Registered Number 4464926

Taveta Investments Limited

Annual report for the year ended

29 August 2009

Taveta Investments Limited

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Contents

Taveta Investments Limited (Registered Number: 4464926)

Directors' report for the year ended 29 August 2009

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

Developments during the year, principal activities, business review and dividends
On 18 July 2009 the Group acquired Bhs Group Limited ('Bhs')

During the year, the Group also opened its first overseas solus store, with the launch of TopShop/TopMan in New York

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 after other finance income of £258 7 million (2008 £275 3 million) for the year ended 29 August 2009, on sales of £1,978 8 million (2008 £1,847 3 million)

The Group now trades from 3,114 outlets representing 12 4 million square feet of space

Enhancing the productivity of the portfolio, which now includes the recent acquisition of Bhs, through effective space management, the expansion of internet shopping and the Group's presence abroad, together with continual product improvement and realising 'back of house' synergies, will all contribute to the Group's objective of growing 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 £1,105 3 million (2008 £969 6 million) and generated net cash inflows of £342 0 million (2008 £327 5 million) through its operating activities

The directors do not recommend the payment of a dividend in respect of the financial year (2008 £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 as well as upgrading the existing store portfolio To this end, £85 8 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 stable of diverse, market-leading brands, supported by a dedicated and enthusiastic workforce, lead the directors to view the Group's future performance with confidence

Directors
The Company's directors during the year were

Ian Allkins	(resigned 28 August 2009)
Paul Coackley	
Ian Grabiner	(appointed 10 June 2009)
Lord Grabiner QC	(appointed 10 June 2009)
Sir Philip Green	

The following were appointed directors of the Company after the year end

Paul Budge	(appointed 24 September 2009)
Chris Coles	(appointed 10 September 2009)
Brett Palos	(appointed 24 September 2009)

Charitable donations
During the year, the Group donated £210,000 (2008 £321,000) 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

Employees
All staff are informed about matters concerning their interests as employees and the financial position of the Group through a number of communication channels including face-to-face briefings, an intranet site supplemented by e-mail announcements and a staff magazine

The board recognises the importance of a highly motivated and well trained workforce It encourages employees' involvement in the Group's performance through their participation in a variety of incentive bonus schemes linked to the achievement of operational or financial targets in the part of the business for which they work, and it invests in training programmes aimed at achieving the highest standards of personal development and customer service

The Group is an equal opportunities employer, recruiting and promoting employees on the basis of suitability for the job and on no other grounds Proper consideration is given to employment applications from disabled persons whose aptitude and skills can be utilised within the business and to their training and career progression Wherever possible, this includes the retraining and retention of staff 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

Directors' report for the year ended 29 August 2009 (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 ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Independent auditors
The Company has passed an elective resolution to dispense with the annual appointment of auditors PricewaterhouseCoopers LLP will therefore continue as auditors in accordance with and subject to Section 487 of the Companies Act 2006

On behalf of the Board

Adam Goldman
Company secretary
21 October 2009

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 29 August 2009 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 Sections 495 and 496 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

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 29 August 2009 and of the Group's profit 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
21 October 2009

Taveta Investments Limited

Consolidated profit and loss account for the year ended 29 August 2009

	Note	Continuing operations Existing 2009 £'000	Acquisitions 2009 £'000	Total 2009 £'000	Total 2008 £'000
Total turnover	1	**1,899,138**	**81,111**	**1,980,249**	1,848,367
Less Share of turnover of joint venture		**(1,447)**	**-**	**(1,447)**	(1,062)
Group turnover		**1,897,691**	**81,111**	**1,978,802**	1,847,305
Cost of sales		**(1,559,742)**	**(90,009)**	**(1,649,751)**	(1,508,431)
Gross profit		**337,949**	**(8,898)**	**329,051**	338,874
Distribution costs		**(33,447)**	**(2,367)**	**(35,814)**	(37,282)
Administrative expenses		**(61,912)**	**(1,575)**	**(63,487)**	(65,459)
Other operating income	2	**5,850**	**-**	**5,850**	7,261
Group operating profit		**248,440**	**(12,840)**	**235,600**	243,394
Share of joint venture's operating loss		**(111)**	**-**	**(111)**	(151)
Total operating profit	2	**248,329**	**(12,840)**	**235,489**	243,243
Total operating profit before goodwill amortisation		**266,181**	**(12,840)**	**253,341**	260,732
Goodwill amortisation		**(17,852)**	**-**	**(17,852)**	(17,489)
Net interest payable and similar charges	3	**(40,458)**	**(109)**	**(40,567)**	(68,825)
Other finance income	20	**5,679**	**(300)**	**5,379**	14,529
Profit before taxation		**213,550**	**(13,249)**	**200,301**	188,947
Taxation	5			**(47,851)**	(24,802)
Retained profit for the year	6,18			**152,450**	164,145

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

Consolidated statement of total recognised gains and losses for the year ended 29 August 2009

	Note	2009 £'000	2008 £'000
Retained profit for the year		**152,450**	164,145
Exchange gain on overseas subsidiaries	18	**105**	177
Actuarial loss on pension schemes	20	**(154,322)**	(57,240)
Movement on deferred tax relating to pensions	16	**43,210**	16,027
Total recognised gains relating to the year		**41,443**	123,109

