3214950 DATED 03/03/99 P56

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document or about what action you should take you should immediately seek your own personal advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

If you have sold through the London Stock Exchange all or part of your holding of Existing Ordinary Shares in Blakes Clothing PLC, you should complete Box G of the Application Form and deliver the Application Form together with this document to the stockbroker or other agent through whom the sale was effected, who will arrange for the Application Form to be split or transmitted to the purchaser(s).

This document, which comprises a prospectus and which has been drawn up in accordance with requirements of the Public Offers of Securities Regulations 1995 ("the POS Regulations") and the AIM Admission Rules, has been delivered for registration to the Registrar of Companies for England and Wales in accordance with Regulation 4(2) of the Regulations.

The Company and the directors of Blakes Clothing PLC, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the New Ordinary Shares to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Furthermore the London Stock Exchange has not itself approved the contents of this document. It is expected that trading in the New Ordinary Shares will commence on AIM on 29 March 1999.

Blakes Clothing PLC

(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 3214950)

Open Offer of 42,739,200 New Ordinary Shares of 1p each at a price of 2½p per share

Capital Reorganisation

Qualifying Shareholders are advised to consult their independent professional advisers before deciding whether to apply for their entitlement to Offer Shares under the Open Offer. Applications under the Open Offer may only be made on the Application Form which is enclosed and which is personal to the shareholder(s) named therein and may not be assigned or transferred except to satisfy *bona fide* market claim.

Qualifying Shareholders who wish to apply for the Open Offer should complete the enclosed Application Form in accordance with the instructions printed thereon and return it, together with the appropriate remittance, by hand or by post to KPMG, Festival Way, Stoke on Trent, Staffordshire, ST1 5TA so as to arrive no later than 3.00 pm on 25 March 1999 when the Open Offer is expected to close.

Notice convening an Extraordinary General Meeting of Blakes Clothing PLC to be held at 10.00 am on 26 March 1999 at Dashwood House, 69 Old Broad Street, London, EC2M 1NR is set out on pages 57 to 59 of this document. To be valid Proxy Forms must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's Registrars not later than 10.00 am on 24 March 1999.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	1999
Record Date for Open Offer	19 February
Application Forms sent out to shareholders	3 March
Latest time and date for splitting Application Forms (to satisfy bona fide market claims only)	3.00 pm on 23 March
Latest time and date for Proxy Forms to be received	10.00 am on 24 March
Latest time and date for registration of Application Forms and payment in full	3.00 pm on 25 March
EGM	10.00 am on 26 March
Dealings commence in New Ordinary Shares	29 March
Definitive share certificates for New Ordinary Shares and Deferred Shares sent to shareholders	6 April

Definitions

The following definitions apply throughout this document unless the context otherwise requires or unless otherwise stated:

"Act"	The Companies Act 1985 as amended by the Companies Act 1989
"Admission"	Admission of the New Ordinary Shares to trading on AIM, and such admission becoming effective
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Application Form"	the application form to be used in connection with the Open Offer
"Articles"	the Company's Articles of Association as amended by Resolution 2
"Bell Lawrie Wise Speke"	Bell Lawrie Wise Speke, a division of Brewin Dolphin Securities Ltd
"Blakes Menswear"	Casanova Fashions Limited trading as Blakes Menswear
"Board" or "Directors"	the directors of the Company whose names are set out on page 5 of this document
"Capital Reorganisation"	the reorganisation of the Company's share capital as described in this document
"City Code"	the City Code on Takeovers and Mergers
"Company" or "Blakes"	Blakes Clothing PLC
"Deferred Shares"	new deferred shares of 9p each in the capital of the Company
"EGM"	the Extraordinary General Meeting of the Company convened for 10.00 am on 26 March 1999 by the notice set out on pages 57-59 of this document
"Executive Directors"	Mr N Kaye, Mr P Kaye, Mr D Kaye and Mr T Woodcock
"Existing Ordinary Shares"	Ordinary shares of 10p each in the capital of the Company
"Group"	the Company and its subsidiaries
"Independent Directors"	Mr D Petley and Mr D Taylor
"London Stock Exchange"	London Stock Exchange Limited
"New Ordinary Shares"	the new ordinary shares of 1p each in the capital of the Company arising as a result of the Capital Reorganisation and the Open Offer
"Non-Executive Directors"	Mr H Osmond, Mr D Taylor, Mr A McIntosh and Mr D Petley
"Offer Price"	2½p per New Ordinary Share
"Open Offer"	the open offer to Qualifying Shareholders as described in Part II of this document
"Offer Shares"	the 42,739,200 New Ordinary Shares, the subject of the Open Offer
"Panel"	the Panel on Takeovers and Mergers
"POS Regulations"	the Public Offer of Securities Regulations 1995
"Preference Shares"	the preference shares of £1 each having the rights set out in paragraph 6.7 of Part VI of this document
"Proposals"	the Capital Reorganisation and the Open Offer
"Prospectus"	this document dated 3 March 1999
"Proxy Form"	the form of proxy accompanying this document in respect of the EGM
"Qualifying Shareholders"	holders of Existing Ordinary Shares, the Warrants and the Preference Shares at the Record Date (excluding certain overseas shareholders)
"Record Date"	19 February 1999
"Resolutions"	Resolution 1 and Resolution 2
"Resolution 1"	the resolution numbered 1 contained in the notice of the EGM set out on pages 57 to 59 of this document

