TJ HUGHES LIMITED

REGISTERED NUMBER: 224422

Directors' report and financial statements

Period ended 28 January 2006

(reissued with amended date of approval)

Contents

DIRECTORS' REPORT

for the 52 weeks ended 28 January 2006

The Directors present their annual report and the audited financial statements for the 52 week period ended 28 January 2006.

Principal Activities

At the period-end the company traded from 44 *(period ended 29 January 2005: 38)* discount department stores.

Business review and future developments

The business has delivered a strong financial performance in the current year. However, the comparative period represents 53 weeks making meaningful comparisons of financial performance difficult. The table below presents a comparison with the unaudited pro-forma results for the 52 weeks ended 29 January 2005 which the Director's believe offers a more meaningful comparison.

	2006 52 weeks ended 28 January 2006 Audited £'000	Growth £'000	2005 52 weeks ended 29 January 2005 Proforma – unaudited £'000
Turnover	214,528	+13,984 +7.0%	200,544
Gross profit	85,119	+10,374 +13.9%	74,745
Gross profit %	39.7%	+2.4%pts	37.3%
Operating profit before exceptional items	11,831	+3,891 +49.0%	7,940
Operating profit before exceptional items %	5.5%	+1.6%pts	3.9%

During the 52 week period ended 28 January 2006 total sales increased by 7.0% from £200.5 million to £214.5 million. Sales growth was driven by new store openings, ranging and stock management initiatives. Gross margin increased by £10.4 million to £85.1 million and from 37.3% to 39.7% an improvement driven by better ranging giving a stronger mix. The improvement in stock management led to a stepped reduction in terminal stock.

Operating profit before exceptionals for the 52 week period ended 28 January 2006 amounted to £11.8 million, an increase of £3.9 million, 49.0% over the comparable period. In common with a number of businesses the company has been impacted by above trend inflation affecting utility costs and business rates, the full year impact of which will be reported in the financial year to January 2007.

During the period six new stores were opened at Bradford, Bristol, Dundee, Kings Lynn, Newport and Sutton adding 217,000 sq ft of net trading space bringing total net trading space to 1,621,000 sq ft.

DIRECTORS' REPORT

for the 52 weeks ended 28 January 2006 – (continued)

Continued improvements were made to visual merchandising, store layouts and signage. As a result of improved profitability and the success of the 2005 store openings (including out/edge of town sites at Bristol and Newport) the number of potential new store openings has increased significantly. Six new stores, including four former Littlewoods stores, are contracted to open before July 2006. In addition a number of potential sites for additional new stores in 2006 and 2007 are under consideration.

Cash generation from operating activities continues to be strong at £22.2 million *(period ended 29 January 2005: £23.7 million).*

Results and Dividends

The profit on ordinary activities after taxation for the period amounted to £9,750,000 *(2005: as restated £7,082,000)* The Directors declared and paid an interim dividend of £25 million *(2005: £nil)* but do not recommend the payment of a final dividend for the period.

Directors

The Directors who held office during the year are set out below.

R Dickie	
NW McCausland	
PJT Gilbert	(appointed 23 November 2005)
AJ Goody	(resigned 19 December 2005)

Share Capital

No share capital was issued during the period.

Charitable and Political Contributions

Charitable contributions made by the company in the period amounted to £1,600 *(period ended 29 January 2005: £1,660).* No political contributions were made during the period *(period ended 29 January 2005: £nil).*

Payment of Suppliers

The company does not follow any code or standard on payment practice.

The company's policy concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the company's standard payment terms, and, in either case, to pay in accordance with its contractual or legal obligation, subject to confirmation of receipt of merchandise in good order.

The number of days purchases outstanding at 28 January 2006 was 37 days *(2005: 39 days).*

Employees

The company seeks to ensure that disabled people, whether applying for or in employment, receive equal opportunities and are not discriminated against on the grounds of their disability.

The company's affairs are discussed with employees on a formalised and regular basis, through management and staff councils, and through annual staff meetings held in each store following the end of the trading period.

DIRECTORS' REPORT
for the 52 weeks ended 28 January 2006 – (continued)

The health and safety of the company's employees, customers and members of the general public is a matter of primary concern. Accordingly it is the company's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health of its employees and members of the public.

