Company Registration No. 290792

PEACOCK'S STORES LIMITED

Report and Financial Statements

31 March 2006

PEACOCK'S STORES LIMITED

REPORT AND FINANCIAL STATEMENTS 2006

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R S Kirk
K R Bryant
N A Burns

SECRETARY

M D Killick

REGISTERED OFFICE

Atlantic House
Tyndall Street
Cardiff
CF10 4PS

BANKERS

Barclays Bank Plc

AUDITORS

Deloitte & Touche LLP
Bristol

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

ACTIVITIES

The company became a wholly owned subsidiary of Henson No. 1 Limited (the "Group") on 13 January 2006, following the acquisition of The Peacock Group Plc. The principal activity of the company continues to be that of proprietors of retail stores. There have not been any significant changes in the company's principal activities in the year under review and the directors are not aware of any likely major changes.

As shown in the company's profit and loss account on page 7, the company's sales are £390,229,000 (2005: £350,772,000) and profit after tax is £14,534,000 (2005: £20,332,000).

The balance sheet on page 9 of the financial statements shows that the company's financial position at the year-end. In cash terms it is consistent with the prior year.

The Group manages its operations on a divisional basis. For this reason, the company's directors do not believe further key performance indicators are necessary for an appropriate understanding of the performance and position of the business. The performance of the Group's divisions is discussed in the Group's Annual Report, which does not form part of this report.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The results for the year are shown in the profit and loss account on page 7.

DIVIDENDS

The dividends paid during the year ended 31 March 2006 were £nil (2005: £9,000,000).

DIRECTORS AND THEIR INTERESTS

The current directors of the company, who served throughout the financial year, are as shown on page 1. They held no interests of the company at either the beginning or the end of the financial year.

The interests of the directors in the share capital of the ultimate parent company Henson No.1 Limited are disclosed in its annual report. The directors hold no shares in any other group company.

SUPPLIER PAYMENT POLICY

The company's policy to settle terms of payment with suppliers when agreeing the terms of each transaction ensures that suppliers are made aware of the terms of payment and abide by those terms. Trade creditors of the company at 31 March 2006, expressed as the number of days outstanding, was 34 days (2005: 52 days).

DISABLED PERSONS

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the company made charitable donations of £500 (2005: £13,556), principally to local charities serving the communities in which the company operates. No political contributions were made during the year (2005: £nil).

DIRECTORS' REPORT (continued)

EMPLOYEE CONSULTATION

The well-developed Peacocks 'people first' culture, with its emphasis on clear and open two-way communication, is being maintained. The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

This is achieved through regular formal and informal meetings and company magazines (*'Fan Mail' Aand 'Vision')*. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests through attendance at the company's Joint Consultative Committee (JCC) programme.

The directors are justifiably proud of the progressive corporate culture that exists throughout the company. Peacocks has full accreditation of the 'Investor in People' award.

PRINCIPAL RISKS AND UNCERTAINTIES

Group risks are discussed in the Group's Annual Report, which does not form part of this report.

FINANCIAL RISK MANAGEMENT

The directors have reviewed the financial risk management objectives and policies of the company. The directors believe that the main financial risk facing the company is foreign currency, which is managed centrally for the group by another group company The Peacock Group Plc. The group policy is that all material exposures are hedged by using forward currency contracts. The group does not engage in speculative currency trading and only secures the foreign currencies it requires to meet its trading liabilities. The company does not enter into hedging instruments, as there are not believed to be any material exposures in this area. It does not enter into any financial instruments for speculative purposes.

Appropriate trade terms are negotiated with suppliers. Management reviews these terms and the relationships with suppliers and manages any exposure on normal trade terms. The company prepares regular forecasts of cash flow and liquidity, and any requirement for additional funding is managed as part of the overall Group financing arrangements.

ENVIRONMENT

Henson No.1 Limited and its subsidiaries endeavour to identify, monitor and manage the impact of their activities on the environment and are fully committed to environmental accountability and protection. The company operates in accordance with Group policies, which are described in the Group's Annual Report, which does not form part of this report.

