



EMPIRE STORES LIMITED
Report and Financial Statements
Year Ended 3rd January 1998

110233



EMPIRE STORES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

3rd JANUARY 1998

Registered No. 110433

EMPIRE STORES LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements for the year ended 3rd January 1998.

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 £14,830,000 (year ended 28th December 1996: £9,587,000). Operating profits have benefited by £12.9m representing VAT refunds and associated interest. The directors do not recommend a dividend (year ended 28th December 1996 : £Nil) and the retained profit has been transferred to reserves.

Fixed Assets

Movements in fixed assets are set out in note 6 to the accounts.

Creditor Payment Policy

The company pays its creditors in accordance with the payment terms agreed with its suppliers. As at 3rd January creditor days were 24 days.

Directors

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

N. G. Atkinson	(Resigned 6 th June 1997)
R. Bott	
W. J. Campbell	
M. Cheshire	(Appointed 4 th August 1997)
E. F. Faintreny	(Resigned 2 nd March 1997)
M. Green	(Appointed 1 st December 1997)
M. L. Hawker	
H. Heavisides	(Appointed 2 nd March 1998)
A. R. Hill	
R. G. Jones	(Resigned 17 th January 1997)
J. McAulay	(Appointed 1 st July 1997)
A. J. Skelsey	
P. J. Smith	

The directors and their families have, and had at 29th December 1996 (or date of appointment if later) and at 3rd January 1998 , no interests in the shares of the Company or of any group company.

Donations

During the year, the Company made contributions totalling £36,626 (year ended 28th December 1996 : £32,321), 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.

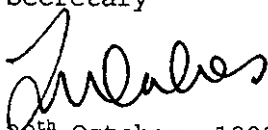
The financial statements, of which the form and content is prescribed by the Companies Act 1985, must give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit for that period, and they must comply with applicable accounting standards.

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



29th October, 1998
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.

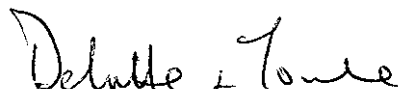
Basis of opinion

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 3rd January 1998 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

29th October, 1998

10-12 East Parade
Leeds
LS1 2AJ

EMPIRE STORES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 3rd JANUARY 1998

	Note	Year ended 3 rd January 1998 £'000	Year ended 28 th December 1996 £'000
Turnover (Continuing Operations)	1	283,713	262,410
Cost of Sales		162,512	(158,841)
Gross Profit		121,201	103,569
Net Operating Expenses	1	(98,434)	(90,780)
Operating Profit (Continuing Operations)		22,767	12,789
Interest Receivable and similar income	2	174	220
Interest Payable and similar charges	3	(441)	(16)
Profit on ordinary activities before taxation	1	22,500	12,993
Taxation on profit on ordinary activities	5	(7,670)	(3,406)
Retained Profit for the financial year transferred to reserves	13	14,830	9,587

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 3rd JANUARY 1998

	Year ended 3 rd January 1998 £'000	Year ended 28 th December 1996 £'000
Profit attributable to Shareholders of the company	14,830 -----	9,587 -----

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS
FOR THE YEAR ENDED 3rd JANUARY 1998

	Year ended 3 rd January 1998 £'000	Year ended 28 th December 1996 £'000
Profit for the financial year	14,830	9,587
Opening Shareholders' funds	(14,898) -----	(24,485) -----
Closing Shareholders' funds	(68) =====	(14,898) =====

EMPIRE STORES LIMITED

BALANCE SHEET

AS AT 3rd JANUARY 1998

	Note	3 rd January 1998 £'000	28 th December 1996 £'000
Fixed Assets			
Tangible assets	6	4,934 -----	3,864 -----
Current Assets			
Stocks	7	36,932	29,829
Debtors	8	46,701	38,025
Cash at bank and in hand		2,583 -----	2,611 -----
		86,216	70,465
Creditors: amounts falling due within one year	9	89,874 -----	87,976 -----
Net current liabilities		(3,658) -----	(17,511) -----
Total assets less current liabilities		1,276	(13,647)
Creditors: amounts falling due after more than one year	10	260	140
Provisions for liabilities and charges	11	1,084 -----	1,111 -----
Net liabilities		(68) =====	(14,898) =====
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	(68) -----	(14,898) -----
Total Equity Shareholders' Funds		(68) =====	(14,898) =====

Approved by the Board on 29th October, 1998.