Pension Fund

The Company has adopted FRS 17 as set out in Note 1 to the accounts. The adoption of FRS 17 has increased the reported operating profit before exceptional items for the period ended 28 January 2006 by £1.57 million *(period ended 29 January 2005: £0.17 million)*. This improvement has been enhanced by an increase in other finance income of £0.07 million *(period ended 29 January 2005: £0.03 million)*, giving a net increase in the profit for the period of £1.64 million *(period ended 29 January 2005: £0.20 million)*.

In addition, the adoption of the standard has increased shareholders' funds at 28 January 2006 by £0.23 million *(29 January 2005: reduced by £0.86 million)*.

The defined benefit pension scheme's funds are administered by Trustees and are independent of the Company's finances. There is no investment in the shares of the Company. The defined benefit pension scheme was closed to new members with effect from 28 February 2002. During the period in addition to the regular contributions agreed with the Trustees of the scheme the Group made a one off additional payment of £1.5 million. Full details of the Company's defined benefit pension scheme are set out in Note 17 to the Financial Statements.

A defined contribution stakeholder pension scheme was made available to all full-time and part-time employees of the Company with effect from 1 February 2002.

Directors' Interests and Options

None of the Directors held any ordinary shares of the company or any options over ordinary shares of the company at 28 January 2006 or 29 January 2005. The interests of the Directors in the ultimate parent company are disclosed in the accounts of that company.

By Order of the Board

25 May 2006

PJT Gilbert
Secretary

Hughes House
London Road
Liverpool, L3 8JA

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP

8 Princes Parade
Liverpool
L31QH

Independent auditors' report to the members of TJ Hughes Limited

We have audited the financial statements of TJ Hughes Limited for the period ended 28 January 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 4, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report to the members of TJ Hughes Limited (continued)

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 28 January 2006 and of its profit for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

25 May 2006

KPMG LLP
Chartered Accountants
Registered Auditor

Profit and loss account

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

	Notes	**2006** **£000**	2005 as restated £000
Turnover	1	**214,528**	203,410
Cost of Sales		**(129,409)**	(127,597)
Gross Profit		**85,119**	75,813
Distribution costs		**(61,047)**	(56,982)
Administrative expenses		**(12,768)**	(11,300)
Operating profit before exceptional items		11,831	8,582
Operating exceptional items	3	(527)	(1,051)
Operating profit	2	**11,304**	7,531
Interest receivable	4	**746**	612
Other Finance income	5	**75**	37
Profit on ordinary activities before taxation		**12,125**	8,180
Tax on profit on ordinary activities	7	**(2,375)**	(1,098)
Profit for the period	14	**9,750**	7,082

All activity has arisen from continuing operations.

The notes on pages 10 to 22 form part of these financial statements.

Balance sheet
at 28 January 2006

	Notes	2006 £000	2006 £000	2005 As restated £000	2005 As restated £000
Fixed assets					
Tangible assets	8		46,445		41,360
Fixed asset investments	9		-		-
Current assets					
Stocks		26,495		21,977	
Debtors falling due within one year	10	5,891		4,029	
Debtors falling due after more than one year	10	4,277		12,463	
Debtors		10,168		16,492	
Cash at bank and in hand		15,663		20,610	
		52,326		59,079	
Creditors – amounts falling due within one year	11	(37,945)		(30,570)	
Net current assets			14,381		28,509
Total assets less current liabilities			60,826		69,869
Creditors – amounts falling due after more than one year	11		(24,480)		(17,459)
Provisions for liabilities and charges	12		(3,965)		(3,630)
Net assets excluding pension assets/(liabilities)			32,381		48,780
Pension assets/(liabilities)	17		310		(1,073)
Net assets including pension assets/(liabilities)			32,691		47,707
Capital and reserves					
Called up share capital	13		3,035		3,035
Share premium account	14		20,265		20,265
Profit and loss account	14		9,391		24,407
Shareholders' funds			32,691		47,707

These financial statements were approved by the Board of Directors on 25 May 2006 and signed on its behalf by:

PJT Gilbert Director

The notes on pages 10 to 22 form part of these financial statements.

