

**SIGNED
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Bon Marché Limited

**Directors' report and financial
statements**

Registered Number 270937

31 January 2000



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Directors and company information

Directors

PA Lee (Chairman)
GS Chima (Snr)
GS Chima (Jnr)
SR Bullas (appointed 1 September 1999)
JC Fellows
KBP Black (resigned 24 December 1999)
DA Walker

Secretary and registered office

HP Austin
School Lane
Kirkheaton
Huddersfield
HD5 0JS

Registered number - 270937

Bankers

HSBC Bank plc
2 Cloth Hall Street
Huddersfield
HD1 2ES

Girobank plc
Merrion Court
44 Merrion Street
Leeds
LS2 8JQ

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 2000.

Principal activities

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

Business review

A combination of like for like growth and the benefit from a further 13 new store openings combined to deliver overall sales growth in the year. Increased emphasis on the core value for money message, plus strong promotions, particularly in the key November and December months, led to a substantial improvement in gross margin, which rose from 41% for the previous year to 45%. This improvement, together with continued control of costs, resulted in a profit before taxation of £4 million for the year, well ahead of the £1 million achieved in difficult trading conditions last year.

The current year has started very positively with the company performing to plan and well ahead of last year. Like for like sales have risen strongly in the year to date, whilst a number of new store openings are in progress, in line with the medium term plans to continue the company's profitable expansion.

Result and dividends

The profit of the company for the year after taxation amounted to £2,675,000. The directors propose a dividend of £2,675,000.

Directors and directors' interests

The directors who held office during the year are stated on page 1. Mr SR Bullas was appointed as a director on 1 September 1999. Mr KBP Black resigned as a director on 24 December 1999.

The directors had no beneficial 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

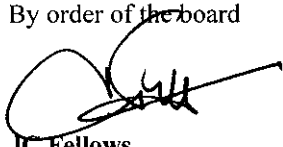
None of the Company's computers or business systems were affected by the changeover in date to Year 2000 nor have they been affected subsequently. Expenditure on systems upgrades and replacement in the year as a whole totalled £775,000. Whilst the primary aim of this expenditure was to increase the speed of access to and effective use of business information, around half of the total expenditure also had the effect of ensuring full Year 2000 compliance would be achieved.

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

A handwritten signature in black ink, appearing to be 'JC Fellows', written over a horizontal line.

JC Fellows
Director

School Lane
Kirkheaton
Huddersfield

19 May 2000

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 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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 transactions with the company is not disclosed.

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 2000 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 black ink, appearing to be 'KPMG' or similar, written over the printed name.

KPMG
Chartered Accountants
Registered Auditors

19 May 2000

Profit and loss account

for the year ended 31 January 2000

	<i>Note</i>	2000 £000	1999 £000
Turnover	2	101,259	89,949
Cost of sales		(56,021)	(53,345)
		<hr/>	<hr/>
Gross profit		45,238	36,604
Distribution costs		(35,730)	(30,769)
Administrative expenses	3	(4,761)	(4,101)
		<hr/>	<hr/>
Operating profit		4,747	1,734
Interest receivable	6	25	16
Interest payable and similar charges	7	(764)	(796)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	4,008	954
Tax on profit on ordinary activities	8	(1,333)	(429)
		<hr/>	<hr/>
Profit for the financial year		2,675	525
Dividends on equity shares	9	(2,675)	(621)
		<hr/>	<hr/>
Profit for the year	20	-	(96)
		<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.

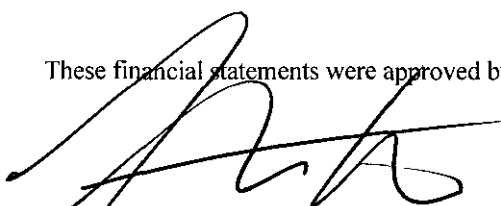
A statement of historical cost profits and losses is set out in note 21. The reconciliation of movements in shareholders' funds is set out in note 22.