"Resolution 2"	the resolution numbered 2 contained in the notice of the EGM set out on pages 57 to 59 of this document
"Share Option Scheme"	the Blakes Executive Share Option Scheme, details of which are set out in paragraph 9 of Part VI of this document
"UK"	United Kingdom
"Underwriters"	Mr H Osmond, Mr A McIntosh, Mr D Kaye, Mr P Kaye, Mr N Kaye, Mr T Woodcock, Mr L Johnson and MidOcean Securities Limited
"Underwriting Agreement"	the conditional agreement dated 3 March 1999 between the Company, the Directors, the Underwriters and Bell Lawrie Wise Speke providing, inter alia, for the underwriting of 30,400,000 of the Offer Shares, details of which are contained in paragraph 17 of Part VI of this document
"Warrants"	the existing 500,000 warrants to subscribe for Existing Ordinary Shares at 25p per Existing Ordinary Share
"New Warrants"	the warrants to subscribe for up to 5,900,000 New Ordinary Shares, further details of which are set out in paragraph 18 of Part VI

Part I

LETTER FROM THE INDEPENDENT DIRECTORS OF BLAKES CLOTHING PLC
(Incorporated and registered in England and Wales No. 3214950)

Directors:
Neville Eric Kaye (Executive Chairman)
Paul Michael Kaye
Dean Andrew Kaye
Timothy David Woodcock ACA
David Petley ACA
Hugh Edward Mark Osmond
William Alan McIntosh CA
Daniel James Breden Taylor

Registered and Head Office:

Unit 2
Olympic Business Centre
Paycocke Road
Basildon
Essex
SS14 3EX

3 March 1999

To the holders of Existing Ordinary Shares, Warrants and Preference Shares and, for information only, to holders of options over Existing Ordinary Shares

Dear Sir or Madam

Open Offer of 42,739,200 Offer Shares at 2½p per share

INTRODUCTION

Your Board announced today proposals for a capital raising in order to place the Group on a firmer financial base. The Company's bank facility of £750,000 fell due for renewal at the end of January 1999. The Company's bankers have agreed to renew this facility subject to the Company raising a total of £0.7 million (net of expenses) of new equity and arranging additional loan facilities of £0.1 million. Your Board is seeking to raise up to approximately £1.068 million before expenses by way of an Open Offer of 42,739,200 Offer Shares by Bell Lawrie Wise Speke at 2½p per share to Qualifying Shareholders.

Should the Company not be successful in raising at least £0.7 million (net of expenses) of new equity via the Open Offer and arranging additional loan facilities of £0.1 million, the Company's bank facilities may not be renewed and the Company will be unable to continue to trade. Shareholders should also refer to the section headed 'Risk Factors' on pages 11 and 12 of this document which describes the risk factors which the Directors consider should be brought to the attention of investors in the Company.

In order to demonstrate their commitment to the future of the Company Mr Neville Kaye, Mr Paul Kaye, Mr Dean Kaye, Mr Hugh Osmond, Mr Alan McIntosh, Mr Tim Woodcock, Mr Luke Johnson and MidOcean Securities Limited have agreed to subscribe for up to 30,400,000 of the Offer Shares (including any Offer Shares they have irrevocably undertaken to subscribe for under their entitlements under the Open Offer) subject to the rights of Qualifying Shareholders under the Open Offer. In addition, Mr Neville Kaye, Mr Hugh Osmond, Mr Alan McIntosh, Mr Luke Johnson and MidOcean Securities Limited have agreed to provide a subordinated loan facility to the Company of up to £0.1 million in the event that non-Underwriters subscribe for less than £0.1 million worth of the Offer Shares. The amount available pursuant to this loan facility will be reduced by £1 for every £1 worth of the Offer Shares subscribed for by non-Underwriters. Qualifying Shareholders are being offered the opportunity to subscribe for up to 42,739,200 Offer Shares, with a guaranteed minimum entitlement of 4 Offer Shares for every Existing Ordinary Share or Preference Share held (or, in the case of the holders of the Warrants, deemed to be held) at the close of business on the Record Date at a price of 2½p per Offer Share. As the proposed issue price of the Offer Shares is a price which is below the nominal value of the Existing Ordinary Shares, it is also proposed that each Existing Ordinary Share be sub-divided into 1 New Ordinary Share and 1 Deferred Share. Further details of the Underwriters are set out on pages 10 and 11 of this document.

The Open Offer is conditional, inter alia, upon approval by shareholders. The purpose of this document is to provide you with information about the Proposals, explain why we consider them to be in the best interests of the Company and its shareholders and to recommend that you vote in favour of the Resolutions. We, the Independent Directors, are writing to you in place of the chairman since we are not part of the group of underwriters and are therefore able to make recommendations to shareholders about both of the Resolutions. Notice of the EGM to be held at the offices of Pinsent Curtis, Dashwood House, 69 Old Broad Street, London

EC2M 1NR at 10.00am on 26 March 1999 at which the Resolutions will be proposed is set out on pages 57 to 59 of this document.

BACKGROUND TO AND REASONS FOR THE OPEN OFFER

Blakes Menswear is a well established, quality menswear retailer which currently operates from 17 units, the majority of which are within prime shopping malls and shopping centres located throughout England.

The Company has experienced very difficult trading conditions during 1998. A loss before taxation of £498,000 was reported in November 1998 in respect of the six months ended 31 July 1998. In common with other retailers, the results for the year to January 1999 have been heavily influenced by the Christmas trading period and like for like sales in December were 11 per cent down on the same period in 1997. The Directors estimate that the Company will incur a loss for the year ended 31 January 1999 of no greater than £975,000 after costs associated with the store disposal programme described below. The loss estimate is described further in Part V of this document.

These losses have seriously weakened the Company's financial position and have led to an equity funding requirement in order for the Company to maintain support from its bank. If the Company is not successful in raising at least £0.8 million (net of expenses) from shareholders and/or other investors or lenders it is unlikely that the Company's bank facilities will be renewed and the Group will be unable to continue to trade.