Statement of total recognised gains and losses

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

	2006	2005
		As restated
	£000	£000
Profit for the financial year	**9,750**	7,082
Actuarial gain/(loss) recognised in the pension scheme	**407**	(357)
Deferred tax arising on gains/(losses) in the pension scheme	**(100)**	123
Expenses of pension fund	**(73)**	(56)
Total recognised gains and losses relating to the financial year	**9,984**	6,792
Prior year adjustment – adoption of FRS 17	**(862)**	-
Total recognised gains and losses since the last annual report	**9,122**	6,792

The notes on pages 10 to 22 form part of these financial statements.

Notes to the financial statements

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

1. Accounting Policies

The principal accounting policies adopted by the Company are set out below. These policies have been consistently applied.

(a) **Basis of preparation**
The financial statements have been prepared for the 52 week period *(period ended 29 January 2005: 53 week period)* ended 28 January 2006 under the historical cost convention and in accordance with applicable accounting standards.

Under FRS 1 (Revised) the Company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the Company in its own published consolidated financial statement.

As 100% of the Company's voting rights are controlled within the group headed by TJ Hughes (Holdings) Company Limited, the Company has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of TJ Hughes (Holdings) Company Limited, within which this Company is included, can be obtained from the address given in note 18.

(b) **Stocks**
Stocks, representing goods for resale, are valued at the lower of cost and net realisable value.

(c) **Deferred taxation**
The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(d) **Depreciation**
Tangible fixed assets are included at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the following periods:
(i) Leasehold improvements – over the remaining period of the lease.
(ii) Fixtures, fittings and equipment – 10% to 20% per annum.

(e) **Leased assets**
Operating leases are charged to the profit and loss account on a straight line basis over the lease term.

(f) **Capital contributions**
Capital contributions received in respect of new stores are credited to the profit and loss account in equal instalments over the period of the lease.

Other incentives receivable towards the costs of fitting out new stores are credited to the profit and loss account in equal instalments over the period to the first rent review.

(g) **Investments**
Investments held as fixed assets are stated at cost, less any provision for impairment in value. Investments held as current assets are stated at the lower cost and market value. In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

(h) **Supplier discounts**

Supplier discounts are credited against costs of sales with corresponding reduction made to the value of stock in respect of discounts receivable on individual stock lines.

(i) **Pensions**

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. The company has adopted FRS 17. This standard replaces the use of the actuarial values for assessing pension costs in favour of a market-based approach. In order to cope with the volatility inherent in this measurement basis, the standard requires that the profit and loss account shows the relatively stable ongoing service cost, the expected return on assets and the interest on the liabilities. Differences between expected and actual returns on assets, and the impact on the liabilities of changes in the assumptions, are reflected in the statement of total recognised gains and losses.

Application of FRS 17 requires the exercise of judgement in relation to various assumptions including future pay rises in excess of inflation, employee and pensioner demographics and the future expected returns on assets. The company determines the assumptions to be adopted in discussion with its actuaries, and believes these assumptions to be in line with UK practice generally, but the application of different assumptions could have a significant effect on the amounts reflected in the profit and loss account and balance sheet in respect of post employment benefits. A list of the major assumptions used by the company are set out in Note 17. It is not practical to give the impact of the effect of changes in these assumptions.

The company also operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

(j) **Grants**

Grants in respect of capital expenditure are recognised in the profit and loss account on a straight line basis over the expected useful life of the asset to which they relate. Grants in respect of revenue expenditure are recognised in the profit and loss account in the period in which they become receivable.

(k) **Significant estimates**

FRS 18 requires disclosure of the bases of significant estimations in company accounts. The only significant estimate in these accounts is in relation to the provision for slow moving stock which is based on current and forecast realisable values.

(l) **Related parties**

As 100% of the company's voting rights are controlled within the group headed by TJ Hughes (Holdings) Company Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group.

(m) **Group guarantee**

The company has not adopted FRS 26 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2006.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements, and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee. The company does not expect the amendments to have any impact on the financial statements for the period commencing 29 January 2006.

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

1 Accounting Policies *(continued)*

(n) Turnover and profit on ordinary activities before taxation

Turnover consists of the amounts receivable for goods and services supplied by the company as principal, excluding value added tax. Turnover and profit on ordinary activities relate wholly to continuing retailing activities in the United Kingdom.