DIRECTORS' REPORT (continued)

AUDITORS

Each of the persons who is a directors at the date of approval of this report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

R S Kirk
Director

27 July 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company 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; 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 which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PEACOCK'S STORES LIMITED

We have audited the financial statements of Peacock's Stores Limited for the year ended 31 March 2006 which comprise the profit and loss account, the reconciliation of movement in shareholder's funds, the statement of total recognised gains and losses, the balance sheet and the related notes 1 to 20. 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 auditors' 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 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, 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 or material inconsistencies with the financial statements.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Bristol, United Kingdom
27 July 2006

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2006

	Note	2006 £'000	As restated (see note 17) 2005 £'000
TURNOVER	2	390,229	350,772
Cost of sales		(312,376)	(275,710)
Gross profit		77,853	75,062
Administrative expenses		(58,656)	(45,425)
Other operating income		-	40
OPERATING PROFIT		19,197	29,677
Loss on disposal of fixed assets		-	(676)
Interest payable and similar charges	4	(1,689)	(1,573)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	17,508	27,428
Tax on profit on ordinary activities	6	(2,974)	(7,096)
PROFIT ON ORDINARY ACTIVITIES FOR THE FINANCIAL YEAR		14,534	20.332

All activities derive from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2006 £'000	As restated (see note 17) 2005 £'000
Profit for the financial year	14,534	20,332
Actuarial gain/(loss) relating to the pension scheme	105	(2,320)
Deferred tax attributable to actuarial gain/(loss)	(1,236)	792
Total recognised gains and losses relating to the year	13,403	18,804
Prior year adjustment (see note 17)	(6,170)	-
Total gains recognised since last financial statements	7,233	18,804

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
Year ended 31 March 2006

	2006	As restated (see note 17) 2005
	£'000	£'000
Profit for the financial year	14,534	20,332
Dividends	-	(9,000)
Distribution	(3,579)	-
Actuarial gain	105	(2,320)
Deferred tax attributable to actuarial gain / (loss)	(1,236)	792
Net addition to shareholders' funds	9,824	9,804
Opening shareholders' funds (as previously stated)	28,333	16,620
Prior year adjustment	(6,170)	(4,261)
Opening shareholders' funds (restated)	22,163	12,359
Closing shareholders' funds	31,987	22,163

BALANCE SHEET
31 March 2006

	Note	2006 £'000	As restated (see note 17) 2005 £'000
FIXED ASSETS			
Tangible assets	8	87,853	87,616
Investments	9	3	3
		87,856	87,619
CURRENT ASSETS			
Goods for resale		42,868	46,436
Debtors	10	10,264	13,591
Cash at bank and in hand		6,857	7,093
		59,989	67,120
CREDITORS: amounts falling due within one year	11	(99,525)	(114,579)
NET CURRENT LIABILITIES		(39,536)	(47,459)
TOTAL ASSETS LESS CURRENT LIABILITIES		48,320	40,160
CREDITORS: amounts falling due after more than one year	12	(6,106)	(5,349)
PROVISIONS FOR LIABILITIES	13	(6,713)	(6,250)
NET ASSETS EXCLUDING PENSION LIABILITY		35, 501	28,561
PENSION LIABILITY		(3,514)	(6,398)
NET ASSETS INCLUDING PENSION LIABILITY		31,987	22,163
CAPITAL AND RESERVES			
Called up share capital	14	4,326	4,326
Profit and loss account		27,661	17,837
SHAREHOLDERS' FUNDS		31,987	22,163
SHAREHOLDERS' FUNDS MAY BE ANALYSED AS:			
Equity interests		31,987	21,344
Non-equity interests		-	819
		31,987	22,163

These financial statements were approved by the Board of Directors on 27 July 2006.

Signed on behalf of the Board of Directors

R S Kirk
Director

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the financial year and the prior financial period, are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. The cost of fixed assets represents their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided to write off the cost, less estimated residual value, of other tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold property	50 years
Long term leasehold property	Up to a maximum 50 years
Short term leasehold property	The shorter of 10 years or life of the lease
Fixtures & fittings	8 years
Computer installation	4 years
Motor vehicles	4 years

Assets in the course of construction are not depreciated.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. Income from fixed asset investments is recognised on a receivable basis.

Goods for resale

Goods for resale are stated at the lower of cost and net realisable value.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

1. *ACCOUNTING POLICIES (continued)*

Cash flow statement

Under FRS 1, the company is exempt from preparing a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking whose ultimate parent company has prepared a consolidated statement of cash flows which incorporates those of the company.

Provisions

In accordance with FRS 12, provision is made for expected dilapidation costs on properties.

Pension costs

The company operates a number of pension schemes for its employees including a money purchase scheme and a defined benefit scheme. These schemes are administered by trustees and their funds are held independently of the company's finances.

For defined benefit schemes, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals receivable are charged to income in equal annual amounts over the lease term.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are taken to the profit and loss account in the year in which they arise.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

Change in accounting policy

The financial statements for the year ended 31 March 2006 have been drawn up using the same accounting policies as for the year ended 31 March 2005 subject to the adoption of FRS 21 'Events after the balance sheet date', FRS 17 'Retirement Benefits', and FRS 25 'Financial instruments'.

