

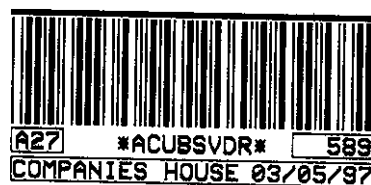
EMPIRE STORES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

28th DECEMBER 1996

Registered No. 110433



EMPIRE STORES LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 28th December 1996.

Principal Activity

The principal activity of the Company is catalogue mail order retailing.

Review of Developments and Future Prospects

The directors consider the performance of the company to be satisfactory and they remain optimistic about its future prospects.

Results and Dividends

The results of the Company are set out on page 4. The retained profit for the year is £9,587,000 (year ended 30th December 1995: £11,885,000). The directors do not recommend a dividend (year ended 30th December 1995 : £Nil) and the retained profit has been transferred to reserves.

Fixed Assets

Movements in fixed assets are set out in note 7 to the accounts.

Directors

The directors who served during the year or were appointed/resigned after the year-end are shown below :

N. G. Atkinson	
R. Bott	(Appointed 1 st September 1996)
W. J. Campbell	
E. F. Faintreny	(Appointed 20 th February 1996)
M. L. Hawker	
A. R. Hill	
R. G. Jones	(Resigned 17 th January 1997)
P. Palich	(Resigned 27 th December 1996)
A. J. Skelsey	
P. J. Smith	
J-B. Tefra	(Resigned 21 st May 1996)

The directors and their families have, and had at 31st December 1995 (or date of appointment if later) and at 28th December 1996, no interests in the shares of the Company or of any group company.

Donations

During the year, the Company made contributions totalling £32,321 (year ended 30th December 1995 : £14,612), all of which were for charitable purposes.

EMPIRE STORES LIMITED

DIRECTORS' REPORT

(Continued)

Employee Involvement

The framework of Company-wide and departmental consultative and bargaining arrangements which has been developed in previous years continues to operate. In a period of significant challenge, change, and opportunity for the Company, it provides an essential basis for the maintenance of good industrial relations and for developing a deeper understanding of the needs of the business, its employees and its customers.

Disabled Persons

The Company offers appropriate employment, training and promotion to disabled people where the disability does not materially affect work-performance. Should it become necessary, every effort would be made in accordance with this policy to continue the employment of anyone becoming disabled whilst in the service of the Company.

Auditors

A resolution to re-appoint Deloitte & Touche will be proposed at the forthcoming Annual General Meeting.

Directors' responsibilities for preparing the financial statements

The directors are obliged under company law to prepare financial statements for each financial year and to present them annually to the Company's members in an Annual General Meeting.

The financial statements, of which the form and content is prescribed by the Companies Act 1985, must give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit for that period, and they must comply with applicable accounting standards.

The directors are also responsible for the adoption of suitable accounting policies, their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements, and for preparing the financial statements on a going concern basis, unless it is inappropriate to assume that the Company will continue in business.

In addition, the directors are responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the Company and to prevent and detect fraud or any other irregularities.

The directors confirm that the above requirements have been complied with in the financial statements.



By order of the Board
F. W. Oakes
Secretary

24th March 1997

18 Canal Road
Bradford
BD99 4XB

REPORT OF THE AUDITORS TO THE MEMBERS OF

EMPIRE STORES LIMITED

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

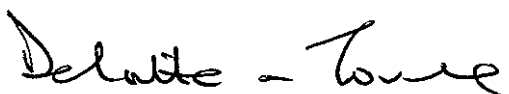
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 28th December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche
Chartered Accountants
and Registered Auditors

17 April, 1997.

10-12 East Parade
Leeds
LS1 2AJ

EMPIRE STORES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28th DECEMBER 1996

	Note	Year ended 28th December 1996 £'000	Year ended 30th December 1995 £'000
Turnover (Continuing Operations)	1	262,410	239,869
Cost of Sales		(158,841)	(146,564)
Gross Profit		103,569	93,305
Net Operating Expenses	1	(90,780)	(81,320)
Operating Profit (Continuing Operations)		12,789	11,985
Interest Receivable and similar income	3	220	90
Interest Payable and similar charges	4	(16)	(22)
Profit on ordinary activities before taxation	1	12,993	12,053
Taxation on profit on ordinary activities	6	(3,406)	(168)
Retained Profit for the financial year transferred to reserves	14	9,587	11,885

The notes on pages 7 to 17 form part of these accounts.