Taveta Investments Limited

Balance sheets as at 29 August 2009

	Note	Group 2009 £'000	Group 2008 £'000	Company 2009 £'000	Company 2008 £'000
Fixed assets					
Intangible assets	7	**314,883**	233,667	-	-
Tangible assets	8	**1,009,963**	637,949	-	-
Investments	9	-	-	**866,395**	866,395
		1,324,846	871,616	**866,395**	866,395
Current assets					
Stocks		**188,499**	104,203	-	-
Debtors – due within one year	10	**116,216**	82,809	**9,467**	20,095
Cash at bank and in hand		**24,630**	12,107	-	-
		329,345	199,119	**9,467**	20,095
Creditors: amounts falling due within one year	11	**(672,636)**	(517,620)	-	-
Net current (liabilities) / assets		**(343,291)**	(318,501)	**9,467**	20,095
Total assets less current liabilities		**981,555**	553,115	**875,862**	886,490
Creditors amounts falling due after more than one year	12	**(1,130,426)**	(963,243)	**(891,085)**	(877,370)
Provisions for liabilities and charges					
Interest in joint venture - share of gross assets		**567**	596	-	-
- share of gross liabilities		**(688)**	(614)	-	-
	15	**(121)**	(18)	-	-
Other provisions	15	**(55,662)**	(17,292)	-	-
	15	**(55,783)**	(17,310)	-	-
Net (liabilities) / assets excluding pension (deficit) / asset		**(204,654)**	(427,438)	**(15,223)**	9,120
Pension (deficit) / asset	20	**(157,730)**	23,611	-	-
Net (liabilities) / assets		**(362,384)**	(403,827)	**(15,223)**	9,120
Capital and reserves					
Called up share capital	17	**10,309**	10,309	**10,309**	10,309
Share premium account	18	**1,941**	1,941	**1,941**	1,941
Profit and loss account	18	**(379,634)**	(421,077)	**(27,473)**	(3,130)
Equity shareholders' (deficit) / funds	18	**(367,384)**	(408,827)	**(15,223)**	9,120
Minority interests	9	**5,000**	5,000	-	-
Capital employed		**(362,384)**	(403,827)	**(15,223)**	9,120

The financial statements on pages 5 to 32 were approved by the board of directors on 21 October 2009 and were signed on its behalf by

Paul Budge
Director

Paul Coackley
Director

Taveta Investments Limited

Consolidated cash flow statement for the year ended 29 August 2009

	Note	2009 £'000	2009 £'000	2008 £'000	2008 £'000
Cash inflow from operating activities	21b		**341,985**		327,507
Returns on investments and servicing of finance					
Interest received		**1,525**		811	
Interest paid		**(38,305)**		(68,187)	
Issue costs of new bank borrowings		**(1,133)**		-	
			(37,913)		(67,376)
Taxation paid			**(49,273)**		(44,737)
Capital expenditure					
Purchase of tangible fixed assets		**(82,032)**		(84,800)	
Inflows / (outflows) from the sale of tangible fixed assets		**1,375**		(296)	
			(80,657)		(85,096)
Acquisitions					
Purchase of Bhs	22	**(1,419)**		-	
Net overdrafts acquired with Bhs	22	**(81,243)**		-	
			(82,662)		-
Cash inflow before financing			**91,480**		130,298
Financing					
Repayment of bank and other borrowings		**(39,919)**		(127,942)	
Capital element of finance lease payments		**(1,784)**		(1,822)	
Net cash outflow from financing			**(41,703)**		(129,764)
Increase in cash	21		**49,777**		534

Taveta Investments Limited

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 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 reflects 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, which 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 include 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
Fixed assets are stated at cost 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
Fixed assets are impaired where their book value exceeds the higher of their value in use and their net realisable value

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 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

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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

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

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

1 Turnover

Turnover is wholly attributable to the Group's principal activities and apart from £191,905,000 (2008 £165,381,000) arises in the United Kingdom The Group's principal overseas market is the Republic of Ireland

2 Total operating profit

Total operating profit is stated after charging / (crediting):	2009 £'000	2008 £'000
Depreciation - owned assets	**68,443**	63,348
- leased assets	**1,151**	811
Amortisation of goodwill	**17,852**	17,489
Other operating income (refer below)	**(5,850)**	(7,261)
Property rentals (net)	**250,487**	229,515
Other operating lease rentals	**3,226**	2,995
Auditors' remuneration:		
Audit services		
Statutory group audit (including Company £20,000 (2008 £20,000))	**101**	124
Statutory audit of subsidiaries and associates	**261**	176
Tax services		
Compliance	**16**	16
Other tax services	**496**	218
All other services	**188**	79

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

3 Net interest payable and similar charges

	2009 £'000	2008 £'000
Payable on bank loans and overdrafts	**(37,905)**	(67,608)
Payable on non-bank loans and loan notes	**(2,582)**	(1,077)
Payable on finance leases	**(540)**	-
Amortisation of issue costs of bank loans	**(1,065)**	(957)
Total interest and similar charges payable	**(42,092)**	(69,642)
Receivable on		
Bank deposits	**14**	46
Other deposits	**1,511**	765
Group interest receivable	**1,525**	811
Share of joint venture's interest receivable	**-**	6
Total interest receivable	**1,525**	817
Net interest payable and similar charges	**(40,567)**	(68,825)