CURRENT TRADING AND PROSPECTS

Your Board announced in November 1998 that certain stores were not performing in line with expectations and that accordingly their future was under review. As a result of this review we decided to close 4 stores. The unit at Cribbs Causeway, Bristol was closed on 8 February 1999 and the disposal of the lease for that unit was completed on the same day. The unit in New Street, Birmingham was assigned on 1 March 1999. A further unit is expected to cease trading by 31 March 1999 and negotiations for the disposal of the lease for that unit are at advanced stage. The Company expects to be able to announce the disposal of a fourth store in the near future. It is likely that a significant proportion of the capitalised cost of these stores will not be recovered as a result of their closure and these costs have been written off in the accounts for 11 month period to 31 December 1998.

We are also currently reviewing the future of further stores which are currently making either only a marginal or no contribution to head office costs and are not performing in line with expectations. It is anticipated that these stores may be disposed of during the course of the next twelve months. We do, however, expect to open a new store at Bluewater Park, Kent in March 1999. There is only one rent review in the current financial year and the Directors do not believe there will be any significant increase in rent as a result of that review.

The Directors believe that, as a result of the funds expected to be raised pursuant to the Open Offer and the bank and other facilities available to the Group, the Group will have sufficient working capital for its present requirements. This statement is made based upon the Directors' estimates of likely trading and the planned store disposal programme referred to above. Shareholders should be aware that if there are deviations from the Directors' assumptions, then there may be a requirement for additional working capital within the next twelve months. In particular the Company has signed an agreement to lease a unit at the, yet to be opened, Braehead Centre, Glasgow which is expected to open in September 1999. The Directors have requested that the landlords find an alternative tenant and are not expecting to open a store at that site. In the event that the landlord enforces the agreement, the Company will be required to fit out and open the store, the costs of which will be significant and are not included in the Directors' working capital projections.

Further details of the agreement to lease the Braehead unit are set out in paragraph 15.5 of Part VI of this document.

DETAILS OF THE OPEN OFFER

The Company proposes to raise a minimum of £0.7 million (net of expenses) by way of the Open Offer. The Underwriters have conditionally agreed to subscribe for 30,400,000 of the Offer Shares at the Offer Price (including any Offer Shares they have irrevocably undertaken to subscribe for under their entitlement under the Open Offer), free of all expenses subject to the rights of Qualifying Shareholders to apply to subscribe for Offer Shares under the Open Offer on the terms set out in the letter from Bell Lawrie Wise Speke contained in Part II of this document and in the Application Form.

The Open Offer provides Qualifying Shareholders with the opportunity to apply for up to 42,739,200 Offer Shares at the Offer Price on the basis described below (and with reference to Part II of this document). **Qualifying Shareholders may apply for as many Offer Shares as they wish. Valid applications will be accepted in full up to the minimum guaranteed entitlement on the following basis:**

4 Offer Shares for every Existing Ordinary Share or Preference Share

registered (or, in the case of the holders of the Warrants, deemed to be held) in their names at the close of business on the Record Date. If valid applications are received for in excess of 42,739,200 Offer Shares, each Qualifying Shareholder who has applied for in excess of the minimum guaranteed entitlement on the basis set out above may have his application scaled down, but not below his minimum guaranteed entitlement, on a basis to be decided by the Company, the Underwriters and Bell Lawrie Wise Speke. Applications, together with payment in full, must be received by 3.00 pm on 25 March 1999.

The New Ordinary Shares to be issued in connection with the Open Offer will, when issued, rank pari passu in all respects with the New Ordinary Shares arising from the Capital Reorganisation. Other than in connection with the Open Offer, none of the New Ordinary Shares in Blakes are being marketed or are available in whole or in part to the public.

Dealings in the New Ordinary Shares and the Offer Shares are expected to commence on 29 March 1999.

SUBORDINATED LOAN FACILITY

Certain of the Underwriters have agreed to provide the Company with a subordinated loan facility of up to £0.1 million in the event that non-Underwriters subscribe for less than £0.1 million worth of the Offer Shares. This loan facility will be reduced by £1 for every £1 worth of the Offer Shares subscribed for by non-Underwriters.

Further details of the subordinated loan facility are set out in paragraph 15.4 of Part VI of this document.

CAPITAL REORGANISATION

The proposed issue price of the Offer Shares is below the 10p nominal value of the Existing Ordinary Shares. The Company is prohibited by law from issuing shares at less than their nominal value. Therefore, in order to ensure that the Company can issue further shares with an appropriate nominal value the Company is proposing to reorganise its share capital.

It is proposed that the Articles be amended and that each Existing Ordinary Share in issue be sub-divided into one New Ordinary Share of 1p and one Deferred Share of 9p. The Deferred Shares will have no voting rights, no rights to income, negligible rights as to capital and will not be listed on any stock exchange; they will, therefore, effectively have no value. The rights attaching to the New Ordinary Shares will be virtually identical to those presently attaching to the Existing Ordinary Shares and, therefore, the market value of Blakes will be represented by the New Ordinary Shares.

It is expected that, if the Resolutions are passed, the listing of the Existing Ordinary Shares will be cancelled and the listing of the New Ordinary Shares will become effective on and dealings in them will commence on 29 March 1999. It is expected that definitive certificates for the New Ordinary Shares and the Deferred Shares will be despatched to shareholders on 6 April 1999 pending which transfers will be certified against the register. Upon receipt of the new certificates, existing certificates, which will no longer be valid, should be destroyed.

APPLICATIONS

An application to subscribe for Offer Shares may only be made on the Application Form containing details of your entitlement to Offer Shares which is enclosed. Each Application Form is personal to the Qualifying Shareholders(s) named thereon and may not be assigned or transferred other than to satisfy *bona fide* market claims pursuant to the Rules of the London Stock Exchange. The terms of the Open Offer provide that Qualifying Shareholders who make valid applications for Offer Shares up to and including their minimum guaranteed entitlement will be entitled to receive all such Offer Shares.