(o) Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Operating Profit

	2006	2005
	£000	£000
This has been stated after charging/(crediting):		
Depreciation and other amounts written-off tangible fixed assets	**5,046**	4,460
Provision for bad debt	**325**	-
Operating lease rentals		
Plant and equipment	**765**	592
Land and buildings	**12,645**	11,490
Release of government grants	**(7)**	(7)
Fees payable to auditors		
For audit services	**42**	40
For other services	**-**	-

3 Exceptional Items

	2006	2005
	£000	£000
These costs (included within administrative expenses) were incurred in a fundamental restructuring:		
Restructuring costs	**527**	1,051

The tax impact of these expenses is to decrease the tax charge by £158,000 *(period ended 29 January 2005: £315,000)*.

4 Net Interest (Payable)/Receivable

	2006	2005
	£000	£000
On bank loans and overdrafts	**(4)**	(4)
Other interest payable	**(20)**	(3)
Bank interest receivable	**746**	573
Other interest receivable	**24**	46
	746	612

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

5 Other Finance Income/(Costs)

	2006	2005 as restated
	£000	£000
Expected return on pension scheme assets	**634**	535
Interest on pension scheme liabilities	**(559)**	(498)
	75	37

6 Directors and Employees

Employees The average number of persons employed by the company was:	**2006**	2005
Full time	**974**	984
Part time	**2,504**	2,395
	3,478	3,379
Total expressed in terms of full time equivalent employees	**1,725**	1,703

	2006	2005 as restated
	£000	£000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**26,904**	25,319
Social security costs	**1,756**	1,565
Pension costs	**551**	566
	29,211	27,450

The remuneration of the directors was as follows:

	2006	2005
	£000	£000
Emoluments	**521**	464
Pension contributions	**4**	32
Compensation for loss of office	**151**	391
Fees paid to third parties in respect of directors' services	**-**	50
	676	937

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

6 Directors and Employees (continued)

Remuneration of the highest paid Director:	**2006 £000**	2005 £000
Emoluments	**330**	164
Compensation for loss of office	**-**	391
Pension contributions	**3**	20
	333	575

None of the Directors in office on 28 January 2006 have accrued pension entitlements under the company's defined benefit scheme. The highest paid director is a member of the company's defined contribution scheme. The highest paid director in the period ended 29 January 2005 left the company during that period. No directors *(period ended 29 January 2005: 1)* are members of the company's defined benefit pension scheme.

7 Taxation

	2006 £000	2005 £000
The charge for the year comprises:		
Corporation tax		
UK Corpcration tax charge at 30% (2005: 30%) based on taxable profit for the period	**1,735**	561
Adjustment in respect of prior periods	**(168)**	(28)
	1,567	533
Deferred tax		
Origination and reversal of timing differences	**788**	580
Adjustment in respect of prior periods	**20**	(15)
	808	565
Total tax charge	**2,375**	1,098

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

7 **Taxation** (continued)

The current tax charge for the period is lower *(2005: lower)* than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	2006	2005 as restated
	£000	£000
Profit on ordinary activities before tax	**12,125**	8,180
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% *(29 January 2005: 30%)*	**3,637**	2,454
Effects of:		
Expenses not deductible for tax purposes	**418**	369
Capital allowances in excess of depreciation	**(620)**	(581)
Group relief not paid for	**(1,414)**	(1,549)
Other non taxable income	**(98)**	(93)
Adjustment to tax charge in respect of previous periods	**(168)**	*(67)*
Other timing differences	**(188)**	-
Current tax charge for the period	**1,567**	533

8 **Tangible fixed assets**

	Leasehold improvements and fixed plant	Fixtures, fittings and equipment	Total
	£000	£000	£000
Cost			
At beginning of period	30,689	35,679	66,368
Additions	4,184	5,947	10,131
At 28 January 2006	**34,873**	**41,626**	**76,499**
Depreciation			
At beginning of period	7,637	17,371	25,008
Charge for period	1,510	3,536	5,046
At 28 January 2006	**9,147**	**20,907**	**30,054**
Net book value			
At 28 January 2006	**25,726**	**20,719**	**46,445**
At 29 January 2005	23,052	18,308	41,360

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

9 Fixed assets investments

Subsidiary undertakings

	£
Cost and net book value	
At beginning and end of period	1

Company	Class of shares	Percentage of shares held by Company	Principal activity	Net assets	Net profit for period ended 28 January 2006
				£'000	£'000
TJ Hughes (Properties) Company Limited	Ordinary	100%	Property leasing	160	69

The above subsidiary undertaking is registered in England and Wales.

