

**SIGNED
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Bon Marché Limited

Directors' report and financial statements

31 January 1999

Registered number 270937



Directors' report and financial statements

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Directors and company information

Directors

PA Lee (Chairman)
GS Chima (Snr)
GS Chima (Jnr)
KBP Black
DA Walker
J Fellows (appointed 1 September 1998)

Secretary and registered office

H Austin
School Lane
Kirkheaton
Huddersfield
HD5 0JS

Registered number - 270937

Bankers

The Royal Bank of Scotland plc
27 Park Row
Leeds
LS1 5QB

Auditors

KPMG
1 The Embankment
Neville Street
Leeds
LS1 4DW

Solicitors

Addleshaw, Booth and Co
Dennis House
Marsden Street
Manchester
M2 1JD

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 January 1999.

Principal activities

The principal activity of the company is that of the retailing and wholesale of garments, specialising in ladieswear.

Business review

A number of factors combined to make trading in the year difficult. Poor Summer weather impacted on sales, as did the prospect of recession and lack of consumer confidence, as evidenced by the British Retail Consortium figures for November 1998, which showed the worst downturn since records began. Against such a difficult background, the Company nevertheless continued to trade profitably, as well as generating positive cashflow, improving sales per square foot and stockturn.

The current year has started well, with the Company performing to plan and continuing to expand its retail estate. The first half of the current year is likely to be affected by the same lack of consumer confidence as last year. However the Company's concentration on providing exceptional value for money across its full range of product offering should mean it is well placed to continue sales growth in the year ahead.

Result and dividends

The profit of the company for the year after taxation amounted to £525,000. Dividends of £621,000 have been paid during the year.

Directors and directors' interests

The directors who held office during the year are stated on page 1. The directors had no interests in the share capital of the company. The interests of the directors in the share capital of group companies are disclosed in the financial statements of the holding company.

Employees

The company provides employees with information necessary to meet their concerns. Disabled persons are employed by the company when they appear to be suited to a particular vacancy, having regard to their particular aptitudes and abilities.

Year 2000

The directors have undertaken a review of the likely impact of the year 2000 on the company's computer systems and business. The directors are satisfied that the computers and other business systems will not be adversely affected by year 2000 compliance and assess that associated future costs are likely to be approximately £310,000, and are not expected to exceed £500,000.

Directors' report *(continued)*

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



GS Chima
Director

School Lane
Kirkheaton
Huddersfield

9 April 1999

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.



1 The Embankment
Neville Street
Leeds
LS1 4DW

Report of the auditors to the members of Bon Marché Limited

We have audited the financial statements on pages 6 to 21.

Respective responsibilities of directors and auditors

As described on page 3 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 31 January 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'KPMG' or similar, written over the printed KPMG logo.

KPMG
Chartered Accountants
Registered Auditors

9 April 1999

Profit and loss account
for the year ended 31 January 1999

	<i>Note</i>	1999 £000	1998 £000
Turnover	2	89,949	81,522
Cost of sales		(53,345)	(47,913)
		<hr/>	<hr/>
Gross profit		36,604	33,609
Distribution costs		(30,769)	(24,184)
Administrative expenses	3	(4,101)	(4,310)
		<hr/>	<hr/>
Operating profit		1,734	5,115
Interest receivable	7	16	26
Interest payable and similar charges	8	(796)	(657)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	954	4,484
Tax on profit on ordinary activities	9	(429)	(1,612)
		<hr/>	<hr/>
Profit for the financial year		525	2,872
Dividends on equity shares	10	(621)	(3,485)
		<hr/>	<hr/>
Deficit for the year	21	(96)	(613)
		<hr/>	<hr/>

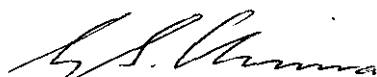
There are no recognised gains or losses other than the profit for the financial year stated above. The results are derived entirely from continuing operations.

A statement of historical cost profits and losses is set out in note 22. The reconciliation of movements in shareholders' funds is set out in note 23.