Qualifying Shareholders who have sold or transferred all or part of their registered holdings of Existing Ordinary Shares should on receipt of the Application Form complete Box G and deliver the Application Form together with this document to the stockbroker or other agent who effected the sale and who will arrange for the form to be split or transmitted to the purchaser(s), as an invitation to subscribe for Offer Shares under the Open Offer may represent a benefit which can be claimed from them by the purchaser(s) under the Rules of the London Stock Exchange.

Further details of the Open Offer, including details of the conditions to which it is subject and the procedure for application and payment, are set out in the letter from Bell Lawrie Wise Speke contained in Part II of this document.

CONDITIONS OF THE OPEN OFFER

The Open Offer is conditional *inter alia* upon the Underwriting Agreement becoming or being declared unconditional in all respects not later than 7 April 1999 or such later date as Bell Lawrie Wise Speke, the Underwriters and the Company may agree (but in any event not later than 14 April 1999) and not being terminated by the Underwriters or by Bell Lawrie Wise Speke. The Underwriting Agreement is conditional, *inter alia,* upon the passing of the Resolutions. The Underwriters will be paid a commission of 5 per cent of the value of the Offer Shares underwritten which will be satisfied by the issue of additional New Ordinary Shares at the Offer Price. Shareholders should note that only 30,400,000 of the Offer Shares (including any Offer Shares they have irrevocably undertaken to subscribe for under their entitlement under the Open Offer) are being underwritten.

Further details of the Underwriting Agreement appear in paragraph 17 of Part VI of this document.

SHARE OPTION SCHEME

Options to subscribe for up to 837,071 Existing Ordinary Shares to directors and senior employees at prices ranging from 11p to 72.5p have been issued pursuant to the terms of the Share Option Scheme. The Board believes that the commitment and incentivisation of key members of staff is essential to move the Company forward in the current difficult trading environment. It is proposed that with the consent of the holders of existing options, such options will be cancelled and replaced with new options. It is further proposed that the existing rules of the Share Option Scheme be amended so that options may be granted over New Ordinary Shares representing up to 15 per cent of the issued ordinary share capital of the Company from time to time. The Board currently intends to issue new options to subscribe for an aggregate of 4,183,625 New Ordinary Shares at an exercise price of 2½p per share to the holders of existing options. It is envisaged that a resolution to amend the rules of the Share Option Scheme will be put to members at the next Annual General Meeting of the Company.

EXISTING WARRANTHOLDERS

Pursuant to the terms of the warrant instrument constituting the Warrants, the Open Offer will be extended to the holders of existing Warrants as if their existing Warrants had been exercised on the day preceding the Record Date.

NEW WARRANTS

The Company also proposes to issue New Warrants to subscribe for up to 2,500,000 New Ordinary Shares to MidOcean Securities Limited (in return for the surrender of the existing Warrants) and New Warrants to subscribe for 1,400,000 New Ordinary Shares to Dan Taylor or his nominees (as remuneration for the work he has performed in connection with the Proposals). Following the passing of Resolution 2 the Company will also be authorised to issue further New Warrants to subscribe for up to 2,000,000 New Ordinary Shares to the providers of the subordinated loan facility to the extent that the facility is drawn down. Further details of the subordinated loan facility are contained in paragraph 15.4 of Part VI of this document. The New Warrants may be exercised at any time and will expire on 31 December 2004. The New Warrants will be constituted by an instrument details of which are contained paragraph 18 of Part VI of this document following the passing of Resolution 2.

PREFERENCE SHARES

Pursuant to the terms of the Articles of the Company relating to the Preference Shares, the Open Offer will be extended to the holder of the Preference Shares.

BOARD CHANGES

Tim Woodcock was appointed Finance Director of the Company and Company Secretary in October 1998. David Petley, the previous Finance Director, resigned his position as Finance Director of the Company and as Company Secretary but has remained on the Board in a non-executive capacity. Following Admission, it is intended that David Petley will resign from the Board.

DIRECTORS' INTENTIONS

The following Directors have each irrevocably undertaken to take up their full entitlement under the Open Offer representing 5,376,436 Offer Shares as follows:

Director	*Number of Offer Shares*
Mr N Kaye	1,090,760
Mr P Kaye	62,648
Mr D Kaye	40,968
Mr H Osmond	2,450,220
Mr A McIntosh	1,593,920
Mr D Petley	137,920
Total	**5,376,436**

THE CITY CODE

Under Rule 9 of the City Code, when a person or a group of persons acting in concert acquires shares in a company which is subject to the City Code and such shares would result in such person or persons holding shares carrying 30 per cent or more of the voting rights of the company, such person or group is normally obliged by the Panel to make a general offer to all shareholders for the remaining shares in the capital of the company.

The Panel has agreed that it deems the Underwriters to be acting in concert (the "Concert Party"). However, in the present circumstances, the Panel has agreed to waive any requirement for the Underwriters to make a general offer to shareholders under Rule 9 of the City Code which would have arisen as a result of the Concert Party's shareholding potentially increasing to approximately 85.07 per cent. of the Company's issued share capital as enlarged by the Open Offer (on the assumption that the Underwriters have to subscribe for their maximum commitments under the terms of the Underwriting Agreement and exercise of 4,500,000 of the New Warrants held by them), subject to approval by shareholders following an independent vote on a poll of Resolution 1 as set out in the notice of EGM at the end of this document.

Accordingly, a poll will be held on Resolution 1 which will be proposed as an ordinary resolution at the EGM, for the purpose of waiving any requirement that the Underwriters should make a general offer to shareholders. To be passed, a simple majority of the votes cast must be in favour of Resolution 1.