10 Debtors

	2006 £000	2005 £000
Amounts falling due within one year:		
Trade debtors	1,455	933
Prepayments	4,436	3,096
	5,891	4,029
Amounts falling due after more than one year:		
Amounts owed from parent undertaking	4,277	12,463

11 Creditors

	2006 £000	2005 £000
Amounts falling due within one year:		
Trade creditors	21,416	16,836
Corporation tax	1,208	424
Taxation and social security	5,012	4,333
Accruals and deferred income	10,309	8,977
	37,945	30,570
Amounts falling due after more than one year:		
Accruals and deferred income	24,480	17,459

Notes to the financial statements *(continued)*

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

12 Provisions for Liabilities and Charges

	2006	2005 As restated
	£000	£000
Deferred taxation	**3,965**	3,630
Deferred taxation has been provided in full in respect of:		
Accelerated capital allowances	**4,385**	3,765
Other short-term timing differences	**(420)**	(135)
	3,965	3,630

The movement in provisions is as follows:	**Deferred taxation £000**
At 29 January 2005 (as restated)	3,630
Charged to the profit and loss account	808
Transferred from pension provision	(593)
Charged to the statement of total recognised gains and losses	100
Adjustment in respect of prior period	20
At 28 January 2006	**3,965**

13 Called Up Share Capital

The authorised share capital is represented by 47,900,000 *(2005: 47,900,000)* ordinary shares of 10p *(2005: 10p)* each. The called up share capital, all fully paid, is as follows:

	Number of shares	**£000**
Balance at beginning and end of year	**30,351,901**	**3,035**

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

14 Reserves

The movement on reserves is as follows:

	Share premium account	Profit and loss account as restated
	£000	£000
At 29 January 2005 (as restated)	20,265	24,407
Profit for the period	-	9,750
Dividends paid	-	(25,000)
Other recognised gains and losses in the year (net)	-	234
At 28 January 2006	**20,265**	**9,391**

The cumulative amount of goodwill written off directly against reserves amounts to £416,000 *(2005: £416,000).*

15 Reconciliation of Movements in Shareholders' Funds

	Share capital	**Profit and loss account**	**Share premium account**	**Total**
	£000	**£000**	**£000**	**£000**
Shareholders' funds at 29 January 2005 (before prior period adjustments)	3,035	25,269	20,265	48,569
Prior year adjustment - in respect of FRS 17	-	(862)	-	(862)
Shareholders' funds at 29 January 2005 (as restated)	3,035	24,407	20,265	47,707
Profit for the year before dividend	-	9,750	-	9,750
Dividend paid	-	(25,000)	-	(25,000)
Other recognised gains and losses relating to the year (net)	-	234	-	234
Shareholders' funds at 28 January 2006	**3,035**	**9,391**	**20,265**	**32,691**

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

16 Commitments

The capital commitments are as follows:

	2006	2005
	£000	£000
Contracts for capital expenditure	**3,926**	568

Current annual rental commitments of the company under operating leases are as follows:

	2006		2005	
	Land and Buildings	**Others**	Land and Buildings	Others
	£000	**£000**	£000	£000
Lease expiring:				
within one year	**-**	**88**	-	82
in the second to fifth year inclusive	**-**	**681**	-	511
over five years	**16,540**	**-**	12,440	-
	16,540	**769**	12,440	593

The company is subject to a debenture given in favour of the Bank of Scotland to secure its revolving credit facility of £10 million *(2005: £10 million)* and guarantees totalling £24.75 million *(2005: £17.25 million)* in respect of term loans for TJ Hughes (Investments) Limited.

