / asset excluding that relating to pension deficit (note 17)	**(18,432)**	**48,293**	(25,775)	53,880
Deferred tax on pension deficit (note 22)	**48,279**	-	82,693	-
	29,847	**48,293**	56,918	53,880

The Company has no deferred tax balances or unprovided amounts (2010 £nil)

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

The Group has not recognised a potential deferred tax asset in respect of agreed capital losses of £34,018,000 (2010 £37,141,000) as there is insufficient evidence that the subsidiaries concerned will generate enough taxable capital profits to utilise the available losses The unprovided trading losses were acquired with the purchase of Matte plc and Bhs Group Limited

Notes to the financial statements for the year ended 27 August 2011 (continued)

19 Called up share capital

	2011		2010	
	£'000	No. ('000)	£'000	No ('000)
Authorised				
Ordinary shares of 10p each	**11,111**	**111,111**	11,111	111,111
Issued and fully paid				
Ordinary shares of 10p each	**10,309**	**103,092**	10,309	103,092

20 Reconciliation of movements on equity shareholders' deficit

Group	Share capital £'000	Share premium £'000	Profit and loss account £'000	**Total 2011 £'000**	Total 2010 £'000
(Loss) / profit for the financial year	-	-	(122,863)	**(122,863)**	142,268
Actuarial gain / (loss) on pension schemes (note 22)	-	-	91,703	**91,703**	(90,281)
Movement on deferred tax relating to pension schemes (note 18)	-	-	(28,579)	**(28,579)**	22,216
Exchange gain on overseas subsidiaries	-	-	179	**179**	344
Net (reduction in) / addition to shareholders' funds	-	-	(59,560)	**(59,560)**	74,547
Opening shareholders' deficit	10,309	1,941	(305,087)	**(292,837)**	(367,384)
Closing shareholders' deficit	**10,309**	**1,941**	**(364,647)**	**(352,397)**	(292,837)

Company	Share capital £'000	Share premium £'000	Profit and loss account £'000	**Total 2011 £'000**	Total 2010 £'000
Loss for the financial year	-	-	(12,587)	**(12,587)**	(10,550)
Opening shareholders' deficit	10,309	1,941	(38,023)	**(25,773)**	(15,223)
Closing shareholders' deficit	**10,309**	**1,941**	**(50,610)**	**(38,360)**	(25,773)

21 Financial commitments

At 27 August 2011 the Group had capital commitments approved, but not provided for, of £27,381,000 (2010 £32,870,000) The Company had no capital commitments (2010 £nil) The Group also had commitments under non-cancellable operating leases with the following minimum annual rentals

	2011		2010	
	Land and buildings £'000	**Other assets £'000**	Land and buildings £'000	Other assets £'000
Operating leases which expire				
- within one year	**14,938**	**1,059**	29,459	2,428
- between two and five years inclusive	**99,886**	**2,626**	101,798	3,082
- after five years	**252,950**	**229**	241,924	363
	367,774	**3,914**	373,181	5,873

22 Pension schemes

Arcadia Group Limited operates four funded defined benefit schemes, for the benefit of eligible current and former employees All of these schemes provide retirement benefits based on members' final salary and are closed to new entrants Their assets are held in separate trustee administered funds

One of the schemes has been closed for a number of years and now only provides benefits for deferred and pensioner members Of the other schemes, two provide benefits for different categories of United Kingdom employees, the Arcadia Group Pension Scheme ('AGPS') and the Arcadia Group Senior Executives Pension Scheme ('AGSEPS') Hereafter, these schemes are referred to as the 'UK Schemes' The final scheme caters specifically for employees based in Ireland

During 2011, members of the UK Schemes and the Irish scheme ceased to accrue future benefits Members continuing to be employed by the Group were given the opportunity to join the Group's defined contribution schemes, which had previously been established for eligible employees who were unable to join the defined benefit schemes

Bhs Limited operates two funded defined benefit schemes, for the benefit of staff ('Staff') and senior management ('SMS'), collectively the 'Bhs Schemes' These schemes, which provide retirement benefits based on members' pensionable salaries, are closed to new entrants and existing members ceased to accrue future benefits in 2009 These employees, and those qualifying employees who weren't previously eligible for membership of the Bhs Schemes, are now able to join the Bhs defined contribution scheme