The attention of shareholders is drawn to the fact that the Concert Party will potentially become the holder of 40,223,206 New Ordinary Shares representing 85.07 per cent of the issued share capital of the Company as enlarged by the Proposals and New Warrants to subscribe for up to a further 4,500,000 New Ordinary Shares. The Concert Party will, following the Proposals and exercise of 4,500,000 of the New Warrants as a result, be entitled to increase its shareholding without triggering any obligation under Rule 9 of the City Code to make a general offer to the other shareholders of the Company. The Panel will, however, look at the position of each individual member of the Concert Party. Thus, an individual member of the Concert Party holding under 30 per cent of the voting rights of the Company will be able to increase his holding to just under 30 per cent without triggering an obligation under Rule 9 of the City Code. However, no member of the concert party who holds not less than 30 per cent but not more than 50 per cent of the voting rights of the Company may acquire additional shares without triggering an obligation under Rule 9 of the City Code.

The Underwriters have no intentions which would affect the continuation of the Group's business or the continued employment of the employees of the Group. The Underwriters also have no intentions to introduce any major changes in the Group's business nor do they intend to redeploy the Group's fixed assets.

The Underwriters intend to finance their underwriting commitment out of their own personal resources and there are no arrangements contemplated in respect of any interest, repayment or security for any such underwriting commitment nor does it depend on the business of the Company.

Any Offer Shares acquired in pursuance of the Open Offer by the Underwriters will not be transferred to any other persons.

Other than as described in paragraph 17 of Part VI of this document, or in connection with the subordinated loan facility or their holdings of New Warrants, no agreement, arrangement or understanding (including any compensation arrangement) exists between the Underwriters or any person acting in concert with the Underwriters and any of the directors, recent directors, shareholders or recent shareholders of the Company having any connection with or dependence upon the Proposals.

Brief details of the Underwriters are set out below:

Neville Kaye

Neville Kaye was recruited by a Hong Kong based investment company in 1972 to establish a menswear chain in the UK, the original business which subsequently became the Blakes business. In 1986 Neville Kaye led a buy-out of this business and acted as managing director of Blakes Menswear until May 1997, at which point he was appointed Executive Chairman of both Blakes Menswear and Blakes Clothing PLC. He was a director of Formal Group PLC with joint responsibility for the Blakes business from July 1996 until July 1997.

Paul Kaye

Paul Kaye became a director of Blakes Menswear in 1987 and joined Blakes Menswear in 1989 gaining experience in warehouse management, buying, store management and new store openings. In 1993 Paul Kaye focused his time on merchandising and buying and in 1995 took full control of that area of the business. He was a director of Formal Group PLC with joint responsibility for the Blakes business, locating sites and store openings from July 1996 until July 1997. He was appointed Managing Director of Blakes Clothing PLC in May 1997.

Tim Woodcock

Tim Woodcock was appointed as Finance Director in October 1998. Following graduation he joined Lloyds Bank in 1986, before joining 3i plc in 1988 as an Investment Controller. He joined Coopers & Lybrand in 1992, qualifying as a Chartered Accountant, following which he became financial controller of Vidal Sassoon Salons and Schools which operated 25 salons and 6 hairdressing schools in the UK, Germany and the USA. From 1997 he was finance director of The Orange Balloon, a restaurant chain, and Uniware Systems, a software company.

Dean Kaye

Dean Kaye graduated from Oklahoma University and Dundee University in Accountancy in 1992 and subsequently joined Blakes Menswear gaining experience in running the stores and warehouse. Dean Kaye was appointed a director of Blakes Menswear in 1989 and is responsible for personnel, information technology and property matters. He was appointed a Director of Blakes in November 1997.

Hugh Osmond

Hugh Osmond graduated from Oxford University in Medicine. In 1984 he founded his own computer software company which was sold to Quotient plc in 1990. He became a UK Associate of Axel Group, a Madrid based merchant bank in 1991 and then a director of that company. He was involved in the reverse takeover of Star Computer Group plc by the companies now comprising PizzaExpress PLC and remains an executive director of that company. Mr Osmond is an executive director of Punch Taverns Limited. He was appointed a Director of Blakes in July 1996.

Alan McIntosh

Alan McIntosh graduated from the University of Aberdeen with an MA in economics. He qualified as a Chartered Accountant with Deloitte & Touche and subsequently joined the corporate finance department of Hill Samuel. He left Hill Samuel in 1994 and has since worked with a number of public companies including American Port Services PLC (where he was a non-executive director) and PizzaExpress PLC. He is a director of Topps Tiles Plc, one of the UK's largest specialist tile retailers and Punch Taverns Limited. He was appointed a Director of Blakes in July 1997.

MidOcean Securities Limited

MidOcean Securities Limited is an investment company incorporated in Guernsey on 7 April 1992 and is wholly owned by the family interests of Guernsey resident, Mr W S Cairns.

Luke Johnson

Luke Johnson is the non-executive Chairman of Belgo Group PLC and has been involved in the flotation of several smaller UK quoted companies. He served as Chairman of PizzaExpress during 1993 until December 1997 and remains a non-executive director of that Company. He is a graduate of Oxford University and formerly worked for Kleinwort Benson as a stockbroking analyst.

EXTRAORDINARY GENERAL MEETING

Set out at the end of this document is a notice convening the EGM of Blakes to be held at the offices of Pinsent Curtis, Dashwood House, 69 Old Broad Street, London EC2M 1NR at 10.00 am on 26 March 1999 at which the following resolutions will be proposed:

1. to waive any requirement on the Underwriters to make a general offer pursuant to the City Code as a result of underwriting the Open Offer (the requirement to make such an offer would ordinarily have arisen as a result of the Concert Party potentially holding 85.07 per cent of the issued share capital of the Company if they have to subscribe for their maximum commitments under the terms of the Underwriting Agreement);

2. (i) to sub-divide and convert the Existing Ordinary Shares into New Ordinary Shares and Deferred Shares;

   (ii) to sub-divide the authorised but unissued share capital of the Company into New Ordinary Shares;

   (iii) to increase the authorised share capital of the Company;

   (iv) to amend the Articles by adopting, inter alia, the rights attaching to the Deferred Shares;

   (v) to authorise the Directors to allot, *inter alia*, the Offer Shares and the New Warrants; and

   (vi) to disapply existing shareholders' statutory rights of pre-emption in respect of the Offer Shares, the New Ordinary Shares to be allotted to the Underwriters in satisfaction of their underwriting commission, the New Warrants and other securities of a nominal value equivalent to five per cent of the New Ordinary Shares in issue following completion of the Open Offer which may be issued for cash.