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

4 Employees and directors

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

Employee costs	2009 £'000	2008 £'000
Wages and salaries	**333,988**	318,471
Social security costs	**24,052**	22,078
Pension cost (note 20)	**9,180**	10,309
Total employment costs	**367,220**	350,858

The average monthly number of people employed by the Group during the year was 32,106 (2008 31,211), including 22,861 (2008 22,177) part-time employees The equivalent average number of full-time employees was 15,152 (2008 14,578)

Directors' emoluments
Directors' emoluments total £1,935,000 (2008 £1,000,000) and include £150,000 (2008 £nil) of compensation for loss of office The highest paid director received £1,010,000 (2008 £1,000,000) At the year end two of the Company's directors were accruing retirement benefits under the Group's defined benefit schemes (2008 none)

5 Taxation

a. Analysis of charge for the year	2009 £'000	2008 £'000
Based on the profit for the year		
UK corporation tax at 28% (2008 29 17%)		
- Current year	**62,503**	50,363
- Prior year	**(7,107)**	(40,291)
- Share of joint venture	**(8)**	(37)
Overseas taxation	**2,354**	2,181
Total current tax (note 5b)	**57,742**	12,216
Deferred tax - Origination and reversal of timing differences (note 16)	**(9,891)**	12,586
Total taxation	**47,851**	24,802

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

5 Taxation (continued)

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

b. Factors affecting the tax charge for the year	2009 £'000	2008 £'000
Profit before taxation	**200,301**	188,947
Profit before taxation multiplied by the standard rate of corporation tax in the United Kingdom of 28% (2008 29 17%)	**56,084**	55,116
Effects of		
Expenses not deductible for tax purposes	**13,856**	14,211
Capital allowances in excess of depreciation	**(1,890)**	(6,599)
Other short term timing differences	**(1,587)**	(6,870)
Adjustment in respect of foreign tax rates	**(1,116)**	(2,951)
Adjustment to the tax charge in respect of previous years	**(7,605)**	(40,691)
Current tax charge for the year (note 5a)	**57,742**	12,216

c. Factors that may affect future tax charges
Based on current capital investment plans, the Group expects to be able to claim capital allowances in excess of depreciation in future years at a similar rate to the current year and to incur a similar amount of non-deductible expenditure

6 Profit 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 £24,343,000 (2008 £41,567,000) to the consolidated profit for the financial year

Taveta Investments Limited

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

7 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 31 August 2008	332,392
Additions (note 22)	99,068
At 29 August 2009	**431,460**
Amortisation	
At 31 August 2008	98,725
Charge for the year	17,852
At 29 August 2009	**116,577**
Net book amount	
At 29 August 2009	**314,883**
At 30 August 2008	233,667

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 The goodwill arising on the acquisition during the year of Bhs, is being amortised over twenty years

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

8 Tangible fixed assets

Group	Land and buildings £'000	Fit out, fixtures and equipment £'000	Total £'000
Cost			
At 31 August 2008	674,195	516,295	1,190,490
On acquisition of Bhs	283,632	76,055	359,687
Additions	17,939	67,846	85,785
Disposals	(20,080)	(16,962)	(37,042)
Reclassifications	321	(321)	-
At 29 August 2009	**956,007**	**642,913**	**1,598,920**
Depreciation			
At 31 August 2008	200,612	351,929	552,541
Charge for the year	22,215	47,379	69,594
Disposals	(17,458)	(15,284)	(32,742)
Release of impairment provision	(30)	(406)	(436)
Reclassifications	556	(556)	-
At 29 August 2009	**205,895**	**383,062**	**588,957**
Net book amount			
At 29 August 2009	**750,112**	**259,851**	**1,009,963**
At 30 August 2008	473,583	164,366	637,949

Analysis of net book value of land and buildings	2009 £'000	2008 £'000
Freehold	**167,442**	113,514
Long leasehold	**355,015**	226,085
Short leasehold	**227,655**	133,984
	750,112	473,583

Assets held under finance leases and capitalised in fit out, fixtures and equipment	2009 £'000	2008 £'000
Cost	**15,065**	4,470
Aggregate depreciation	**(8,577)**	(811)
Net book amount	**6,488**	3,659

The Company has no tangible fixed assets

Taveta Investments Limited

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

9 Fixed asset investments

Company Shares in subsidiary undertaking	Cost and net book value £'000
At 30 August 2008 and 29 August 2009	**866,395**

Advantage has been taken of Section 430(1) and (2) of the Companies Act 2006 not to disclose all group undertakings on the basis that such information would be of excessive length The group undertakings whose results or financial position, in the opinion of the directors, principally affect the consolidated financial statements are detailed below With the exception of Gresse Street Limited, which is 53% owned, the Group owns the whole of the issued share capital of the subsidiary undertakings listed below The minority interest disclosed on the balance sheet represents the external shareholding in Gresse Street Limited