The effect of adopting FRS 17, and therefore recognising the pension scheme deficit for the defined benefit pension scheme has decreased the retained profit and net assets for the year ended 31 March 2006 and the year ended 31 March 2005 (see note 17).

The adoption of FRS 21 and FRS 25 has had no impact on the financial statements of this company.

The company has taken the exemptions given in FRS 25 not to restate comparatives, as such the presention of the non-equity shares held in the prior year has not been amended.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre-tax profit, all of which arises in the United Kingdom and the Isle of Man, is attributable to the principal activity.

Sales of goods are recognised when goods are delivered and title has passed.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

No director received any emoluments for their services to this company during either the current or preceding financial year. Directors are paid by another group company, The Peacock Group Plc, and it is not practicable to allocate their remuneration between their services to group companies. Information about directors' remuneration may be found in the financial statements of The Peacock Group Plc.

	2006 No.	2005 No.
Average number of persons employed		
Stores	5,996	5,497
Administration	218	263
	6,214	5,760

	£'000	£'000
Staff costs during the year		
Wages and salaries	47,669	41,863
Social security costs	2,810	2,501
Pension costs	1,817	1,599
	52,296	45,963

The company has borne the pension costs for another group company, Peacock's (Nantgarw) Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006 £'000	(As restated see note 17) 2005 £'000
Group interest payable and similar charges	1,469	1,413
Net charge relating to defined benefit pension scheme (see note 17)	220	160
	1,689	1,573

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation		
Owned assets	17,453	15,516
Loss on disposal of fixed assets	790	676
Operating lease rentals		
Land and buildings	36,630	32,712
Other	1,139	952
Rents receivable from property	(230)	(199)

Auditors' remuneration for audit services and amounts payable to the company's auditors in respect of non-audit services in both years was borne by another group company, The Peacock Group Plc.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006 £'000	2005 £'000
Current tax		
United Kingdom corporation tax:	2,511	7,503
Adjustments in respect of prior years	-	(921)
	2,511	6,582
Deferred tax		
Origination and reversal of timing differences	(162)	433
Increase in estimate of recoverable deferred tax asset	625	81
	463	514
Total tax on profit on ordinary activities	2,974	7,096

The difference between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	£'000	£'000
Profit on ordinary activities before tax	17,508	27,428
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005: 30%)	5,252	8,228
Effects of:		
Expenses not deductible for tax purposes	61	310
Origination and reversal of timing differences	(416)	(279)
Adjustments to tax charge in respect of previous years	-	(921)
Group relief	(2,386)	(756)
Current tax charge for the year	2,511	6,582

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

7. DIVIDENDS

The dividends approved and paid in the year are as follows:

	2006 £'000	2005 £'000
£nil (2005: £2.54) per ordinary share	-	9,000

8. TANGIBLE FIXED ASSETS

	Long leasehold property £'000	Short Term leasehold property £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Assets in the course of construction £'000	Total £'000
Cost						
At 1 April 2005	432	16,420	157,234	17	3,046	177,149
Additions	-	-	-	-	19,802	19,802
Transfers	-	1,628	18,629	-	(20,257)	-
Disposals	-	(200)	(3,752)	(2)	-	(3,954)
At 31 March 2006	432	17,848	172,111	15	2,591	192,997
Depreciation						
At 1 April 2005	348	9,331	79,838	16	-	89,533
Charge for the year	4	1,114	16,335	-	-	17,453
Release on disposal	-	(65)	(1,776)	(1)	-	(1,842)
At 31 March 2006	352	10,380	94,397	15	-	105,144
Net book value						
At 31 March 2006	80	7,468	77,714	-	2,591	87,853
At 31 March 2005	84	7,089	77,396	1	3,046	87,616

9. INVESTMENTS

	2006 £'000	2005 £'000
Cost and net book value	3	3

Investments represent unlisted debentures.

10. DEBTORS

	2006 £'000	2005 £'000
Trade debtors	2,414	1,101
Other debtors	398	2,072
Prepayments and accrued income	7,452	10,418
	10,264	13,591

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £'000	As restated (see note 17) 2005 £'000
Bank overdraft	4,812	4,626
Trade creditors	28,432	37,279
Amounts owed to group undertakings	48,573	47,032
Corporation tax	515	10,238
Other creditors	1,083	1,188
Accruals and deferred income	16,110	14,216
	99,525	114,579

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2006 £'000	2005 £'000
Accruals and deferred income	6,106	5,349

13. PROVISIONS FOR LIABILITIES

	Property related provisions £'000	Deferred tax £'000	Total £'000
Balance at 1 April 2005	50	6,200	6,250
Charge to profit and loss account	-	463	463
Balance at 31 March 2006	50	6,663	6,713

Property related provisions:
These provisions relate to expected dilapidation costs on property leases and are released as and when dilapidation payments become due.