Balance sheet

at 31 January 2000

	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	10	17,121	16,944
Investments	11	27	27
		<u>17,148</u>	<u>16,971</u>
Current assets			
Stocks	12	18,368	14,094
Debtors	13	5,830	3,943
Cash at bank and in hand		3,090	399
		<u>27,288</u>	<u>18,436</u>
Creditors: amounts falling due within one year	14	<u>(32,852)</u>	<u>(22,106)</u>
Net current liabilities		<u>(5,564)</u>	<u>(3,670)</u>
Total assets less current liabilities		<u>11,584</u>	<u>13,301</u>
Creditors: amounts falling due after more than one year	15	(435)	(2,109)
Provisions for liabilities and charges	18	(2,774)	(2,817)
		<u>8,375</u>	<u>8,375</u>
Net assets		<u>8,375</u>	<u>8,375</u>
Capital and reserves			
Called up share capital	19	204	204
Revaluation reserve	20	456	467
Profit and loss account	20	7,715	7,704
		<u>8,375</u>	<u>8,375</u>
Shareholders' funds			
Equity		8,172	8,172
Non-equity		203	203
	22	<u>8,375</u>	<u>8,375</u>

These financial statements were approved by the board of directors on 19 May 2000 and were signed on its behalf by:


SR Bullas
Director

Cash flow statement

for the year ended 31 January 2000

	Note	2000 £000	1999 £000
Cash flow from operating activities	27	6,356	10,333
Returns on investments and servicing of finance	28	(640)	(761)
Taxation		(1,398)	(244)
Capital expenditure	28	(4,643)	(5,826)
Equity dividends paid		-	(621)
Cash (outflow)/inflow before financing		(325)	2,881
Financing			
Increase in debt	28	3,016	100
Increase in cash in the year		2,691	2,981

Reconciliation of net cash flow to movement in net debt (note 29)

	2000 £000	1999 £000
Increase in cash in the year	2,691	2,981
Cash inflow from increase in debt and lease financing	(3,016)	(100)
Change in net debt resulting from cash flows	(325)	2,881
New finance leases	-	(1,429)
Movement in net debt in the year	(325)	1,452
Net debt at beginning of year	(4,028)	(5,480)
Net debt at end of year	(4,353)	(4,028)

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

	2000 £000	1999 £000
UK	99,096	88,214
Export (all European Union)	2,163	1,735
	<hr/>	<hr/>
	101,259	89,949
	<hr/>	<hr/>

3 Profit on ordinary activities before taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	31	30
Other services	17	17
Depreciation of tangible fixed assets:		
Owned	3,752	3,538
Leased	519	518
Rentals payable under operating leases	12,471	10,370
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	2000 £000	1999 £000
Remuneration as executives	911	802
Compensation for loss of office	95	-
	<u>1,006</u>	<u>802</u>

The emoluments excluding pension contributions of the highest paid director were £272,917 (1999: £271,000). He is a member of a defined contribution scheme, under which the company contributed £22,500 in the year. Payments totalling £52,000 in directors' emoluments were made to non-executives in respect of fees.

Retirement benefits are accruing to 4 directors (1999: 4 directors) under money purchase pension schemes and personal pension arrangements.

5 Staff numbers and costs

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

	2000	1999
Administration	73	66
Distribution	2,001	1,721
	<u>2,074</u>	<u>1,787</u>

The aggregate payroll costs of these persons were as follows:

	2000 £000	1999 £000
Wages and salaries	13,730	12,192
Social security costs	871	867
Other pension costs	304	239
	<u>14,905</u>	<u>13,298</u>

6 Interest receivable

	2000 £000	1999 £000
Bank interest	13	4
Other interest	12	12
	<u>25</u>	<u>16</u>

Notes (continued)

7 Interest payable and similar charges

	2000 £000	1999 £000
On bank loans and overdrafts	450	482
On directors' loans	102	160
Finance charges payable in respect of finance leases	130	154
Interest on overdue corporation tax	82	-
	<u>764</u>	<u>796</u>