Other than Taveta Investments (No 2) Limited, all of the companies below are indirect subsidiaries of the Company

Subsidiary undertaking	Country of operation	Country of incorporation or registration	Main activity
Arcadia Group Ltd	UK	England	Holding company
Arcadia Group Brands Ltd	UK	England	Brand management
AG Clothing Ltd	UK	England	Brand management
Arcadia Group Multiples (Ireland) Ltd	Ireland	Ireland	Fashion retailing
Bhs Group Ltd	UK	England	Holding company
Bhs Ltd	UK	England	Retailing
Bhs (Jersey) Ltd	Jersey	Jersey	Retailing
Burton Retail Ltd	UK	England	Fashion retailing
Davenbush 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
Gresse Street Ltd	UK	England	Property investment
Lowland Homes Ltd	UK	England	Property investment
Miss Selfridge Retail Ltd	UK	England	Fashion retailing
Miss Selfridge Retail (Ireland) Ltd	Ireland	Ireland	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 Property Mortgage Ltd	UK	England	Property investment
Taveta Investments (No 2) Limited	UK	England	Holding company
Top Shop/Top Man Ltd	UK	England	Fashion retailing
Wallis Retail Ltd	UK	England	Fashion retailing
Wallis Retail (Ireland) Ltd	Ireland	Ireland	Fashion retailing
Zoom co uk Limited	UK	England	E-commerce

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

10 Debtors

	Group		Company	
	2009	2008	**2009**	2008
Amounts falling due within one year	**£'000**	£'000	**£'000**	£'000
Trade debtors	**54,149**	37,389	-	-
Amounts due from joint venture – trading balances	**412**	721	-	-
Group relief receivable	-	-	**9,467**	20,095
Other debtors	**2,963**	5,080	-	-
Prepayments and accrued income	**58,692**	39,619	-	-
	116,216	82,809	**9,467**	20,095

11 Creditors – amounts falling due within one year

	Group		Company	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
Bank overdrafts	-	37,254	-	-
Bank loans and property mortgages (note 13)	**98,230**	78,023	-	-
Other loans (note 14)	**709**	-	-	-
Subordinated loan notes (note 12)	**1,869**	-	-	-
Trade creditors	**248,787**	164,079	-	-
Finance leases (note 14)	**2,729**	1,605	-	-
Corporation tax payable	**28,353**	23,129	-	-
Other taxation and social security	**31,051**	24,274	-	-
Other creditors	**75,706**	55,108	-	-
Accruals and deferred income	**185,202**	134,148	-	-
	672,636	517,620	-	-

12 Creditors – amounts falling due after more than one year

	Group		Company	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Bank loans and property mortgages (note 13)	**814,853**	854,379	-	-
Subordinated loan notes (refer below)				
- repayable between one and two years	**19,986**	-	-	-
- repayable between two and five years	**59,968**	-	-	-
- repayable after five years	**119,975**	-	-	-
Other loans (note 14)	**8,119**	9,410	-	-
Finance leases (note 14)	**3,489**	1,043	-	-
Amounts owed to subsidiary undertakings	-	-	**891,085**	877,370
Other creditors	**18,971**	17,316	-	-
Accruals and deferred income	**85,065**	81,095	-	-
	1,130,426	963,243	**891,085**	877,370

The subordinated loan notes above are listed on the Channel Islands Stock Exchange and are unsecured Interest on the loan notes accrues at the rate of 8% per annum, which is paid annually in arrears The loan notes are redeemable in ten equal annual instalments commencing in September 2010 Subordinated loan notes are stated net of unamortised issue costs of £87,000 (2008 £nil)

13 Bank loans and property mortgages

Group	**Bank loans ((a) below) £'000**	**Property mortgages ((b) below) £'000**	**2009 Total £'000**	2008 Total £'000
Maturity of debt				
Within one year	**74,060**	**24,170**	**98,230**	78,023
Between one and two years	**74,172**	**24,686**	**98,858**	78,058
Between two and five years	**484,083**	**230,212**	**714,295**	774,621
After five years				
- other than by instalments	-	**1,700**	**1,700**	1,700
	632,315	**280,768**	**913,083**	932,402

Details of the security provided and the repayment terms of certain of the above loans and property mortgages are as follows

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 A mortgage for £1,700,000 is repayable in full during 2015 and attracts interest at the rate of LIBOR

The Group's bank loans and property mortgages are stated net of unamortised issue costs of £3,256,000 (2008 £3,275,000)

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

14 Other loan and lease obligations

In 1988 the Group sold a number of properties to certain banks These properties were subsequently leased back on peppercorn rentals for 25 year terms 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	2009 £'000	2008 £'000
Property rental obligations falling due		
Within one year	709	-
Between one and two years	733	-
Between two and five years	7,386	9,410
	8,828	9,410
Finance lease obligations falling due		
Within one year	2,729	1,605
Between one and two years	3,306	951
Between two and five years	183	92
	6,218	2,648