Deferred tax:	2006 £'000	2005 £'000
Accelerated capital allowances	6,478	5,603
Short Term timing differences	(1,097)	(60)
Capital gains rolled over against other fixed assets	1,282	657
	6,663	6,200

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

14. CALLED UP SHARE CAPITAL

	2006 £'000	2005 £'000
Authorised		
4,512,030 ordinary shares of 99 pence each	4,467	4,467
2,500,000 deferred shares of 1 pence each	25	25
811,470 convertible cumulative participating preferred "A" ordinary shares of £1 each	811	811
	5,303	5,303
Called up, allotted and fully paid		
3,542,550 ordinary shares of 99 pence each	3,507	3,507
759,925 deferred shares of 1 pence each	8	8
811,470 convertible cumulative participating preferred "A" ordinary shares of £1 each	811	811
	4,326	4,326

The preferred shareholders were entitled to receive an annual dividend of the higher of 8% of the total issue price of the shares (£73.94) or 9% of the consolidated profit before tax; however, this entitlement was waived prior to the flotation of the ultimate parent undertaking.

On a winding up of Peacock's Stores Limited, the preferred shares would rank after the deferred shares but before the ordinary shares and are payable at their issue price.

The voting rights of the preferred shares vary according to circumstances detailed in a Subscription Agreement dated 30 June 1993 and can be exercised by the director appointed by the holders of the preferred shares.

The deferred shares do not have dividend or voting rights. On a winding up of Peacock's Stores Limited, these shares would rank before both the preferred shares and the ordinary shares. In the event of a winding up, sale or flotation of the share capital of Peacock's Stores Limited on the London Stock Exchange, the deferred shareholders are entitled to receive £4 per share, increasing annually by 5% with effect from 1 January 1989.

The company is under no legal obligation to buy any of the deferred shares, nor are the deferred shareholders under any legal obligation to sell. However, under the Articles of Association the company is permitted to repurchase the deferred shares if 75% of the ordinary shareholders vote in favour and the deferred shareholders agree to sell their shares back to the company.

The convertible cumulative participating preferred "A" ordinary shares of £1 each are automatically converted on Sale or Listing into ordinary shares at the rate of one ordinary share for each "A" ordinary share.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

15. RESERVES

	Profit and loss account £'000
At 1 April 2005 – as previously reported	24,007
Prior year adjustment	(6,170)
At 1 April 2005 – as restated	17,837
Retained profit for the year	14,534
Distribution	(3,579)
Actuarial gain relating to the pension scheme	105
Deferred tax attributable to the actuarial gain	(1,236)
At 31 March 2006	27,661

The distribution is made to P&B Financial Services Limited, a company under common control.

16. FINANCIAL COMMITMENTS

Capital commitments are as follows:

	2006 £'000	2005 £'000
Contracted but not provided for	5,906	1,486

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

	2006		2005	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases which expire:				
Within one year	1,006	926	348	587
Within two to five years	3,307	976	2,733	650
After five years	31,782	-	29,139	-
	36,095	1,902	32,220	1,237

The company had no outstanding commitments under forward exchange contracts. Such commitments are held by the ultimate parent company, Henson No.1 Limited.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

17. PENSION ARRANGEMENTS

The company contributes to a number of pension schemes, of both the defined contribution and defined benefit type. The pension costs charged in the year in respect of the defined contribution schemes were £427,000 (2005: £439,000). The main scheme of the funded defined benefit type operating during the year was the Peacock Group (1998) Pension Scheme, which was closed to new entrants on 1 June 2002.

During the year, the company has adopted FRS 17 for the defined benefit scheme. Details of the prior year adjustment to which this change in policy gave rise are set out in this note.