8 Taxation

	2000 £000	1999 £000
Corporation tax at 30% (1999 :31%) on the profit for the year on ordinary activities	1,392	430
Deferred taxation	88	148
Adjustments relating to earlier years	(147)	(149)
	<u>1,333</u>	<u>429</u>

9 Dividends

	2000 £000	1999 £000
Dividend paid on equity shares	-	621
Dividend proposed on equity shares	2,675	-
	<u>2,675</u>	<u>621</u>

Notes (continued)

10 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	2,858	438	24,922	2,178	30,396
Additions	-	-	4,812	53	4,865
Disposals	(165)	(88)	(525)	(292)	(1,070)
At end of year	2,693	350	29,209	1,939	34,191
<i>Depreciation</i>					
At beginning of year	418	224	11,611	1,199	13,452
Charge for year	55	30	3,886	300	4,271
On disposals	(18)	(51)	(348)	(236)	(653)
At end of year	455	203	15,149	1,263	17,070
<i>Net book value</i>					
At 31 January 2000	2,238	147	14,060	676	17,121
At 31 January 1999	2,440	214	13,311	979	16,944

The net book value of tangible fixed assets includes an amount of £1,513,000 (1999 : £2,076,000) in respect of assets held under finance leases and hire purchase agreements. Depreciation charged for the year on these assets amounted to £519,000 (1999: £518,000).

Freehold land and buildings at Kirkheaton were professionally valued in 1990 to 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:

	2000 £000	1999 £000
Cost	2,137	2,302
Depreciation	(355)	(329)
Historical cost net book value	1,782	1,973

Notes (continued)

11 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 2000	27
	<hr/>
At 31 January 1999	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.

12 Stocks

	2000 £000	1999 £000
Work in progress	3,991	2,602
Finished goods held for resale	14,377	11,492
	<hr/>	<hr/>
	18,368	14,094
	<hr/>	<hr/>

13 Debtors

	2000 £000	1999 £000
Trade debtors	309	405
Prepayments	4,943	3,297
Other debtors	578	241
	<hr/>	<hr/>
	5,830	3,943
	<hr/>	<hr/>

Notes (continued)

14 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans	5,750	429
Directors' loans	504	1,000
Other loans	169	204
Trade creditors	12,262	12,191
Amounts due to subsidiary undertakings	14	14
Obligations under finance leases (note 17)	585	685
Corporation tax	1,804	1,957
Other taxes and social security	2,559	2,656
Other creditors and accruals	6,530	2,970
Proposed dividends	2,675	-
	<u>32,852</u>	<u>22,106</u>

15 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Bank loans	-	850
Other loans	70	247
Obligations under finance leases (note 17)	365	1,012
	<u>435</u>	<u>2,109</u>

16 Loans

	2000 £000	1999 £000
Repayable within one year (note 14)	6,423	1,633
Repayable between one and two years (note 15)	70	605
Repayable between two and five years (note 15)	-	492
	<u>6,493</u>	<u>2,730</u>

The bank loans are secured by fixed and floating charges and are repayable on demand. Since the year end, the company's bank loans have been replaced by overdraft and revolving credit facilities. The company has entered into cross guarantee arrangements with Bon Marché Holdings Limited and all other group companies in respect of its bank borrowings and facilities.

Loans from directors are unsecured, repayable on demand and interest is charged at 10%.

Other loans represent loans from Royscott Trust. Repayments are in equal monthly instalments and interest is charged at 1% above Royal Bank of Scotland base rate.