15 Provisions for liabilities and charges

Group	Property remediation £'000	Onerous leases £'000	Joint venture £'000	Deferred taxation £'000	Total £'000
At 31 August 2008	-	5,255	18	12,037	17,310
Transfer to creditors	-	(84)	-	-	(84)
On acquisition of Bhs	18,900	7,280	-	24,299	50,479
Profit and loss account	-	(67)	103	(10,719)	(10,683)
Utilised during the year	-	(1,239)	-	-	(1,239)
At 29 August 2009	**18,900**	**11,145**	**121**	**25,617**	**55,783**

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 29 August 2009 the Group has provided for its share of the deficiency

The above provisions are not discounted

The Company has no provisions

16 Deferred taxation

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

Group	£'000
At 31 August 2008	(21,219)
On acquisition of Bhs – deferred tax on pension deficit	28,140
On acquisition of Bhs – other deferred tax balances	(24,299)
Deferred tax credit in the profit and loss account (note 5)	9,891
Deferred tax credit in the statement of total recognised gains and losses	43,210
At 29 August 2009	**35,723**

	2009		2008	
	Provided	**Unprovided**	Provided	Unprovided
Group	**£'000**	**£'000**	£'000	£'000
Accelerated capital allowances	**(20,801)**	**-**	(1,948)	-
Trading losses	**-**	**17,653**	-	9,828
Capital losses	**-**	**40,748**	-	35,275
Other timing differences	**(4,816)**	**-**	(10,089)	-
Deferred tax (provision) / asset excluding that relating to pension deficit / asset (note 15)	**(25,617)**	**58,401**	(12,037)	45,103
Deferred tax on pension deficit / asset (note 20)	**61,340**	**-**	(9,182)	-
	35,723	**58,401**	(21,219)	45,103

The Company has no deferred tax balances or unprovided amounts (2008 £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 £40,748,000 (2008 £35,275,000) 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 29 August 2009 (continued)

17 Called up share capital

	2009		2008	
	£'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

18 Reconciliation of movements in shareholders' funds

Group	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2009 £'000	Total 2008 £'000
Retained profit for the year	-	-	152,450	**152,450**	164,145
Actuarial loss on pension schemes (note 20)	-	-	(154,322)	**(154,322)**	(57,240)
Movement on deferred tax relating to pension schemes (note 16)	-	-	43,210	**43,210**	16,027
Exchange gain on overseas subsidiaries	-	-	105	**105**	177
Net addition to shareholders' funds	-	-	41,443	**41,443**	123,109
Opening deficit on shareholders' funds	10,309	1,941	(421,077)	**(408,827)**	(531,936)
Closing deficit on shareholders' funds	**10,309**	**1,941**	**(379,634)**	**(367,384)**	(408,827)

Company	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total 2009 £'000	Total 2008 £'000
Sustained loss for the year	-	-	(24,343)	**(24,343)**	(41,567)
Opening shareholders' funds	10,309	1,941	(3,130)	**9,120**	50,687
Closing deficit on shareholders' funds	**10,309**	**1,941**	**(27,473)**	**(15,223)**	9,120

19 Financial commitments

At 29 August 2009 the Group had capital commitments approved, but not provided for, of £9,954,000 (2008 £14,034,000) The Company had no capital commitments (2008 £nil) The Group also had commitments under non-cancellable operating leases with the following minimum annual rentals

	2009		2008	
	Land and buildings £'000	**Other assets £'000**	Land and buildings £'000	Other assets £'000
Operating leases which expire				
- within one year	**12,221**	**1,959**	23,562	318
- between two and five years inclusive	**84,235**	**3,622**	80,838	1,602
- after five years	**290,173**	**241**	158,428	-
	386,629	**5,822**	262,828	1,920

20 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 now 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

As the above schemes are now closed, the Group has established a defined contribution scheme to provide benefits to new employees

The recently acquired Bhs operates two funded defined benefit schemes, for the benefit of staff ('Staff') and senior management ('SMS'), collectively the 'Bhs Schemes' These schemes provide retirement benefits based on members' pensionable salaries and are closed to new entrants Effective from 15 August 2009 existing members ceased to accrue future benefits in these schemes and the link to final salary was also removed All active members at that date therefore became deferred pensioners These members and those qualifying employees who weren't eligible for membership of the defined benefit schemes are 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

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

20 Pension schemes (continued)

Defined benefit schemes
The amount (charged) / credited 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 charged to operating profit	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2009 £'000	Total 2008 £'000
Current service cost	(8,092)	(400)	(143)	(8,635)	(9,820)
Past service cost	(2)	-	-	(2)	(114)
Total operating charge	(8,094)	(400)	(143)	(8,637)	(9,934)

The above operating charge is included within administrative expenses

Analysis of amount credited to other finance income	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2009 £'000	Total 2008 £'000
Expected return on the schemes' assets	47,096	3,400	387	50,883	52,862
Interest on the schemes' liabilities	(41,394)	(3,700)	(410)	(45,504)	(38,333)
Net return	5,702	(300)	(23)	5,379	14,529

Analysis of amount recognised in the statement of total recognised gains and losses	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2009 £'000	Total 2008 £'000
Actual return less expected return on the schemes' assets	(98,229)	25,794	(206)	(72,641)	(91,550)
Experience gains and losses arising on the schemes' liabilities	(1,943)	-	574	(1,369)	(2,089)
Changes in assumptions underlying the present value of the schemes' liabilities	(16,352)	(63,330)	(630)	(80,312)	36,399
Actuarial loss recognised in the statement of total recognised gains and losses	(116,524)	(37,536)	(262)	(154,322)	(57,240)