The Group also operates a hybrid pension scheme, which has both a defined benefit and a defined contribution section, for the benefit of the former employees of Matte plc There are no active members of the defined benefit section of this scheme and the liability in this regard is not material for the purposes of disclosure under FRS 17

Taveta Investments Limited

Notes to the financial statements for the year ended 27 August 2011 (continued)

22 Pension schemes (continued)

Defined benefit schemes

The amount credited / (charged) to the profit and loss account in respect of the Group's defined benefit schemes, together with the amount recognised in the statement of total recognised gains and losses is analysed below

Analysis of amount credited / (charged) to operating profit	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2011 £'000	Total 2010 £'000
Current service cost	(4,459)	(600)	(62)	(5,121)	(9,228)
Past service cost	(42)	-	-	(42)	(2)
Curtailment gain	11,400	-	188	11,588	-
Total operating credit / (charge)	6,899	(600)	126	6,425	(9,230)

The above operating credit / (charge) is included within administrative expenses

Analysis of amount (charged) / credited to other finance costs	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2011 £'000	Total 2010 £'000
Expected return on the schemes' assets	40,155	26,500	377	67,032	63,353
Interest on the schemes' liabilities	(40,122)	(27,300)	(374)	(67,796)	(67,068)
Net cost	33	(800)	3	(764)	(3,715)

Analysis of amount recognised in the statement of total recognised gains and losses	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2011 £'000	Total 2010 £'000
Actual return less expected return on the schemes' assets	(10,098)	(5,900)	(138)	(16,136)	50,406
Experience gains and losses arising on the schemes' liabilities	8,341	(1,300)	274	7,315	(4,428)
Changes in assumptions underlying the present value of the schemes' liabilities	41,798	57,500	1,226	100,524	(136,259)
Actuarial gain / (loss) recognised in the statement of total recognised gains and losses	40,041	50,300	1,362	91,703	(90,281)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since 2004 is £184,124,000 (2010 £275,827,000)

Notes to the financial statements for the year ended 27 August 2011 (continued)

22 Pension schemes (continued)

The net pension deficit recognised in the balance sheet, together with a reconciliation of the movements on the fair value of the Schemes' assets and the present value of their liabilities, is set out below

	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2011 £'000	Total 2011 % of total assets	Total 2010 £'000	Total 2010 % of total assets
Equities	241,345	202,280	2,572	446,197	38.7	425,089	37 5
Bonds	273,635	145,800	4,747	424,182	36.8	426,170	37 6
Hedge funds	70,847	-	-	70,847	6.1	69,804	6 2
Property	44,821	70,300	115	115,236	10.0	133,050	11 8
Other (including cash)	78,776	18,100	76	96,952	8.4	78,169	6 9
Total market value of assets	709,424	436,480	7,510	1,153,414	100.0	1,132,282	100 0
Present value of scheme liabilities	(797,798)	(541,900)	(6,831)	(1,346,529)		(1,438,552)	
Deficit in the schemes	(88,374)	(105,420)	679	(193,115)		(306,270)	
Related deferred tax asset				48,279		82,693	
Net pension deficit recognised				(144,836)		(223,577)	

Reconciliation of fair value of the Schemes' assets	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2011 £'000	Total 2010 £'000
Opening fair value	698,308	426,880	7,094	1,132,282	1,046,515
Expected return on scheme assets	40,155	26,500	377	67,032	63,353
Actuarial (loss) / gain on scheme assets	(10,098)	(5,900)	(138)	(16,136)	50,406
Employer contributions	8,042	7,500	313	15,855	15,985
Member contributions	806	-	17	823	2,569
Administration expenses paid out	(1,623)	(600)	-	(2,223)	(900)
Net benefits paid out	(26,166)	(17,900)	(262)	(44,328)	(45,563)
Exchange movements	-	-	109	109	(83)
Closing fair value	709,424	436,480	7,510	1,153,414	1,132,282

The actual return on the Schemes' assets during the year was £50,896,000 (2010 £113,759,000) The Schemes do not invest in any of the Group's financial instruments or any properties occupied by the Group

Taveta Investments Limited

Notes to the financial statements for the year ended 27 August 2011 (continued)