EMPIRE STORES LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 28th DECEMBER 1996

	Year ended 28th December 1996 £'000	Year ended 30th December 1995 £'000
Profit attributable to Shareholders of the company	9,587 -----	11,885 -----
Note on prior period adjustment		
Total recognised gains and losses related to the year (as above)		11,885
Prior period adjustment (as detailed in note 2)		(7,211)
Total gains and losses recognised since the last annual report		----- 4,674 -----

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS
FOR THE YEAR ENDED 28th DECEMBER 1996

	Year ended 28th December 1996 £'000	Year ended 30th December 1995 £'000
Profit for the financial year	9,587	11,885
Opening Shareholders' funds as previously stated	(24,485)	(29,159)
Prior period adjustment	----- -	(7,211) -----
Opening Shareholders' funds as restated	(24,485)	(36,370)
Closing Shareholders' funds	----- (14,898) =====	----- (24,485) =====

EMPIRE STORES LIMITED
BALANCE SHEET
AS AT 28th DECEMBER 1996

	Note	28th December 1996 £'000	30th December 1995 £'000
Fixed Assets			
Tangible assets	7	3,864 -----	3,371 -----
Current Assets			
Stocks	8	29,829	23,690
Debtors	9	38,025	21,133
Cash at bank and in hand		2,611 -----	1,858 -----
		70,465	46,681
Creditors: amounts falling due within one year	10	87,976 -----	73,012 -----
Net current liabilities		(17,511) -----	(26,331) -----
Total assets less current liabilities		(13,647)	(22,960)
Creditors: amounts falling due after more than one year	11	140	186
Provisions for liabilities and charges	12	1,111 -----	1,339 -----
		(14,898) =====	(24,485) =====
Capital and reserves			
Called up share capital	13	-	-
Profit and loss account	14	(14,898)	(24,485)
Total Equity Shareholders' Funds		(14,898) =====	(24,485) =====

Approved by the Board on 24th March 1997.

M. L. Hawker
W. J. Campbell

) *M. L. Hawker* *W. J. Campbell*
) Directors.

The notes on pages 7 to 17 form part of these accounts.

EMPIRE STORES LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 28th DECEMBER 1996

The accounts have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

The principal accounting policies of the Company have not changed during the year.

a. **V.A.T.**

The V.A.T. element of sales has been deducted from the gross sales value. V.A.T. payable to H. M. Customs & Excise has been calculated on cash collected in accordance with the provisions of the 'Special Schemes for Retailers' and the difference between that amount and the V.A.T. element of sales has been included in 'Creditors: amounts falling due within one year'.

With effect from 1st March 1997, the "Special Scheme for Retailers" used by the Company has been withdrawn. Thereafter, V.A.T. will become due to H.M. Customs & Excise as sales are recorded.

b. **Depreciation**

Depreciation has been provided on a straight line basis on the original cost as follows:

Plant and equipment between 10% and 50% per annum.

c. **Deferred taxation**

Deferred taxation has been provided at current and expected future corporation tax rates on all timing differences between the accounting and taxation treatment of income and expense to the extent that it is considered that these could become payable in the foreseeable future. Unprovided deferred taxation is disclosed as a potential liability.

d. **Stocks**

Stocks are valued at the lower of cost and net realisable value. Net realisable value represents estimated selling price less all costs incurred in selling and distribution.

e. **Catalogue costs**

The costs of catalogue production and printing are charged to the accounts as they are incurred.

f. **Leases**

Finance leases are capitalised and the resulting lease obligations are included in creditors. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term.

Operating lease rentals are charged against operating profits as they are incurred.

EMPIRE STORES LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 28th DECEMBER 1996
(Continued)

- g. **Pension costs**
The cost of providing pension benefits is charged to the profit and loss account over the period benefiting from the employees' service.

The funding of the scheme is in accordance with the advice of professionally qualified actuaries.
- h. **Foreign exchange**
Transactions denominated in foreign currencies are translated at the contracted rate or at the rate ruling at that date. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996

	Year ended 28th December 1996 £'000	Year ended 30th December 1995 £'000
1. Turnover and profit on ordinary activities before taxation		
The turnover (all of which arises in the United Kingdom) and profit on ordinary activities before taxation are attributable to catalogue mail order retailing.		
Net operating expenses:		
Distribution costs	21,313	18,875
Administration expenses	73,780	69,259
Other operating income	(4,313)	(6,814)
	-----	-----
	90,780	81,320
	=====	=====
Other operating income includes a recovery of V.A.T. of £482,000 and associated interest of £578,000 (1995 : V.A.T. recovery net of opening accruals of £689,000 and associated interest of £3,152,000).		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	1,001	1,030
Profit on sale of tangible fixed assets	-	(23)
Auditors' remuneration - audit	67	66
- other services	22	28
Hire of plant and machinery	519	414
Operating lease charges - other	1,073	1,021
	=====	=====

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996
(Continued)

2. Prior period adjustment

During the year ended 30th December 1995 the company changed its accounting policy in respect of catalogue and marketing costs.