The cumulative amount of actuarial losses recognised in the statement of total recognised gains and losses since 2004 is £185,546,000 (2008 £31,224,000)

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

20 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 2009 £'000	Total 2009 % of total assets	Total 2008 £'000	Total 2008 % of total assets
Equities	163,024	172,700	2,216	337,940	32.3	258,808	36 0
Bonds	222,276	134,900	4,062	361,238	34.5	85,501	11 9
Property	61,447	68,600	37	130,084	12.4	115,303	16 0
Other (including cash)	198,813	18,300	140	217,253	20.8	259,486	36 1
Total market value of assets	645,560	394,500	6,455	1,046,515		719,098	
Present value of scheme liabilities	(726,062)	(532,400)	(7,123)	(1,265,585)		(686,305)	
(Deficit) / surplus in the schemes	(80,502)	(137,900)	(668)	(219,070)		32,793	
Related deferred tax asset / (liability)				61,340		(9,182)	
Net pension (deficit) / asset recognised				(157,730)		23,611	

Reconciliation of fair value of the Schemes' assets	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2009 £'000	Total 2008 £'000
Opening fair value	713,099	-	5,999	719,098	770,483
On acquisition of Bhs	-	368,000	-	368,000	-
Expected return on scheme assets	47,096	3,400	387	50,883	52,862
Actuarial loss on scheme assets	(98,229)	25,794	(206)	(72,641)	(91,550)
Employer contributions	5,002	836	397	6,235	8,170
Member contributions	2,601	270	56	2,927	2,963
Section 75 payment	-	-	-	-	1,098
Net benefits paid out	(24,009)	(3,800)	(287)	(28,096)	(25,142)
Exchange movements	-	-	109	109	214
Closing fair value	645,560	394,500	6,455	1,046,515	719,098

The Schemes' assets in the year returned a loss of £21,758,000 (2008 £38,688,000) The Schemes do not invest in any of the Group's financial instruments or any properties occupied by the Group

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

20 Pension schemes (continued)

Reconciliation of present value of the Schemes' liabilities	UK Schemes £'000	Bhs Schemes £'000	Other Schemes £'000	Total 2009 £'000	Total 2008 £'000
Opening present value	679,687	-	6,618	686,305	694,331
On acquisition of Bhs	-	468,500	-	468,500	-
Current service cost	8,092	400	143	8,635	9,820
Interest cost	41,394	3,700	410	45,504	38,333
Member contributions	2,601	270	56	2,927	2,963
Actuarial loss / (gain) on scheme liabilities	18,295	63,330	56	81,681	(34,310)
Net benefits paid out	(24,009)	(3,800)	(287)	(28,096)	(25,142)
Past service cost	2	-	-	2	114
Exchange movements	-	-	127	127	196
Closing present value	726,062	532,400	7,123	1,265,585	686,305

History of the Schemes' surpluses / (deficits)	2009 £'000	2008 £'000	2007 £'000	2006 £'000	2005 £'000
Fair value of the Schemes' assets	1,046,515	719,098	770,483	704,811	626,556
Present value of the Schemes' liabilities	(1,265,585)	(686,305)	(694,331)	(689,182)	(638,244)
(Deficit) / surplus	(219,070)	32,793	76,152	15,629	(11,688)

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 scheme separately below

UK Schemes
An actuarial valuation of the UK Schemes was carried out as at 29 August 2009, using the projected unit method, by Hewitt Associates Limited, professionally qualified actuaries The principal assumptions made by the actuaries were

	% per annum		
	2009	2008	2007
Rate of increase in salaries	4.0	5 25	4 9
Rate of increase in pensions in payment			
- AGSEPS	3.0	3 75	3 4
- AGPS – pre 1 March 2006 service	2 9	3 7	3 3
- AGPS – post 1 March 2006 service	2.1	2 4	2 4
Rate of revaluation of deferred pensions in excess of GMP	3 0	3 75	3 4
Discount rate	5 4	6 2	5 6
Inflation	3.0	3 75	3 4

Taveta Investments Limited

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

20 Pension schemes (continued)

The mortality assumptions used were

	2009		2008	
	AGPS Years	**AGSEPS Years**	AGPS Years	AGSEPS Years
Life expectancy of member aged 65				
- Men	**85 2**	**88.3**	84 6	87 6
- Women	**87.7**	**91.1**	87 1	90 2

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

	Expected rate of return	**2009**	Expected rate of return	2008	Expected rate of return	2007
	%	**£'000**	%	£'000	%	£'000
Equities	**7.75**	**163,024**	8 0	256,728	8 5	232,637
Bonds	**4.9**	**222,276**	5 6	81,749	5 6	64,888
Property	**6.75**	**61,447**	7 0	115,247	7 5	153,108
Other (including cash)	**4.3**	**198,813**	5 7	259,375	6 0	313,787
Total market value of assets	**5.6**	**645,560**	6 7	713,099	7 0	764,420