22 Pension schemes (continued)

Reconciliation of present value of the Schemes' liabilities	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2011 £'000	Total 2010 £'000
Opening present value	**841,697**	**588,700**	**8,155**	**1,438,552**	1,265,585
Current service cost	**4,459**	**600**	**62**	**5,121**	9,228
Past service cost	**42**	-	-	**42**	2
Curtailment gain	**(11,400)**	-	**(188)**	**(11,588)**	-
Interest cost	**40,122**	**27,300**	**374**	**67,796**	67,068
Member contributions	**806**	-	**17**	**823**	2,569
Actuarial (gain) / loss on scheme liabilities	**(50,139)**	**(56,200)**	**(1,500)**	**(107,839)**	140,687
Administration expenses paid out	**(1,623)**	**(600)**	-	**(2,223)**	(900)
Net benefits paid out	**(26,166)**	**(17,900)**	**(262)**	**(44,328)**	(45,563)
Exchange movements	-	-	**173**	**173**	(124)
Closing present value	**797,798**	**541,900**	**6,831**	**1,346,529**	1,438,552

History of the Schemes' surpluses / (deficits)	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Fair value of the Schemes' assets	**1,153,414**	1,132,282	1,046,515	719,098	770,483
Present value of the Schemes' liabilities	**(1,346,529)**	(1,438,552)	(1,265,585)	(686,305)	(694,331)
(Deficit) / surplus	**(193,115)**	(306,270)	(219,070)	32,793	76,152

The UK Schemes and the Bhs Schemes have differing benefit provisions and investment strategies and therefore, rather than provide composite disclosures and assumptions, these are given for each of the schemes separately below

UK Schemes
An actuarial valuation of the UK Schemes was carried out as at 27 August 2011, using the projected unit method, by Aon Hewitt Limited, professionally qualified actuaries The principal assumptions made by the actuaries were

	% per annum		
	2011	2010	2009
Rate of increase in salaries	**N/a**	4 0	4 0
Rate of increase in pensions in payment			
- AGSEPS	**3.25**	3 0	3 0
- AGPS – pre 1 March 2006 service	**3.0**	2 9	2 9
- AGPS – post 1 March 2006 service	**2.0**	2 1	2 1
Discount rate	**5.3**	4 9	5 4
RPI Inflation	**3.25**	3 0	3 0
CPI inflation	**2.25**	N/a	N/a

Notes to the financial statements for the year ended 27 August 2011 (continued)

22 Pension schemes (continued)

The mortality assumptions used were

	2011		2010	
	AGPS Years	**AGSEPS Years**	AGPS Years	AGSEPS Years
Life expectancy of member aged 65				
- Men	**86.8**	**89.0**	86 7	88 8
- Women	**88.9**	**89.9**	88 7	89 8

The assets in the UK Schemes and the expected rates of return were

	Expected rate of return	**2011**	Expected rate of return	2010	Expected rate of return	2009
	%	**£'000**	%	£'000	%	£'000
Equities	**8.0**	**241,345**	7 75	234,610	7 75	163,024
Bonds	**4.7**	**273,635**	4 4	270,545	4 9	222,276
Hedge funds	**6.3**	**70,847**	6 4	69,804	-	-
Property	**7.0**	**44,821**	6 75	63,603	6 75	61,447
Other (including cash)	**3.55**	**78,776**	3 7	59,746	4 3	198,813
Total market value of assets	**6.0**	**709,424**	5 9	698,308	5 6	645,560

The UK Schemes employ a building block approach in determining the long-term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class is set out above The overall expected rate of return is then derived by aggregating the expected return for each asset class over the actual asset allocation for the schemes at 27 August 2011

Bhs Schemes
An actuarial valuation of the Bhs Schemes was undertaken by Towers Watson Limited, professionally qualified actuaries, as at 27 August 2011 The valuation used the projected unit method and applied the following principal assumptions

	% per annum		
	27 August 2011	28 August 2010	29 August 2009
Rate of increase in pensions in payment			
- pre 1 January 2006 service	**3.1**	2 9	3 0
- post 1 January 2006 service	**2.1**	2 1	2 2
Rate of revaluation of deferred pensions in excess of GMP	**2.25**	3 0	3 1
Discount rate	**5.3**	4 9	5 4
RPI inflation	**3.25**	3 0	3 1
CPI inflation	**2.25**	N/a	N/a

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Notes to the financial statements for the year ended 27 August 2011 (continued)