Balance sheet
at 31 January 1999

	<i>Note</i>	1999 £000	1998 £000
Fixed assets			
Tangible assets	11	16,944	13,631
Investments	12	27	27
		<hr/>	<hr/>
		16,971	13,658
Current assets			
Stocks	13	14,094	15,657
Debtors	14	3,943	3,386
Cash at bank and in hand		399	122
		<hr/>	<hr/>
		18,436	19,165
Creditors: amounts falling due within one year	15	(22,106)	(20,279)
		<hr/>	<hr/>
Net current liabilities		(3,670)	(1,114)
		<hr/>	<hr/>
Total assets less current liabilities		13,301	12,544
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	16	(2,109)	(2,066)
Provisions for liabilities and charges	19	(2,817)	(2,007)
		<hr/>	<hr/>
Net assets		8,375	8,471
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	20	204	204
Revaluation reserve	21	467	478
Profit and loss account	21	7,704	7,789
		<hr/>	<hr/>
Shareholders' funds			
Equity		8,172	8,268
Non-equity		203	203
		<hr/>	<hr/>
	23	8,375	8,471
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 9 April 1999 and were signed on its behalf by:



GS Chima

Director

Cash flow statement

for the year ended 31 January 1999

	<i>Note</i>	1999 £000	1998 £000
Cash flow from operating activities	28	10,333	9,245
Returns on investments and servicing of finance	29	(761)	(572)
Taxation		(244)	(1,636)
Capital expenditure and financial investment	29	(5,826)	(4,934)
Equity dividends paid		(621)	(3,485)
		<hr/>	<hr/>
Cash inflow/(outflow) before use of liquid resources and financing		2,881	(1,382)
Financing			
Increase/(decrease) in debt	29	100	(506)
		<hr/>	<hr/>
Increase/(decrease) in cash in the year		2,981	(1,888)
		<hr/>	<hr/>

Reconciliation of net cash flow to movement in net debt (note 30)

	1999 £000	1998 £000
Increase/(decrease) in cash in the year	2,981	(1,888)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(100)	506
	<hr/>	<hr/>
Change in net debt resulting from cash flows	2,881	(1,382)
New finance leases	(1,429)	(1,109)
	<hr/>	<hr/>
Movement in net debt in the year	1,452	(2,491)
Net debt at beginning of year	(5,480)	(2,989)
	<hr/>	<hr/>
Net debt at end of year	(4,028)	(5,480)
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain freehold properties.

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost less amounts written off.

Fixed assets and depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life.

The current rates of depreciation in use are:

Freehold property	-	2% per annum
Short leasehold property	-	10% per annum
Fixtures and equipment	-	10% - 25% per annum
Motor vehicles	-	20% - 25% per annum

Certain software development costs are capitalised as computer equipment expenditure.

Reverse premiums and similar incentives

Benefits received and receivable by the company as an incentive to enter into a lease, are spread on a straight line basis over the period to the first review date on which the rent is expected to be adjusted to market rent.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

The principal leased assets are properties acquired under operating leases. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value.

Notes (continued)

1 Accounting policies (continued)

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. Full provision is made for deferred tax with the exception of potential liabilities relating to the sale of freehold land and buildings.

Turnover

Turnover represents the amounts charged to customers for goods supplied excluding value added tax.

Pension costs

The company contributes to employees' individual pension arrangements through a group personal pension plan which is administered separately from the company. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

2 Turnover

	1999 £000	1998 £000
UK	88,214	81,168
Export (all European Union)	1,735	354
	<hr/> 89,949	<hr/> 81,522

3 Exceptional items

Exceptional items included within administrative expenses are as follows:

	1999 £000	1998 £000
Special bonus to executive director (including NIC)	<hr/> -	<hr/> 872

Tax relief has been assumed at 31% on the exceptional item in 1998.