The Directors and certain other shareholders who, in aggregate, hold 5,087,686 Existing Ordinary Shares (representing 50.95% of the Existing Ordinary Shares of the Company currently in issue) have irrevocably undertaken to vote in favour of Resolution 2. The Directors, other than the Independent Directors, and certain other shareholders who are, together, the Underwriters have no entitlement to vote in respect of Resolution 1.

For the Proposals to proceed, the Resolutions must be passed. In the event that the Resolutions are not passed and the arrangements proposed in this document are not implemented, the Company's bank facility may not be renewed and it is likely that the Company will be unable to continue to trade. The Independent Directors therefore strongly urge you to vote in favour of both of the Resolutions.

Following the passing of the Resolutions and completion of the Open Offer between 18,321,333 New Ordinary Shares representing approximately 33% of the enlarged issued ordinary share capital of the Company on the assumption that the Open Offer is fully subscribed will remain authorised for issue and unissued but not reserved for issue of the new options proposed to be granted over New Ordinary Shares under the rules of the Share Option Scheme as described above or for the exercise of the New Warrants.

RISK FACTORS

The Directors consider the following to be the most significant risk factors to be brought to the attention of Qualifying Shareholders in the Company.

a) There is no certainty that the unit at the Braehead Centre, Glasgow, in respect of which the Company has agreed to enter into a lease, can be re-let by the landlords. In the event that the new shopping centre at Braehead is constructed and opened in accordance with the terms of the agreement and the landlords are unsuccessful in re-letting the unit, the Company would be obliged to fit out the unit at a significant cost and also be liable for significant ongoing rent. In such circumstances it is unlikely that the Company would have sufficient working capital facilities for its present requirements.

b) The retail sector has performed poorly in recent months and there can be no guarantee that conditions will improve.

c) The Group relies on the services of certain key personnel and there can be no guarantee that these personnel will remain with the Group. Loss of key personnel may have an adverse effect on the development of the Group's business. In order to alleviate the potential impact of this, Keyman insurance has been secured on the life of Paul Kaye in the sum of £1 million.

d) The Concert Party may potentially become the holder of 85.07 per cent of the issued share capital of the Company as enlarged by the Proposals. In the event that this happens, it is likely that there will be an illiquid market in the New Ordinary Shares.

ACTION TO BE TAKEN

a) **Proxy Form**

You will find enclosed with this document a Proxy Form for use at the EGM.

Whether or not you intend to be present at the EGM, you are requested to complete and return the enclosed Proxy Form in accordance with the instructions printed thereon so as to arrive at the Company's registrars, KPMG, Festival Way, Stoke on Trent, Staffs ST1 5TA, as soon as possible and in any event not later than 10.00 am on 24 March 1999.

Completion and return of the Proxy Form will not prevent you from attending the EGM and voting in person should you wish to do so.

b) **Application Form**

Qualifying Shareholders wishing to apply for Offer Shares under the Open Offer should complete the Application Form in accordance with the instructions set out therein and in Part II of this document and return it with the appropriate remittance by post or by hand to KPMG so as to arrive as soon as possible, but in any event so as to be received not later than 3.00pm on 25 March 1999.

Qualifying Shareholders should note that if they do not apply for their entitlements to Offer Shares under the Open Offer, those Offer Shares will be aggregated and taken up by the Underwriters, subject to the Underwriters' aggregate maximum commitment to subscribe for 30,400,000 of the Offer Shares (including any Offer Shares they have irrevocably undertaken to subscribe for under their entitlements under the Open Offer).

Shareholders should be aware that if the Proposals do not proceed the Directors believe that the Group will not continue to receive the support of its bank and accordingly would not be able to continue to trade. In such circumstances the Directors believe that the Existing Ordinary Shares would have little or no value. The Independent Directors therefore urge you to vote in favour of the Resolutions.

OVERSEAS SHAREHOLDERS

The attention of overseas shareholders is drawn to paragraph 4 of Part II of this document.

TAXATION

Information regarding the UK taxation positions of shareholders wishing to apply for Offer Shares is set out in paragraph 6 in Part II of this document. If you are in any doubt as to your taxation position, you should consult your professional adviser immediately.

FURTHER INFORMATION

Your attention is drawn to the further information set out in Parts II to VI and Appendix I of this document.

RECOMMENDATIONS

As Mr Neville Kaye, Mr Paul Kaye, Mr Dean Kaye, Mr Tim Woodcock, Mr Hugh Osmond and Mr Alan McIntosh have an interest in their capacities as Underwriters, they have not participated in the Board's recommendation of Resolution 1 and will not vote on that resolution.

The Directors estimate that the Group will make a loss before taxation for the year ended 31 January 1999 of no greater than £975,000. The Group's bank facilities have been renewed on the condition that the Open Offer is successful in raising £0.7 million (net of expenses) and the arrangement of additional loan facilities of £0.1 million. The Directors have considered a number of alternative options including a sale of all or part of the Group's business. Discussions have taken place with potential interested parties and will continue to take place. However, at present there is no alternative proposal available to the Group. The Independent Directors, who have been so advised by Bell Lawrie Wise Speke, consider the approval of Resolution 1, which is a condition of the Underwriting Agreement, to be in the best interests of the Company's shareholders as a whole and to be essential if the Group is to maintain the support of its bank, reduce gearing and obtain necessary working capital. In providing advice to the Independent Directors, Bell Lawrie Wise Speke has taken into account the Independent Directors' commercial assessments. The Independent Directors believe that the Proposals currently represent the best option available to the Company in the time available in order to place it on a firmer financial base and are on the best terms which the Company could secure. The Independent Directors recommend that shareholders vote in favour of Resolution 1 as they have irrevocably undertaken to do in respect of their own beneficial shareholdings amounting to 34,480 Existing Ordinary Shares representing, in aggregate, approximately 0.3 per cent of the current issued share capital of the Company. An irrevocable undertaking have also been received from a shareholders to vote in favour of Resolution 1, amounting to 1,250,000 Existing Ordinary Shares representing, in aggregate, approximately a further 12.5 per cent of the current issued share capital of the Company.