The costs of catalogue promotion and marketing are charged to the accounts as they are incurred. This is a change to the previous policy of charging the costs to the accounts over the life of the catalogue. This revised policy is regarded by the directors as being a more prudent treatment of these costs.

	Year ended 28th December 1996 £'000	Year ended 30th December 1995 £'000
--	--	--

3. Interest receivable and similar income

Group company	191	16
Other interest receivable	29	74
	-----	-----
	220	90
	=====	=====

4. Interest payable and similar charges

Finance lease interest	14	18
Other interest payable	2	4
	-----	-----
	16	22
	=====	=====

5. Employment Costs

Employment costs during the year :

Salaries and wages	24,614	19,025
Social security	1,548	1,322
Pension costs	170	113
	-----	-----
	26,332	20,460
	=====	=====

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996

(Continued)

Year ended Year ended
28th December 1996 30th December 1995

5. **Employment Costs** (continued)

The average number of employees was:	Number	Number
Sales and distribution	1,485	1,242
Administration	508	521
	-----	-----
	1,993	1,763
	=====	=====

Of these employees, 509 (30th December 1995 : 383) were part time

Directors' emoluments during the year	£'000	£'000
Management remuneration	724	594
	===	===

The remuneration of the directors excluding pension contributions during the year was:

Highest paid director	118	115
	===	===

Other directors :	Number	Number
£0 - £5,000	3	2
£25,001 - £30,000	1	-
£65,001 - £70,000	1	-
£80,001 - £85,000	1	2
£85,001 - £90,000	2	3
£90,001 - £95,000	1	-
£95,001 - £100,000	1	-

Emoluments of directors who are also directors of the immediate parent company, Empire Stores Group plc, are shown in the accounts of that company, and are therefore shown as Nil above.

The company operates a funded defined benefit pension scheme for general staff. The scheme is contracted out of the State Earnings Related Pension Scheme. Empire Stores Group plc operates a separate funded defined benefit scheme for executives of the company, details of which are included in the accounts of Empire Stores Group plc.

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996
(Continued)

5. **Employment Costs** (continued)

The schemes are administered by Trustees and established under an irrevocable trust and therefore do not form part of the Company's assets.

Contributions to both schemes are made in accordance with the advice of professionally qualified actuaries. The charge to the profit and loss account has been calculated in accordance with SSAP24.

A full actuarial valuation of the general staff scheme carried out at 6th April 1994 using the projected unit method showed the following :

Interest assumed to exceed salary increases by	2.25%
Market value of assets	£6,464,000
Level of funding	100 - 105%

Acting on advice of actuaries, funding of this Scheme was suspended in April 1994, and recommenced in June 1995.

An amount of £291,000 (30th December 1995 : £305,000) is included in provisions, this being the excess of the regular pension cost over the amount funded in relation to the staff scheme.

	Year ended 28th December 1996 £'000	Year ended 30th December 1995 £'000
6. Taxation		
U.K. corporation tax at 33% (Year ended 30 th December 1995 : 33%)	3,236	-
Deferred tax	(168)	169
Adjustment to prior year corporation tax provision	338	(1)
	----- 3,406 =====	----- 168 =====

The charge for the year is disproportionately low due to group relief surrendered from another group company free of charge. The tax charge for the previous year was disproportionately low due to the offset of taxable losses against profits for the year ended 30th December 1995 for which no deferred tax asset was previously provided.

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996
(Continued)

7. Tangible fixed assets

Cost	Plant and Equip- ment £'000	Total £'000
At 31st December 1995	10,906	10,906
Additions	1,494	1,494
At 28th December 1996	----- 12,400 -----	----- 12,400 -----
Accumulated depreciation		
At 31st December 1995	7,535	7,535
Provided during year	1,001	1,001
At 28th December 1996	----- 8,536 -----	----- 8,536 -----
Net book value at 28th December 1996	3,864 =====	3,864 =====
Net book value at 30th December 1995	3,371 =====	3,371 =====

Included in plant and equipment at 28th December 1996 are assets held under finance leases:

	£'000
Net book value	172
	===
Depreciation provided during the year (30th December 1995 : £81,000)	45
	===

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR YEAR ENDED 28th DECEMBER 1996

(Continued)

8. Stocks

Stocks comprise goods for resale. The directors consider that the replacement value of stock is not significantly different from the value shown in the balance sheet.