Notes to the financial statements *(continued)*

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

17 Pensions

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 30 September 2005 and has been updated to 28 January 2006 by a qualified independent actuary. The assumptions used by the actuary are chosen from a range of actuarial assumptions which due to the timescale covered may not be borne out in practice. The major assumptions used by the actuary were:

	At 28 January 2006	At 29 January 2005	At 24 January 2004
Price inflation	**2.9%**	2.9%	2.8%
Pre 6 April 1997 pension increases	**0.0%**	0.0%	0.0%
Post 5 April 1997 pension increases	**2.9%**	2.9%	2.8%
Rate of increase for deferred pensions	**2.9%**	2.9%	2.8%
Salary increases	**3.4%**	3.4%	3.3%
Discount rate	**4.6%**	5.2%	5.4%

The assets in the schemes and the expected rate of return were:

	Long term rate of return expected at 28 January 2006	**Value at 28 January 2006**	Long term rate of return expected at 29 January 2005	Value at 29 January 2005	Long term rate of return expected at 24 January 2004	Value at 24 January 2004
		£000		£000		£000
Equities	**6.80%**	**8,491**	7.15%	6,258	7.30%	5,898
Corporate bonds	**4.60%**	**331**	5.20%	387	5.40%	393
Government Bonds	**4.20%**	**3,972**	4.65%	1,788	4.80%	1,108
Cash	**4.50%**	**306**	4.00%	576	4.00%	292
Other	**0.00%**	**-**	0.00%	-	0.00%	-
		13,100		9,009		7,691

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

17 Pensions *(continued)*

The following amounts at 28 January 2006 and 29 January 2005 were measured in accordance with the requirements of FRS17:

	2006	2005
	£000	£000
Total market value of assets	**13,100**	9,009
Present value of Scheme liabilities	**(12,657)**	(10,542)
Surplus/(deficit) in the Scheme	**443**	(1,533)
Related deferred tax asset/(liability)	**(133)**	460
Net pension asset/(liability)	**310**	(1,073)

The following amounts have been recognised in the performance statements in the year to 28 January 2006 and 29 January 2005 under the requirements of FRS 17:

	2006	2005
Operating profit	**£000**	£000
Current service cost	**551**	554
Past service cost	**-**	12
Total operating charge	**551**	566
Other finance income		
Interest on pension scheme liabilities	**(559)**	(498)
Expected return on pension scheme assets	**634**	535
Net return	**75**	37
Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	**1,561**	245
Experience gains and losses arising on the scheme liabilities	**344**	72
Changes in assumptions underlying the present value of the scheme liabilities	**(1,498)**	(674)
Actuarial gain/(loss) recognised in STRGL	**407**	(357)

Notes to the financial statements (continued)

for the 52 weeks ended 28 January 2006 *(2005: 53 weeks ended 29 January 2005)*

17 Pensions (continued)

Movement in surplus/(deficit) during the year	***2006*** **£000**	2005 £000
Deficit in scheme at beginning of the year	**(1,533)**	(1,311)
Movement in year:		
Current service cost	**(551)**	(554)
Contributions	**2,118**	720
Past service costs	**-**	(12)
Finance income	**75**	37
Other income plus any risk benefit premiums paid direct	**-**	2
Other outgoings (e.g. expenses etc)	**(73)**	(58)
Actuarial gain/(loss)	**407**	(357)
Surplus/(deficit) in scheme at end of the year	**443**	(1,533)

As the scheme is closed, the current service cost will increase as the members of the scheme approach retirement.

	2006 £000	2005 £000	2004 £000
History of experience gains and losses during the year			
Difference between the expected and actual return on scheme assets: Amount (£000)	**1,561**	245	781
Percentage of scheme assets	**11.9%**	2.7%	10.2%
Experience gains and losses on the scheme liabilities: Amount (£000)	**344**	72	(709)
Percentage of present value of scheme liabilities	**2.7%**	0.7%	(7.9%)
Total amount recognised in STRGL: Amount (£000)	**407**	(357)	1,090
Percentage of present value of scheme liabilities	**3.2%**	(3.4%)	(12.1%)

The Company also operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £ 48,000 *(2005: £17,000)*. Contributions amounting to £13,000 *(2005: £6,000)* were payable to the scheme and are included in creditors.

18 Ultimate controlling party

The directors regard TJ Hughes (Holdings) Company Limited, a company incorporated in the United Kingdom, as the ultimate parent company and ultimate controlling party. The consolidated financial statements of the group are available to the public and may be obtained from TJ Hughes (Holdings) Company Limited, Hughes House, London Road, Liverpool, L3 8JA.