Your Directors unanimously recommend you to vote in favour of Resolution 2 as they have irrevocably undertaken to do in respect of their own beneficial holdings amounting to in aggregate 1,344,109 Existing Ordinary Shares representing approximately 13.46 per cent of the current issued share capital of the Company. Irrevocable undertakings have also been received from certain other shareholders, to vote in favour of Resolution 2, amounting to 3,743,577 Existing Ordinary Shares representing, in aggregate, approximately a further 37.49 per cent of the current issued share capital of the Company.

Yours faithfully

Dan Taylor
Independent Director

David Petley
Independent Director

PART II
LETTER FROM BELL LAWRIE WISE SPEKE

BELL LAWRIE WISE SPEKE

CORPORATE FINANCE
A division of Brewin Dolphin Securities Ltd
A member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited

PO Box 512, National House, 36 St Ann Street, Manchester M60 2EP

To the holders of Existing Ordinary Shares, Preference Shares and Warrants and, for information only, to holders of options over Existing Ordinary Shares.

Dear Sir or Madam

3 March 1999

Open Offer of 42,739,200 New Ordinary Shares at 2½p per share

1. Introduction

The letter from the Independent Directors, which is set out in Part I of this document, explains the reasons for, and details of, the Open Offer. Bell Lawrie Wise Speke has conditionally agreed, as agent for the Company, to make an Open Offer inviting Qualifying Shareholders to apply for Offer Shares subject to the approval of shareholders. This letter and the accompanying Application Form contain the terms and conditions of the Open Offer. The Underwriters have agreed conditionally to subscribe for up to 30,400,000 of the Offer Shares (including any Offer Shares they have irrevocably undertaken to subscribe for under their entitlement under the Open Offer) at a price of 2½p per share, subject to the rights of Qualifying Shareholders to apply for such shares under the Open Offer. The Offer Price of 2½p per share compares with the average price of 6p per share at which bargains in Ordinary Shares were recorded in the Appendix to the Official List for 2 March 1999, being the latest practicable date prior to the publication of this document.

2. Terms and Conditions of the Open Offer

We, Bell Lawrie Wise Speke, as agent for the Company, hereby invite Qualifying Shareholders to apply subject to the terms and conditions set out in this document and in the Application Form to subscribe for 42,739,200 Offer Shares at a price of 2½p per share, payable in full in cash upon application, free of all expenses (including stamp duty, if any). Qualifying Shareholders may apply for as many Offer Shares as they wish. Valid applications will be accepted in full up to the guaranteed minimum entitlement on the following basis:

4 Offer Shares
for every
Existing Ordinary Share or Preference Share

registered (or, in the case of the holders of the Warrants deemed to be held) in their names at the close of business on the Record Date and so in proportion for any greater number of Existing Ordinary Shares then held. Each Qualifying Shareholder who applies for in excess of his minimum guaranteed entitlement on the basis set out above may have his application scaled down in the event that in aggregate the number of Offer Shares applied for exceeds the total number of Offer Shares available in the Open Offer, but not below his minimum entitlement, on a basis to be decided by the Company, the Underwriters and Bell Lawrie Wise Speke. Applications, together with payment in full, must be received by 3.00 pm on 25 March 1999.

Applications may only be made on the accompanying Application Form, which is personal to the Qualifying Shareholder(s) named thereon and may not be assigned or transferred, except to satisfy bona fide market claims. Qualifying Shareholders who have recently sold all or part of their registered holdings before the Existing Ordinary Shares were marked "ex" should complete Box G on the accompanying Application Form and send it to the stockbroker, bank or other agent through whom the sale was effected for transmission to the purchaser (save that the accompanying Application Form should not be forwarded or transmitted into North America, Canada or Australia), as it may be that benefits arising under the Open Offer can be claimed from them by the purchaser under the rules of the London Stock Exchange.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that any Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer. Any Offer Shares which are not applied for under the Open Offer will be taken up by the Underwriters in accordance with their commitments under the Underwriting Agreement.

The Open Offer is subject to satisfaction of the following principal conditions on or before 7 April 1999, (or such later date as the Company, the Underwriters and Bell Lawrie Wise Speke may agree, not being later than 14 April 1999):-

(i) Admission taking place;

(ii) the Underwriting Agreement having become unconditional in all respects and not having been rescinded or terminated in accordance with its terms; and

(iii) the passing of the Resolutions.

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to AIM. The Offer Shares will rank *pari passu* in all respects with the New Ordinary Shares arising on the Capital Reorganisation.

3. **Procedure for application and payment**

The Application Form accompanying this document shows the number of Existing Ordinary Shares registered in your name at the close of business on the Record Date. It also shows your minimum guaranteed entitlement of Offer Shares under the Open Offer and also incorporates further terms of the Open Offer.

Applications to subscribe for Offer Shares may only be made on the Application Form which, subject as mentioned below, is personal to the Qualifying Shareholder named thereon and incorporates further terms of the Open Offer. The Application Form represents a right to subscribe for Offer Shares. It is not a document of title and cannot be traded.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and that Offer Shares will not be sold in the market for the benefit of those who do not apply under the Open Offer.