The above analysis is stated net of derivatives

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 29 August 2009

Bhs Schemes
An actuarial valuation of the Bhs Schemes was undertaken as at 18 July 2009, the date the Group acquired Bhs, and at the financial year end The valuations were carried out by Watson Wyatt Limited, professionally qualified actuaries, using the projected unit method and involved applying the following principal assumptions

	% per annum	
	29 August 2009	18 July 2009
Rate of increase in salaries		
- Staff	-	5 0
- SMS	-	4 4
Rate of increase in pensions in payment		
- pre 1 January 2006 service	**3.0**	3 3
- post 1 January 2006 service	**2.2**	2 1
Rate of revaluation of deferred pensions in excess of GMP	**3.1**	3 4
Discount rate	**5.4**	6 3
Inflation	**3 1**	3 4

Taveta Investments Limited

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

20 Pension schemes (continued)

Bhs Schemes (continued)
The long term expected rate of return on the Bhs Schemes' assets is 7 1% (18 July 2009 Staff 7 5%, SMS 7 7%) 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

At 18 July 2009 and 29 August 2009	Staff Years	SMS Years
Life expectancy of member aged 60		
- Men	**83.7**	**87.8**
- Women	**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	**2009** £m	%	2008 £m	%	2007 £m	%	2006 £m	%	2005 £m	%
Difference between the expected and actual return on the schemes' assets										
Amount	**(72.6)**		(91 6)		8 9		41 9		56 7	
Percentage of the schemes' assets		**(6 9)**		(12 7)		1 1		5 9		9 1
Experience gains and losses on the schemes' liabilities										
Amount	**(1 4)**		(2 1)		(1 8)		(0 5)		0 7	
Percentage of the present value of the schemes' liabilities		**(0 1)**		(0 3)		(0 3)		(0 1)		0 1
Total amount recognised in the statement of total recognised gains and losses										
Amount	**(154.3)**		(57 2)		36 3		11 4		(16 7)	
Percentage of the present value of the schemes' liabilities		**(12 2)**		(8 3)		5 2		1 7		(2 6)

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

20 Pension schemes (continued)

Contributions to the defined benefit schemes
The Group continues to contribute to AGPS at the rate of 10 5% of members' pensionable salary to fund future benefits and also pays a further £100,000 a month to cover the scheme's administrative expenses These contributions are currently being offset through the utilisation of the past service funding surplus identified by the 2007 actuarial valuation

The Group contributes at the rate of 34 7% of members' pensionable earnings to AGSEPS and makes a further annual contribution of £2,300,000 to repair the past service deficit Immediately prior to the year end, the Group prepaid £5,000,000 of contributions to AGSEPS Having made this payment the Group expects to contribute only £100,000 to the UK Schemes during the next financial year

As the Bhs Schemes are now closed to future accrual, the Group will only be making contributions in respect of the past service deficits going forward These are expected to total £2,400,000 during 2009/10

An estimated £150,000 will be contributed to the scheme registered in Ireland during the year ending 28 August 2010

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 £95,000 (2008 £97,000) during the year

The Group's contribution to the money purchase arrangements established for the benefit of employees unable to join Arcadia's defined benefit schemes was £422,000 (2008 £278,000), whilst £26,000 was paid to the Bhs stakeholder scheme

Total pension charge
The Group's total pension charge, including other finance income, for the year ended 29 August 2009 was £3,801,000 (2008 £4,220,000 credit)

Taveta Investments Limited

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

21 Notes to the consolidated cash flow statement

a. Reconciliation to net debt	2009 £'000	2008 £'000
At 31 August 2008	**(969,607)**	(1,093,936)
Increase in cash	**49,777**	534
Cashflow from movement in debt and lease financing	**42,836**	129,764
On acquisition of Bhs	**(25,354)**	-
Other non-cash movements in net debt	**(202,949)**	(5,969)
At 29 August 2009	**(1,105,297)**	(969,607)

b. Reconciliation of operating profit to net cash inflow from operating activities	2009 £'000	2008 £'000
Group operating profit	**235,600**	243,394
Depreciation and amortisation of goodwill	**87,446**	81,648
Difference between pension charge and cash contributions	**2,402**	666
Release of impairment provision	**(436)**	(499)
Loss on disposal of fixed assets	**1,215**	280
Increase in stocks	**(17,428)**	(5,214)
Decrease / (increase) in debtors	**3,673**	(4,967)
Increase in creditors and provisions	**29,513**	12,199
Total cash inflow from operating activities	**341,985**	327,507

c. Reconciliation of movement in net debt	At 31 August 2008 £'000	Cash flow £'000	Acquisition (excluding cash and overdrafts) £'000	Other non -cash changes £'000	At 29 August 2009 £'000
Cash at bank and in hand	12,107	12,523	-	-	**24,630**
Bank overdrafts	(37,254)	37,254	-	-	-
	(25,147)	49,777	-	-	**24,630**
Debt due after one year	(864,832)	(38,332)	(23,669)	(99,557)	**(1,026,390)**
Debt due within one year	(79,628)	81,168	(1,685)	(103,392)	**(103,537)**
	(944,460)	42,836	(25,354)	(202,949)	**(1,129,927)**
	(969,607)	92,613	(25,354)	(202,949)	**(1,105,297)**