22 Pension schemes (continued)

Bhs Schemes (continued)
The long term expected rate of return on the Bhs Schemes' assets is 6 6% (2010 6 3%) This assumption is based on the expected returns on the schemes' current asset allocations, having regard to the yields on corporate bonds and gilts and allowing for expected out-performance over gilts on the equity and property portfolios

The mortality assumptions used were

	2011		2010	
	Staff Years	**SMS Years**	Staff Years	SMS Years
Life expectancy of member aged 60				
- Men	**83.7**	**87.8**	83 7	87 8
- Women	**85.9**	**88.4**	85 9	88 4

A summary of the Schemes' experience gains and losses during the last five years is provided below

History of the Schemes' experience gains and losses	**2011 £m**	**%**	2010 £m	%	2009 £m	%	2008 £m	%	2007 £m	%
Difference between the expected and actual return on the schemes' assets										
Amount	**(16.1)**		50 4		(72 6)		(91 6)		8 9	
Percentage of the schemes' assets		**(1.4)**		4 5		(6 9)		(12 7)		1 1
Experience gains and losses on the schemes' liabilities										
Amount	**7.3**		(4 4)		(1 4)		(2 1)		(1 8)	
Percentage of the present value of the schemes' liabilities		**0.5**		(0 3)		(0 1)		(0 3)		(0 3)
Total amount recognised in the statement of total recognised gains and losses										
Amount	**91.7**		(90 3)		(154 3)		(57 2)		36 3	
Percentage of the present value of the schemes' liabilities		**6.8**		(6 3)		(12 2)		(8 3)		5 2

Notes to the financial statements for the year ended 27 August 2011 (continued)

22 Pension schemes (continued)

Contributions to the defined benefit schemes
AGPS and AGSEPS closed to future accrual on 31 December 2010 and 30 November 2010, respectively Prior to closure, the Group contributed to AGPS at the rate of 10 5% of members' pensionable salary to fund future benefits and was also paying £100,000 a month to cover the scheme's administrative expenses These contributions were offset through the utilisation of the past service funding surplus identified by the 2007 actuarial valuation

The Group contributed to AGSEPS at the rate of 34 7% of members' pensionable earnings and was making a further contribution to repair the past service deficit of £2,300,000 per annum

During the year, the actuarial valuations for AGPS and AGSEPS as at 31 March 2010 were concluded and revised schedules of contributions came into affect on 1 January 2011

Immediately prior to the year end, the Group prepaid £8,000,000 of contributions, in aggregate, to AGSEPS and AGPS and a further £2,000,000 to the Bhs Schemes Having made these payments, the Group expects to contribute £10,373,000 to the UK Schemes and £5,500,000 to the Bhs Schemes during the year ending 26 August 2012

An estimated £30,000 will be contributed to the scheme registered in Ireland during the next financial year

Defined contribution schemes
The pension cost under the defined contribution section of the Matte plc pension scheme, referred to earlier, was £nil The Group also operates a personal pension plan for the benefit of Matte plc's former employees, to which it contributed £78,000 (2010 £88,000) during the year

Employer contributions to Arcadia's defined contribution scheme were £3,562,000 (2010 £664,000), whilst £1,473,000 (2010 £1,085,000) was paid to the Bhs stakeholder scheme

Total pension credit
The Group's net pension credit, including other finance costs, for the year ended 27 August 2011 was £548,000 (2010 £14,782,000 charge)

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Notes to the financial statements for the year ended 27 August 2011 (continued)

23 Notes to the consolidated cash flow statement

a. Reconciliation to net debt	2011 £'000	2010 £'000
At 29 August 2010	**(934,978)**	(1,105,297)
Increase / (decrease) in cash	**14,555**	(28,790)
Cashflow from movement in debt and lease financing	**32,702**	202,562
Cashflow from movement on liquid resources	**-**	11,494
Other non-cash movements in net debt	**(281)**	(15,056)
Exchange movements	**13**	109
At 27 August 2011	**(887,989)**	(934,978)

b. Reconciliation of operating (loss) / profit to net cash inflow from operating activities	2011 £'000	2010 £'000
Group operating (loss) / profit	**(84,418)**	257,348
Depreciation and amortisation of goodwill	**128,600**	125,796
Impairment of fixed assets	**113,835**	-
Difference between pension charge and cash contributions	**(22,280)**	(6,755)
Release of impairment provision	**(601)**	(95)
Profit on disposal of fixed assets	**(292)**	(5,488)
(Increase) / decrease in stocks	**(26,471)**	8,811
Decrease / (increase) in debtors	**3,212**	(231)
Increase / (decrease) in creditors and provisions	**130,948**	(5,134)
Total cash inflow from operating activities	**242,533**	374,252