Notes (continued)

17 Obligations under finance leases

The maturity of obligations under finance leases is as follows:

	2000 £000	1999 £000
Repayable within one year	585	685
Repayable in the second to fifth years inclusive	365	1,012
	<u>950</u>	<u>1,697</u>

18 Provisions for liabilities and charges

	Deferred taxation £000	Property related provisions £000	Holiday pay provision £000	Total £000
At beginning of year	212	2,125	480	2,817
Charge for the year	88	701	-	789
Utilised during the year	-	(812)	(20)	(832)
	<u>300</u>	<u>2,014</u>	<u>460</u>	<u>2,774</u>

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

	2000 £000	1999 £000
Accelerated capital allowances	439	443
Short term timing differences	(139)	(231)
	<u>300</u>	<u>212</u>

Notes (continued)

19 Called up share capital

	1999 and 2000 £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.

20 Reserves

	Revaluation reserve £000	Profit and loss account £000
At beginning of year	467	7,704
Retained profit for the year	-	-
Transfers	(11)	11
	<hr/>	<hr/>
At end of year	456	7,715
	<hr/>	<hr/>

Notes (continued)

21 Note of historical cost profits and losses

	2000 £000	1999 £000
Reported profit on ordinary activities before taxation	4,008	954
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	4,019	965
Historical cost profit/(loss) for the year after taxation and dividends	11	(85)

22 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Profit for the financial year	2,675	525
Dividends	(2,675)	(621)
Net addition to/(depletion from) shareholders' funds	-	(96)
Opening shareholders' funds	8,375	8,471
Closing shareholders' funds	8,375	8,375

23 Capital commitments

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

	2000 £000	1999 £000
Contracted	-	960

Notes *(continued)*

24 Guarantees and commitments

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

	2000		1999	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
<i>Operating leases which expire</i>				
Within one year	191	-	177	-
In the second to fifth years inclusive	655	116	428	112
After five years	9,504	-	10,974	-
	<u>10,350</u>	<u>116</u>	<u>11,579</u>	<u>112</u>

- (b) The company has entered into a cross guarantee with Bon Marché Holdings Limited and all other group companies in respect of its bank borrowings and facilities.
- (c) The company has a bank guarantee in favour of HM Customs & Excise amounting to £500,000.

25 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 £304,000 (1999 : £239,000).

26 Directors' interests in contracts

PA Lee is a partner at the company's solicitors, Addleshaw, Booth & Co. Fees amounting to £53,000 (1999: £25,000) were paid to this practice in the normal course of business.

Two of the company's executive directors are also directors of Robart Limited, one of the company's suppliers. Purchases were made to this company amounting to £482,858, which were transacted on an arm's length basis.

27 Reconciliation of operating profit to operating cash flow

	2000 £000	1999 £000
Operating profit	4,747	1,734
Depreciation charge	4,271	4,056
Loss on sale of fixed assets	195	70
(Increase)/decrease in stocks	(4,274)	1,563
Increase in debtors	(1,887)	(556)
Increase in creditors	3,435	2,804
(Decrease)/increase in provisions	(131)	662
Net cash flow from operating activities	<u>6,356</u>	<u>10,333</u>

Notes (continued)

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

	2000 £000	1999 £000
Returns on investments and servicing of finance		
Interest received	25	16
Interest paid	(520)	(640)
Interest element of rental payments	(145)	(137)
	<u>(640)</u>	<u>(761)</u>
Capital expenditure		
Purchase of tangible fixed assets	(4,865)	(5,940)
Sale of tangible fixed assets	222	114
	<u>(4,643)</u>	<u>(5,826)</u>
Financing		
New loans received	5,750	1,362
Repayment of amounts borrowed	(1,987)	(612)
Capital element of finance leases rental payments	(747)	(650)
	<u>3,016</u>	<u>100</u>

29 Analysis of net debt

	At 1 February 1999 £000	Cash flow £000	At 31 January 2000 £000
Cash at bank and in hand	399	2,691	3,090
Debt due within one year	(1,633)	(4,790)	(6,423)
Debt due after more than one year	(1,097)	1,027	(70)
Finance leases	(1,697)	747	(950)
	<u>(4,427)</u>	<u>(3,016)</u>	<u>(7,443)</u>
	<u>(4,028)</u>	<u>(325)</u>	<u>(4,353)</u>

30 Ultimate parent company

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