Notes (continued)

4 Profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	30	29
Other services	17	10
Depreciation of tangible fixed assets:		
Owned	3,538	3,017
Leased	518	213
Rentals payable under operating leases	10,370	8,275

5 Remuneration of directors

	1999 £000	1998 £000
Remuneration as executives	802	1,656

The emoluments excluding pension contributions of the highest paid director were £271,000 (1998: £813,000). He is a member of a defined contribution scheme, under which the company contributed £22,500 in the year. Payments totalling £50,000 in directors' emoluments were made to non-executives in respect of fees.

Retirement benefits are accruing to 4 directors (1998: 4 directors) under money purchase pension schemes.

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1999	1998
Administration	66	51
Distribution	1,721	1,535
	1,787	1,586

The aggregate payroll costs of these persons were as follows:

	1999 £000	1998 £000
Wages and salaries	12,192	10,601
Social security costs	867	727
Other pension costs	239	210
	13,298	11,538

Notes (continued)

7 Interest receivable

	1999 £000	1998 £000
Bank interest	4	3
Other interest	12	23
	<hr/> 16	<hr/> 26

8 Interest payable and similar charges

	1999 £000	1998 £000
On bank overdraft	415	357
Loans repayable within five years	160	158
Finance charges payable in respect of finance leases	154	47
Other interest	67	95
	<hr/> 796	<hr/> 657

9 Taxation

	1999 £000	1998 £000
Corporation tax at 31% (1998 : 31.3%) on the profit for the year on ordinary activities	430	1,718
Deferred taxation	148	(164)
Adjustments relating to earlier years	(149)	58
	<hr/> 429	<hr/> 1,612

The tax charge for 1999 is high in relation to the profit before tax due to the effect of fixed asset additions in the year on which capital allowances cannot be claimed.

10 Dividends

	1999 £000	1998 £000
Dividend paid on equity shares at 3.06p per share (1998: 17.17p)	621	3,485
	<hr/>	<hr/>

Notes (continued)

11 Tangible fixed assets

	Freehold land and buildings £000	Short leasehold property £000	Fixtures and equipment £000	Motor vehicles £000	Total £000
<i>Cost or valuation</i>					
At beginning of year	3,003	438	19,000	1,839	24,280
Additions	-	-	7,048	506	7,554
Disposals	(145)	-	(1,126)	(167)	(1,438)
At end of year	2,858	438	24,922	2,178	30,396
<i>Depreciation</i>					
At beginning of year	372	196	9,128	953	10,649
Charge for year	59	28	3,609	360	4,056
On disposals	(13)	-	(1,126)	(114)	(1,253)
At end of year	418	224	11,611	1,199	13,452
<i>Net book value</i>					
At 31 January 1999	2,440	214	13,311	979	16,944
At 31 January 1998	2,631	242	9,872	886	13,631

The net book value of tangible fixed assets includes an amount of £2,076,000 (1998 : £1,021,000) in respect of assets held under finance leases and hire purchase agreements. Depreciation charged for the year on these assets amounted to £518,000 (1998: £213,000).

Freehold land and buildings at Kirkheaton were professionally valued in 1990 in the sum of £1,200,000, the valuation being carried out on the basis of open market value for existing use. Since that date further extension work has been carried out on this property.

If the freehold land and buildings had not been revalued, they would have been stated in the books at the following amounts:

	1999 £000	1998 £000
Cost	2,302	2,447
Depreciation	(329)	(294)
Historical cost net book value	1,973	2,153

Notes (continued)

12 Fixed asset investments

	£000
<i>Cost</i>	
At beginning and end of year	78
	<hr/>
<i>Provisions</i>	
At beginning and end of year	51
	<hr/>
<i>Net book value</i>	
At 31 January 1999	27
	<hr/>
At 31 January 1998	27
	<hr/>

The fixed asset investments represent investments in wholly owned subsidiary undertakings, all of which are non-trading, and which are registered in England and Wales. A full list of the group companies will be included in the company's annual return. Consolidated financial statements have not been prepared as the company is itself a wholly owned subsidiary.