	28 th December 1996 £'000	30th December 1995 £'000
9. Debtors		
Amounts due from parent company	24,940	18,222
Amounts due from fellow subsidiaries	11,806	2,021
Prepayments and accrued income	1,279	890
	-----	-----
	38,025	21,133
	=====	=====

The above analysis of debtors as at 30th December 1995 has been changed in order to give a fairer presentation of the financial position as at that date.

10. Creditors: amounts falling due within one year

Bank loans and overdrafts	697	-
Trade creditors	15,943	10,433
Accruals and deferred income	9,761	7,258
Amounts due to fellow subsidiaries	655	2,960
Other creditors	35,324	33,515
Other taxation and social security	23,161	18,803
Corporation tax	2,389	-
Finance lease obligations	46	43
	-----	-----
	87,976	73,012
	=====	=====

The above analysis of creditors as at 30th December 1995 has been changed in order to give a fairer presentation of the financial position as at that date.

11. Creditors: amounts falling due after more than one year

Finance lease obligations - payable between two and five years	140	186
	===	===

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996

(Continued)

	28 th December 1996 £'000	30th December 1995 £'000
12. Provisions for liabilities and charges		
Pension cost	1,111	1,171
Deferred taxation	-	168
	-----	-----
	1,111	1,339
	=====	=====

Pension cost :

	£'000
At 31 st December 1995	
Released in the year	1,171
	(60)

At 28 th December 1996	1,111
	=====

Deferred taxation:

At 31 st December 1995	
Released in the year	168
	(168)

At 28 th December 1996	-
	===

The amounts of deferred tax provided and unprovided in the financial statements are :

	Provided		Unprovided	
	28th December 1996 £'000	30th December 1995 £'000	28th December 1996 £'000	30th December 1995 £'000
Capital Allowances in excess of depreciation	-	237	302	-
Other timing differences	-	725	(514)	(387)
Unrelieved tax losses	-	(794)	-	-
	-----	-----	-----	-----
	-	168	(212)	(387)
	=====	=====	=====	=====

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996

(Continued)

	28 th December 1996 £	30th December 1995 £
13. Share Capital		
100 Ordinary shares of £1 each Issued and fully paid	100 ===	100 ===
100 Authorised shares of £1 each	100 ===	100 ===
14. Profit and Loss Account		
		£'000
At 31 st December 1995		(24,485)
Retained profit for the year		9,587
At 28 th December 1996		----- (14,898) =====
15. Contingent liabilities		
The company is jointly and severally liable for the bank borrowings of other group companies, totalling £68,400,000 (30th December 1995 £64,239,000).		
16. Capital commitments		
	28th December 1996 £'000	30th December 1995 £'000
Contracted for but not provided in the financial statements	387 =====	189 =====

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 28th DECEMBER 1996
(Continued)

17. Operating leases

At 28th December 1996 the Company was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings £'000	Plant and Machinery £'000
Leases which expire :		
In one year or less	173	74
Between two and five years	49	465
In five years or more	520	-
	----	----
	742	539
	====	====

18. Cash flow statement

The Company has taken advantage of the exemption contained in FRS 1 not to publish its own cash flow statement as it is a wholly owned subsidiary of Empire Stores Group plc and its cash flows are dealt with in the consolidated cash flow statement of that company.

19. Related party transactions

The company has taken advantage of the exemption contained in FRS 8 not to publish details of related party transactions with other group companies as it is a wholly owned subsidiary of Empire Stores Group plc.

20. Ultimate parent company

The Company is a wholly owned subsidiary of Empire Stores Group plc, which is registered in England and Wales, and which has undertaken to provide the finance necessary to enable the Company to meet its liabilities.

The Company's ultimate parent company is Pinault Printemps-Redoute S.A., which is incorporated in France.

Copies of the group accounts of Empire Stores Group plc can be obtained from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.

Copies of the group accounts of Pinault Printemps-Redoute S.A. are available from the Company Secretary, Empire Stores Group plc, 18 Canal Road, Bradford, West Yorkshire, BD99 4XB.