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

ML Hawker
WJ Campbell

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

EMPIRE STORES LIMITED

ACCOUNTING POLICIES

FOR THE YEAR ENDED 3rd JANUARY 1998

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. **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.
- b. **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.
- c. **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.
- d. **Catalogue costs**
The costs of catalogue production and printing are charged to the accounts as they are incurred.
- e. **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 3rd JANUARY 1998

(Continued)

f. **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.

g. **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 3rd JANUARY 1998

	Year ended 3 rd January 1998 £'000	Year ended 28 th December 1996 £'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	23,221	21,313
Administration expenses	91,456	73,780
Other operating income	(16,243)	(4,313)
	-----	-----
	98,434	90,780
	=====	=====
Other operating income includes a recovery of V.A.T. of £10,575,000 and associated interest of £2,296,000 (1996: V.A.T. recovery net of opening accruals of £482,000 and associated interest of £578,000).		
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation	1,244	1,001
Profit on sale of tangible fixed assets	-	-
Auditors' remuneration - audit	72	67
- other services	8	22
Hire of plant and machinery	643	519
Operating lease charges - other	1,171	1,073
Recovery of VAT	(10,575)	-
Interest associated with VAT recovery	(2,296)	-
	=====	=====

EMPIRE STORES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

	Year ended 3 rd January 1998 £'000	Year ended 28 th December 1996 £'000
2. Interest receivable and similar income		
Group company	115	191
Other interest receivable	59	29
	-----	-----
	174	220
	=====	=====
3. Interest payable and similar charges		
Group company	409	-
Finance lease interest	32	14
Other interest payable	-	2
	-----	-----
	441	16
	=====	=====
4. Employment Costs		
Employment costs during the year :		
Salaries and wages	30,357	24,614
Social security	1,864	1,548
Pension costs and life assurance	185	170
	-----	-----
	32,406	26,332
	=====	=====

EMPIRE STORES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

	Year ended 3 rd January 1998	Year ended 28 th December 1996
4. Employment Costs (continued)		
The average number of employees was:	Number	Number
Sales and distribution	1,852	1,485
Administration	564	508
	-----	-----
	2,416	1,993
	=====	=====

Of these employees, 721 (28th December 1996 : 509) were part time

	£'000	£,000
Directors' emoluments during the year		
Management remuneration	886	724
	=====	=====
Remuneration of the highest paid director	147	118
	=====	=====

Ten directors are members of a defined benefit pension scheme. The accrued pension benefit of the highest paid director at 3rd January 1998 was £10,267.

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.

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 valuation of the general staff scheme carried out at 6th April 1996 using the projected unit method showed the following :

Investment growth assumed to exceed salary increases by	3.0%
Market value of assets	£8,367,000
Level of funding	144%

Future levels of contribution rates payable by the company are to be reduced due to the surpluses noted above.

An amount of £270,000 (28th December 1996 : £291,000) is included in provisions, this being the excess of the regular pension cost over the amount funded in relation to the staff scheme.

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

	Year ended 3 rd January 1998 £'000	Year ended 28 th December 1996 £'000
5. Taxation		
U.K. corporation tax at 31.5% (Year ended 30 th December 1996 : 33%)	7,670	3,236
Deferred tax	-	(168)
Adjustment to prior year corporation tax provision	-	338
	----- 7,670 =====	----- 3,406 =====

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 1996 for which no deferred tax asset was previously provided.