13 Stocks

	1999 £000	1998 £000
Raw materials	94	34
Work in progress	2,508	1,091
Finished goods held for resale	11,492	14,532
	<hr/>	<hr/>
	14,094	15,657
	<hr/>	<hr/>

14 Debtors

	1999 £000	1998 £000
Trade debtors	405	554
Prepayments	3,297	2,345
Other debtors	241	487
	<hr/>	<hr/>
	3,943	3,386
	<hr/>	<hr/>

Notes (continued)

15 Creditors: amounts falling due within one year

	1999 £000	1998 £000
Bank overdraft (note 17)	-	2,704
Bank loan (note 17)	633	512
Other loans	1,000	-
Trade creditors	12,191	9,707
Amounts due to subsidiary undertakings	14	14
Obligations under finance leases and hire purchase contracts (note 18)	685	320
Corporation tax	1,957	1,753
Advance corporation tax payable	-	162
Other taxes and social security	2,656	2,079
Other creditors and accruals	2,970	3,028
	<hr/> 22,106 <hr/>	<hr/> 20,279 <hr/>

16 Creditors: amounts falling due after more than one year

	1999 £000	1998 £000
Bank loan (note 17)	1,097	1,468
Obligations under finance leases and hire purchase contracts (note 18)	1,012	598
	<hr/> 2,109 <hr/>	<hr/> 2,066 <hr/>

17 Loans and overdraft

	1999 £000	1998 £000
Repayable within one year (note 15)	1,633	3,216
Repayable between one and two years (note 16)	605	512
Repayable between two and five years (note 16)	492	956
	<hr/> 2,730 <hr/>	<hr/> 4,684 <hr/>

The bank loan and overdraft are secured by fixed and floating charges. The bank loan is repayable in equal monthly instalments over three years ending March 2002. Interest is payable on the bank loan at the rate of 1.125% over LIBOR.

A Royscott Trust loan of £139,000 is repayable in equal monthly instalments over one year ending September 2000. Interest is payable on the loan at 1% above Royal Bank of Scotland base rate.

A Royscott Trust loan of £312,000 is repayable in equal monthly instalments over two years ending August 2001. Interest is payable on the loan at 1% above Royal Bank of Scotland base rate.

Other loans of £1,000,000 represent loans from two of the company's directors. These are repayable on demand and interest is charged at 10%.

Notes (continued)

18 Obligations under finance leases and hire purchase contracts

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1999 £000	1998 £000
Repayable within one year	685	320
Repayable in the second to fifth years inclusive	1,012	598
	<hr/> 1,697	<hr/> 918

19 Provisions for liabilities and charges

	Taxation including deferred taxation £000	Other provisions £000	Total £000
At beginning of year	64	1,943	2,007
Charge for the year	148	1,769	1,917
Utilised during the year	-	(1,107)	(1,107)
	<hr/> 212	<hr/> 2,605	<hr/> 2,817
At end of year	<hr/> 212	<hr/> 2,605	<hr/> 2,817

Other provisions include holiday pay and the deferred benefit of reverse premiums and other similar incentives.

The full potential liability for deferred tax, excluding a provision for potential taxation on the sale of land and buildings, is as follows:

	1999 £000	1998 £000
Accelerated capital allowances	443	481
Short term timing differences	(231)	(417)
	<hr/> 212	<hr/> 64

Notes (continued)

20 Called up share capital

	1998 and 1999 £000
<i>Authorised</i>	
Equity: 203,000 ordinary shares of US\$0.01 each	1
Non equity: 213,000 deferred shares of £1 each	213
	<hr/> 214 <hr/>
<i>Allotted, called up and fully paid</i>	
Equity: 203,000 ordinary shares of US\$0.01 each	1
Non equity: 203,000 deferred shares of £1 each	203
	<hr/> 204 <hr/>

The deferred shares do not carry any voting rights. On a winding up they would rank after the ordinary shares and would be entitled to a repayment of capital. The holders of the deferred shares are not entitled to receive any dividends from these shares.