The most recent actuarial valuation of The Peacock Group (1998) Pension Scheme as at 31 March 2006 showed that the market value of the scheme's assets was £22,970,000. Using the Projected Unit Valuation Method, there was a deficit at the valuation date amounting to £5,020,000 of the benefits that had accrued to members after allowing for expected future increases in earnings. The following actuarial assumptions were made in the Projected Unit Valuation Method:

The major assumptions used by the actuary were:

	At 31 March 2006	**At 31 March 2005**	**At 31 March 2004**
Salary growth	4.5% pa	4.4% pa	4.3% pa
Pension increases	2.9% pa	2.8% pa	2.7% pa
Discount rate	5.1% pa	5.5% pa	5.6% pa
Price inflation	3.0% pa	2.9% pa	2.8% pa

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

17. PENSION ARRANGEMENTS (continued)

Asset distribution and expected return assumptions

The value of the assets of the Scheme, together with the expected rates of return at the beginning and end of the accounting period, were as follows:

	31 March 2006		31 March 2005		31 March 2004	
Components	**Expected return**	***Fair value* £'000**	**Expected return**	***Fair value* £'000**	**Expected return**	***Fair value* £'000**
Equities	7.5% pa	22,970	7.5% pa	13,230	7.5% pa	10,680
Total		22,970		13,230		10,680

Reconciliation of balance sheet	**31 March 2006 £'000**	**31 March 2005 £'000**	**31 March 2004 £'000**
Total market value of assets	22,970	13,230	10,680
Present value of scheme liabilities	(27,990)	(22,370)	(17,180)
Actuarial deficit	(5,020)	(9,140)	(6,500)
Related deferred tax	1,506	2,742	1,950
FRS 17 defined benefit liability	(3,514)	(6,398)	(4,550)
Analysis of the movement in scheme deficit during the year			
Deficit at beginning of year	(9,140)	(6,500)	(6,780)
Current service cost	(1,390)	(1,160)	(1,000)
Contributions paid	5,625	1,000	1,000
Actuarial gains/(losses)	105	(2,320)	500
Other finance charges	(220)	(160)	(220)
Deficit at end of year	(5,020)	(9,140)	(6,500)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

17. PENSION ARRANGEMENTS (Continued)

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	2006 £'000	2006 % of scheme assets/ liabilities	2005 £'000	2005 % of scheme assets/ liabilities	2004 £'000	2004 % of scheme assets/ liabilities
Actual return less expected return on the scheme assets	3,150	1.37	680	5.1	1,810	16.9
Experience gains/(losses) on the scheme liabilities	105	0.5	(390)	1.7	(540)	3.1
Changes in the assumptions underlying the present value of the scheme liabilities	(3,150)	(11.3)	(2,610)	(11.7)	(770)	4.5
Actuarial gain/(loss) recognised in STRGL	105	0.5	(2,320)	(10.4)	500	

Analysis of the amount credited to other finance income

	31 March 2006 £'000	31 March 2005 £'000
Expected return on pension scheme assets	1,050	850
Interest on pension scheme liabilities	(1,270)	(1,010)
Net charge to finance costs	(220)	(160)

The adoption of FRS 17 has resulted in changes in the method of accounting for pensions. As a result of this change in accounting policy, the comparatives have been restated as follows:

	Other creditors £'000	Pension liability £'000	Shareholders' funds £'000
At 31 March 2005 as previously reported	(1,416)	-	28,333
Adoption of FRS17	228	(6,398)	(6,170)
At 31 March 2005 as restated	(1,188)	(6,398)	22,163

	Profit for the year £'000
Year ended 31 March 2005 as previously reported	20,713
Adoption of FRS17	(381)
Year ended 31 March 2005 as restated	20,332

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2006

17. PENSION ARRANGEMENTS (Continued)

	Other creditors £'000	Pension liability £'000	Shareholders' funds £'000
At 31 March 2004 as previously reported	(1,306)	-	16,620
Adoption of FRS17	289	(4,550)	(4,261)
At 31 March 2004 as restated	(1,017)	(4,550)	12,359

The prior year restatement shown in the statement of total recognised gains and losses is made up as follows:

	£'000
Defined benefit liability at 1 April 2004	(4,550)
Release of SSAP24 creditor	289
Actuarial loss for the year ended 31 March 2005 (net of deferred tax)	(1,528)
Effect on profit for the year	(381)
Total losses recognised since last financial statements	(6,170)

18. CONTINGENT LIABILITIES

As a subsidiary of Henson No.1 Limited, the company is part of a group that has given guarantees for the bank facilities provided to all group undertakings by their principal bankers. The joint liabilities under these guarantees at 31 March 2006 amounted to £517,735,000. In 2005 the corresponding balance within The Peacock Group Plc was £71,761,000.

19. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions under FRS 8, which allows it not to disclose transactions with group companies since the consolidated financial statements of the ultimate parent company are publicly available.

20. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The immediate parent company is Peacock Group (Retail) Limited. During the year the ultimate parent company and controlling party changed from The Peacock Group Plc to Henson No.1 Limited. All companies are incorporated in Great Britain and registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated is Henson No.1 Limited. Copies of its financial statements can be obtained from Atlantic House, Tyndall Street, Cardiff, CF10 4PS.