6. **Tangible fixed assets**

	Plant and Equip- ment £'000
Cost	
At 29 th December 1996	12,400
Additions	2,314

At 3 rd January 1998	14,714 -----
Accumulated depreciation	
At 29 th December 1996	8,536
Provided during year	1,244

At 3 rd January 1998	9,780 -----
Net book value at 3 rd January 1998	4,934 =====
Net book value at 28 th December 1996	3,864 =====

The only tangible fixed assets that the company holds fall into the Plant and Equipment category.

EMPIRE STORES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

6. Tangible fixed assets (continued)

Included in plant and equipment at 3rd January 1998 are assets held under finance leases:

	£'000
Net book value	555
	===
Depreciation provided during the year (28 th December 1996 : £45,000)	94
	===

7. 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.

	3 rd January 1998 £'000	28 th December 1996 £'000
8. Debtors		
Amounts due from parent company	21,929	24,940
Amounts due from fellow subsidiaries	9,896	11,806
Prepayments and accrued income/other debtors	14,876	1,279
	-----	-----
	46,701	38,025
	=====	=====

9. Creditors: amounts falling due within one year

Bank loans and overdrafts	1,110	697
Trade creditors	11,493	15,943
Accruals and deferred income	9,967	9,761
Amounts due to fellow subsidiaries	6,293	655
Other creditors	40,044	35,324
Other taxation and social security	12,802	23,161
Corporation tax	7,956	2,389
Finance lease obligations	209	46
	-----	-----
	89,874	87,976
	=====	=====

EMPIRE STORES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

	3 rd January 1998 £'000	28 th December 1996 £'000
10. Creditors: amounts falling due after more than one year		
Finance lease obligations - payable between two and five years	260 ===	140 ===
11. Provisions for liabilities and charges		
Pension cost	1,084	1,111
Deferred taxation	- ----- 1,084 =====	- ----- 1,111 =====
Pension cost :		£'000
At 28 th December 1996		1,111
Released in the year		27 -----
At 3 rd January 1998		1,084 =====
Deferred taxation:		
At 28 th December 1996		-
Released in the year		- ---
At 3 rd January 1998		- ===

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

	Provided		Unprovided	
	3 rd January 1998 £'000	28 th December 1996 £'000	3 rd January 1998 £'000	28 th December 1996 £'000
Capital Allowances in excess of depreciation	-	-	228	302
Other timing differences	-	-	(222)	(514)
Unrelieved tax losses	- ----- - =====	- ----- - =====	- ----- 6 =====	- ----- (212) =====

EMPIRE STORES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

	3 rd January 1998 £	28 th December 1996 £
12. Share Capital		
100 Ordinary shares of £1 each Issued and fully paid	100 ===	100 ===
100 Authorised shares of £1 each	100 ===	100 ===
13. Profit and Loss Account		£'000
At 29th December 1996		(14,898)
Retained profit for the year		14,830
At 3 rd January 1998		----- (68) =====
14. Contingent liabilities		
The company is jointly and severally liable for the bank borrowings of other group companies, totalling £97,200,000 (28 th December 1996 £68,400,000).		
15. Capital commitments		
	3 rd January 1998 £'000	28 th December 1996 £'000
Contracted for but not provided in the financial statements	12,327 =====	387 =====

EMPIRE STORES LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

16. Operating leases

At 3rd January 1998 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	188	91
Between two and five years	46	447
In five years or more	694	-
	-----	-----
	928	538
	=====	=====

17. 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.

18. 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.

19. 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.

EMPIRE STORES LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 3rd JANUARY 1998

(Continued)

20. **Post Balance Sheet Events**

From 1st March 1997 the 'standard method of calculating daily gross takings' (SMGT) for measuring output tax was withdrawn and Customs and Excise requested payment from the Company of £15,988,594 being the VAT on outstanding debtors at that date.

The legality of these and similar requests by Customs and Excise was successfully challenged in the Courts in February 1998, after which the VAT paid was refunded on 8th May 1998. A related High Court decision was also overturned and this may result in previous VAT repayments received by the Company of £6,479,000 being repaid to Customs and Excise. The effect of these cases has been reflected in the accounts.