21 Reserves

	Revaluation reserve £000	Profit and loss account £000
At beginning of year	478	7,789
Profit for the year	-	(96)
Transfers	(11)	11
	<hr/> 467 <hr/>	<hr/> 7,704 <hr/>
At end of year		

Notes (continued)

22 Note of historical cost profits and losses

	1999 £000	1998 £000
Reported profit on ordinary activities before taxation	954	4,484
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	11	11
Historical cost profit for the year before taxation	965	4,495
Historical cost deficit for the year after taxation and dividends	(85)	(602)

23 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Profit for the financial year	525	2,872
Dividends	(621)	(3,485)
Net depletion from shareholders' funds	(96)	(613)
Opening shareholders' funds	8,471	9,084
Closing shareholders' funds	8,375	8,471

24 Capital commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

	1999 £000	1998 £000
Contracted	960	234

Notes (continued)

25 Commitments under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	1999		1998	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Operating leases which expire</i>				
Within one year	177	-	374	-
In the second to fifth years inclusive	428	112	247	65
After five years	10,974	-	9,052	-
	<hr/>	<hr/>	<hr/>	<hr/>
	11,579	112	9,673	65
	<hr/>	<hr/>	<hr/>	<hr/>

26 Pension scheme

The company contributes to employees' individual pension arrangements through a group personal pension plan. The pension cost charge for the period represents contributions payable by the company to the schemes and amounted to £239,000 (1998 :£210,000).

27 Directors' interests in contracts

PA Lee is a partner at the company's solicitors, Addleshaw, Booth & Co. Fees amounting to £25,000 were paid to this practice in the normal course of business.

28 Reconciliation of operating profit to operating cash flow

	1999 £000	1998 £000
Operating profit	1,734	5,115
Depreciation charge	4,056	3,231
Loss/(profit) on sale of fixed assets	70	(13)
Decrease/(increase) in stocks	1,563	(4,519)
Increase in debtors	(556)	(11)
Increase in creditors	2,804	4,750
Increase in provisions	662	692
	<hr/>	<hr/>
Net cash flow from operating activities	10,333	9,245
	<hr/>	<hr/>

Notes (continued)

29 Analysis of cash flows for headings netted in the cash flow statement

	1999 £000	1998 £000
Returns on investments and servicing of finance		
Interest received	16	26
Interest paid	(640)	(569)
Interest element of rental payments	(137)	(29)
	<u>(761)</u>	<u>(572)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(5,940)	(5,010)
Sale of tangible fixed assets	114	76
	<u>(5,826)</u>	<u>(4,934)</u>
Financing		
Debt due within one year:		
Loans received	1,121	83
Debt due beyond one year:		
Loans received	241	167
Repayment of amounts borrowed	(612)	(457)
Capital element of finance leases rental payments	(650)	(299)
	<u>100</u>	<u>(506)</u>

30 Analysis of net debt

	At 1 February 1998 £000	Cash flow £000	Other non cash changes £000	At 31 January 1999 £000
Cash at bank and in hand	122	277	-	399
Overdrafts	(2,704)	2,704	-	-
	<u>(2,582)</u>	<u>2,981</u>	<u>-</u>	<u>399</u>
Debt due within one year	(512)	(1,121)	-	(1,633)
Debt due after more than one year	(1,468)	371	-	(1,097)
Finance leases	(918)	650	(1,429)	(1,697)
	<u>(2,898)</u>	<u>(100)</u>	<u>(1,429)</u>	<u>(4,427)</u>
	<u>(5,480)</u>	<u>2,881</u>	<u>(1,429)</u>	<u>(4,028)</u>

Notes *(continued)*

31 Major non-cash transactions

During the year the company entered into finance lease arrangement in respect of assets with a total capital value at the inception of the leases of £1,429,000.

32 Ultimate parent company

The company is a subsidiary undertaking of Bon Marché Holdings Limited which is registered in England and Wales.