c. Reconciliation of movement in net debt	At 29 August 2010 £'000	Cash flow £'000	Non -cash changes £'000	Exchange movements £'000	At 27 August 2011 £'000
Cash at bank and in hand	17,296	(937)	-	13	**16,372**
Bank overdrafts	(21,347)	15,492	-	-	**(5,855)**
	(4,051)	14,555	-	13	**10,517**
Debt due after one year	(805,139)	(70,000)	100,230	-	**(774,909)**
Debt due within one year	(137,353)	102,702	(101,021)	-	**(135,672)**
	(942,492)	32,702	(791)	-	**(910,581)**
Liquid resources	11,565	-	510	-	**12,075**
	(934,978)	47,257	(281)	13	**(887,989)**

Non-cash changes comprise the amortisation of deferred debt issue costs, accrued interest on the subordinated and floating rate loan notes and transfers between categories of debt

24 Ultimate controlling party and related party transactions

Lady Cristina Green and her immediate family are the Company's ultimate controlling party

During 2009 the Group acquired Bhs Group Limited, satisfied by the issue of subordinated loan notes to companies ultimately controlled by Lady Cristina Green and her immediate family During the current year, the Group redeemed £20,000,000 (2010 £nil) of these loan notes and paid the loan noteholders accrued interest of £16,000,000 (2010 £1,929,000) At the year end, the total amount outstanding on the loan notes, including accrued interest, was £194,413,000 (2010 £215,912,000)

During 2010, the Group purchased certain floating rate loan notes from Lady Cristina Green for £11,494,000

The Group rents properties from Carmen Properties Limited ('Carmen') and Mildenhall Holdings Limited ('Mildenhall') Both of these companies have the same ultimate controlling party as the Company During the year, Carmen and Mildenhall invoiced the Group £11,713,000 (2010 £11,739,000) and £250,000 (2010 £500,000), respectively All of these amounts had been settled at the year end (2010 £38,000 owed to Carmen)

Muse Retail Limited ('Muse') is a joint venture between Arcadia Group Limited and DCK Concessions Limited The Group sub-lets premises to Muse and provides it with support in a number of areas including marketing, finance, treasury and IT During the year the Group invoiced Muse £229,000 (2010 £366,000) in this regard One of the Group's brands also traded as a concession within Muse's outlets during the year and paid related commissions totalling £56,000 (2010 £nil) At the year end Muse owed the Group £1,155,000 (2010 £394,000), which has been fully provided against

A group company is one of the two members of Fashion Retail Academy ('FRA'), a private training provider delivering a range of higher and further education courses with an emphasis on retailing FRA is a company limited by guarantee During the year, the Group invoiced FRA £1,406,000 (2010 £1,081,000), mainly in respect of property and marketing expenditure, and made a charitable donation to FRA of £1,103,000 (2010 £858,000) The Group also provided FRA with other services on a gratis basis During the year, FRA charged the Group £19,000 (2010 £2,000) for the use of its facilities At the year end FRA owed the Group £101,000 (2010 £108,000)

25 Group undertakings

With the exception of A & D Pension Services Limited and Gresse Street Limited, which are 50% and 53% owned respectively, the Group owns the whole of the issued share capital of the group undertakings listed below Other than Taveta Investments (No 2) Limited, all of the companies are indirect subsidiaries of the Company

Subsidiary undertaking	Country of operation	Country of incorporation or registration	Main activity
A & D Pension Services Ltd	UK	England	Non-trading
Arcadia Group Ltd	UK	England	Holding company
Arcadia Group Brands Ltd	UK	England	Brand management
Arcadia Group Design & Development Ltd	UK	England	Store design and fit-out
Arcadia Group Fashion Holdings Ltd	UK	England	Holding company
Arcadia Group Holdings Ltd	UK	England	Non-trading
Arcadia Group (Hong Kong) Ltd	Hong Kong	Hong Kong	Fashion procurement
Arcadia Group Pension Trust Ltd	UK	England	Corporate trustee
Arcadia Group Retail Ltd	UK	England	Non-trading
Arcadia Group (USA) Ltd	USA	England	Fashion retailing
Arcadia Quest Trustee Ltd	UK	England	Dormant
Arcadia Retail Group Limited	UK	England	Dormant
Arcadia Stancepower Holdings Ltd	UK	England	Holding company
AG Clothing Ltd	UK	England	Brand management