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

Taveta Investments Limited

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

22 Acquisitions

On 18 July 2009, the Group acquired Bhs Group Limited ('Bhs') A reconciliation between the book values and the provisional fair values of Bhs' assets and liabilities at the date of acquisition, is provided below

	Book value £'000	Revaluation adjustments £'000	Accounting policy alignment £'000	Other adjustment £'000	**Provisional fair value £'000**
Goodwill	(101,962)	-	-	101,962	-
Tangible fixed assets	379,728	(18,642)	(1,399)	-	**359,687**
Stocks	74,937	(4,738)	(3,331)	-	**66,868**
Debtors	36,309	-	800	-	**37,109**
Corporation tax	3,198	-	-	-	**3,198**
Cash and bank	4,850	-	-	-	**4,850**
Trade and other creditors	(135,562)	487	-	-	**(135,075)**
Finance leases	(5,354)	-	-	-	**(5,354)**
Property mortgage	(20,000)	-	-	-	**(20,000)**
Bank overdrafts	(86,093)	-	-	-	**(86,093)**
Deferred tax	(24,299)	-	-	-	**(24,299)**
Provisions for liabilities and charges	(22,737)	(2,858)	(585)	-	**(26,180)**
Pension deficit	(72,360)	-	-	-	**(72,360)**
Net assets acquired	30,655	(25,751)	(4,515)	101,962	**102,351**
Goodwill					**99,068**
Consideration (including expenses) satisfied by:					
Cash					**1,419**
Subordinated loan notes (note 12)					**200,000**
					201,419

The fair value adjustments above contain some provisional amounts, which will be finalised in the 2009/10 financial statements when the detailed acquisition investigation has been completed The book values of assets and liabilities have been taken from Bhs' management accounts at the date of acquisition

Revaluation adjustments have arisen in the following areas

- certain properties have been revalued to reflect their open market values,
- stocks have been written down to their estimated realisable value, and
- the provision for onerous leases has been revalued in line with management's expectation of the likely cash outflows to exit the properties

The fair value adjustment to align Bhs' accounting policies with those of the Group comprises

- the removal of certain capitalised internal costs,
- writing off shopfloor payroll costs absorbed within stocks,
- removing the immaterial impact of discounting from provisions, and
- applying the Group's methodology to the prepayment of rents

The other adjustment relates to the elimination of goodwill recognised by Bhs at 18 July 2009, which had arisen on an earlier acquisition

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

22 Acquisitions (continued)

The purchase of Bhs has been accounted for as an acquisition

During its last financial year to 31 March 2008, Bhs made a profit after tax of £25,464,000 For the period from 1 April 2008 to the date of its acquisition, Bhs' management accounts show

	£'000
Turnover	994,315
Operating loss before exceptional items	(19,316)
Exceptional items	(19,631)
Loss before taxation	(38,947)
Taxation	3,152
Loss attributable to shareholders	(35,795)
Actuarial loss	(74,808)
Total recognised losses for the period	(110,603)

From the date of its acquisition to 29 August 2009, Bhs contributed the following towards the Group's cash flows

	£'000
Net cash inflow from operating activities	9,447
Returns on investments and servicing of finance	(251)
Capital expenditure	(888)
Outflows from financing	(179)
Increase in cash	8,129

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

23 Ultimate controlling party and related party transactions

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

On 18 July 2009 the Group acquired Bhs Group Limited The Company and Bhs Group Limited have the same ultimate controlling party The consideration for the purchase of Bhs Group Limited was satisfied by the issue of subordinated loan notes to companies ultimately controlled by Lady Cristina Green and her immediate family The amount outstanding on these loan notes, including accrued interest, at the year end was £201,885,000

Sir Philip Green and Paul Coackley are directors of both Bhs Group Limited and the Company Prior to his resignation on 28 August 2009, Ian Allkins was also a director of both companies

During the period prior to its acquisition, the Bhs group invoiced the Group £1,754,000 (2008 £2,169,000), mainly in respect of management, property and catering services During this period, the Group also invoiced the Bhs group £7,523,000 (2008 £4,767,000) primarily for the sourcing of overseas goods

During the year the Group rented properties from Carmen Properties Limited, a company with the same ultimate controlling party as the Company The value of the disclosable rental transactions paid to this company during the year was £161,000 There were no amounts outstanding at the year end

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 store fit-out, marketing, finance, treasury and IT During the year the Group invoiced Muse £487,000 (2008 £1,385,000) in this regard At the year end Muse owed the Group £412,000 (2008 £721,000)

A group company is one of the two members of Fashion Retail Academy ('FRA'), a higher education establishment that provides students with a range of courses with an emphasis on retailing FRA is a company limited by guarantee During the year, the Group invoiced FRA £1,109,000 (2008 £1,116,000), mainly in respect of property and marketing expenditure, and made a charitable donation to FRA of £827,000 (2008 £769,000) The Group also provided FRA with other services on a gratis basis During the year, FRA charged the Group £10,000 (2008 £25,000) for the use of its facilities At the year end FRA owed the Group £87,000 (2008 £33,000)