Taveta Investments Limited

Notes to the financial statements for the year ended 27 August 2011 (continued)

25 Group undertakings (continued)

Subsidiary undertaking	Country of operation	Country of incorporation or registration	Main activity
AG Clothing (Holdings) Ltd	UK	England	Holding company
AG Fashion Limited	UK	England	Non-trading
AG Insurance Company Ltd	Guernsey	Guernsey	Captive insurer
AG Retail Holdings (Ireland) Ltd	Ireland	Ireland	Holding company
AG Senior Executives Pension Trustee Ltd	UK	England	Corporate trustee
Arcadia Group Multiples (Ireland) Ltd	Ireland	Ireland	Fashion retailing
B E Leasing Ltd	UK	England	Non-trading
Bhs Group Ltd	UK	England	Holding company
Bhs Ltd	UK	England	Retailing
Bhs (Jersey) Ltd	Jersey	Jersey	Retailing
Bhs Pension Trustees Ltd	UK	England	Corporate trustee
Bhs Properties Limited	UK	England	Property investment
Bhs Services Ltd	UK	England	Dormant
Burton/Dorothy Perkins Properties Ltd	UK	England	Property investment
Burton Property Trust Ltd	UK	England	Dormant
Burton Retail Ltd	UK	England	Fashion retailing
Caraway Group Ltd	UK	England	Dormant
Castle Trustee Ltd	UK	England	Corporate trustee
Collier Finance Ltd	UK	England	Non-trading
Davenbush Ltd	UK	England	Property investment
Dorothy Perkins Ltd	UK	England	Property investment
Dorothy Perkins Retail Ltd	UK	England	Fashion retailing
Epoch Properties Ltd	Jersey	Jersey	Property investment
Evans Ltd	UK	England	Fashion retailing
Evans Retail Properties Ltd	UK	England	Property investment
Gresse Street Ltd	UK	England	Property investment
Lowland Homes Ltd	UK	England	Property investment
Matte Card Services Ltd	UK	England	Dormant
Miss Selfridge Retail Ltd	UK	England	Fashion retailing
Miss Selfridge Retail (Ireland) Ltd	Ireland	Ireland	Fashion retailing
Miss Selfridge Properties Ltd	UK	England	Property investment
Montague Burton Employees Savings Trustee Ltd	UK	England	Non-trading
Montague Burton Properties Ltd	UK	England	Dormant
Montague Burton Property Investments Ltd	UK	England	Dormant
Outfit Retail Ltd	UK	England	Fashion retailing
Redcastle Ltd	UK	England	Property investment
Redcastle (214 Oxford Street) Ltd	UK	England	Property investment
Redcastle Finance Ltd	UK	England	Holding company
Redcastle (Holdings) Ltd	UK	England	Holding company

Taveta Investments Limited

Notes to the financial statements for the year ended 27 August 2011 (continued)

25 Group undertakings (continued)

Subsidiary undertaking	Country of operation	Country of incorporation or registration	Main activity
Redcastle Investments Ltd	UK	England	Dormant
Redcastle Properties Ltd	UK	England	Dormant
Redcastle Property Mortgage Ltd	UK	England	Property investment
Richards Investments Ltd	UK	England	Holding company
Dorsub (RSL) Ltd	UK	England	Dormant
Dorsub (RSH) Ltd	UK	England	Dormant
Stancepower	UK	England	Dormant
SVML Ltd	UK	England	Dormant
Tammy (Girlswear) Ltd	UK	England	Dormant
Taveta Investments (No 2) Limited	UK	England	Holding company
Top Shop/Top Man Ltd	UK	England	Fashion retailing
Top Shop/Top Man Properties Ltd	UK	England	Property investment
Wallis (London) Ltd	UK	England	Dormant
Wallis (London) GmbH	Germany	Germany	Non-trading
Wallis Retail Ltd	UK	England	Fashion retailing
Wallis Retail (Ireland) Ltd	Ireland	Ireland	Fashion retailing
Wallis Retail Properties Ltd	UK	England	Property investment
Zoom co uk Limited	UK	England	E-commerce