The Application Form may be transferred and/or split only to satisfy bona fide market claims in relation to purchases and transfers of Existing Ordinary Shares prior to the ex-entitlement date, which had not been registered at the close of business on the Record Date. Instructions with regard to transfers and splitting in such circumstances are set out in the Application Form.

Qualifying Shareholders who have sold or transferred all or part of their holdings of Existing Ordinary Shares prior to the ex-entitlement date are advised to consult their stockbrokers or other professional advisers as soon as possible. The invitation to subscribe for Offer Shares under the Open Offer may represent a benefit which can be claimed from such Qualifying Shareholders by the purchases or transferees of such shares under the Rules of the London Stock Exchange.

Each Qualifying Shareholder may apply for as many Offer Shares as they wish. Valid applications will be accepted in full up to the minimum guaranteed entitlement on the basis set out on the previous page. Each Qualifying Shareholder who applies for in excess of his minimum entitlement on the basis set out above may have his application scaled down in the event that in aggregate the number of Offer Shares applied for exceeds the total number of Offer Shares available in the Open Offer, but not below his minimum entitlement, on a basis to be decided by the Company, the Underwriters and Bell Lawrie Wise Speke.

If you wish to apply to subscribe for any Offer Shares to which you are entitled, you must complete the Application Form in accordance with the instructions printed thereon and return it by post or by hand to KPMG Registrars, Festival Way, Stoke on Trent, ST1 5TA with a cheque or bankers draft for the full amount payable on application, so as to arrive not later than 3.00 pm on 25 March 1999. Applications will be invalid if received after that time. Applications once received will be irrevocable. Bell Lawrie Wise Speke and the Company reserve the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 pm on 25 March 1999 from an authorised person (as defined in the Financial Services Act 1986) specifying the number of Offer Shares concerned and undertaking to lodge the relevant Application Form in due course, or Application Forms received by 9.00am on 26 March 1999 contained in envelopes bearing a legible postmark not later than 3.00pm on 25 March 1999. Bell Lawrie Wise Speke and the Company further reserve the right (but shall not be obliged) to treat any application not strictly complying with the terms and conditions of application as nevertheless valid.

Cheques or bankers drafts should be made payable to "KPMG - a/c Blakes Clothing PLC" and crossed "A/C Payee". Cheques and bankers' drafts must be drawn in sterling on a bank or building society in the United Kingdom which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of either of the committees of the Scottish or Belfast Clearing Houses or which has arranged for its cheques and banker's drafts to be presented for payment through the facilities provided by either of those companies or those committees. No application will be considered unless those requirements are fulfilled. The right is reserved to present cheques on receipt and to seek special clearance of cheques to enable the Company to obtain value for remittances at the earliest opportunity. If cheques are presented before the conditions of the Open Offer are fulfilled, the application monies will be kept in a separate bank account. It is a term of the Open Offer that cheques will be honoured on first presentation.

All documents sent by a Qualifying Shareholder, or as he/she may direct, will be sent through the post at his/her risk. If the conditions referred to above under "Terms and Conditions of the Open Offer" are not fulfilled by 7 April 1999 (or such later date being not later than 14 April 1999 as the Underwriters and Bell Lawrie Wise Speke may agree), application monies will be returned at the applicants risk, without interest, within seven days. Any interest earned on the monies in the separate account will be retained for the benefit of the Company.

In the event that applications and payments from Qualifying Shareholders are not received for all the New Ordinary Shares available under the Open Offer the balance will be taken up by the Underwriters pursuant to the Underwriting Agreement subject to the Underwriters aggregate maximum commitment to subscribe for up to 30,400,000 of the Offer Shares (including any Offer Shares they have irrevocably undertaken to subscribe for under their entitlements under the Open Offer).

4. Overseas shareholders

No person receiving a copy of this document or the Application Form in a territory other than the UK may treat the same as constituting any offer or invitation to him or her, nor should he or she in any event use any Application Form, unless in any relevant territory such an invitation or offer could lawfully be made to him or her and such Application Form could lawfully be used without contravention of any legislation or other local regulatory or legal requirements. The posting of this document to any person in any jurisdiction in which it would be illegal for the Company to make such an offer or invitation is for information purposes only. It is the responsibility of any person outside the UK wishing to apply for Offer Shares under the Open Offer to satisfy himself or herself as to full observance of the laws and regulatory requirements of the relevant overseas territory in connection therewith, including obtaining any governmental or other consents which may be required, observing other formalities required to be observed in such territory and paying any issue, transfer or other taxes payable in such territory.

All payments under the Open Offer must be made in pounds sterling. Tendering of payment will constitute a warranty and representation that acceptance of the Offer Shares by the person tendering payment and/or the person on whose behalf payment is tendered will not constitute a breach by any such person or by the Company of any law or regulation of any relevant territory. The Company reserves the right to refuse to accept any such payment where it reasonably believes that to do so may constitute a breach of any law or regulation of any relevant territory.

5. Money Laundering Regulations 1993

It is a term of Open Offer that, to ensure compliance with the Money Laundering Regulations 1993, KPMG may require, at its absolute discretion, verification of identity from any person lodging an Application Form who (i) tenders payment by way of cheque or banker's draft drawn on an account in the name of a person or persons other than the shareholder named on the Application Form or, (ii) appear to KPMG to be acting on behalf of some other person. In the former case, verification of the identity of the applicant may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. If by 3.00 pm on 25 March 1999, KPMG has not received evidence satisfactory to its as aforesaid, the Company may, in its absolute discretion, reject the relevant Application Form in which event the applicant's remittance will be returned without interest to the account of the drawee bank from which such monies were originally debited.

As a guide, if the value of the Offer Shares applied for by a Qualifying Shareholder exceeds £10,000 the verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the applicant may be required. A failure to provide the necessary evidence of identity may result in the rejection of the application or delays in the despatch of a share certificate. In order to avoid this, you should ideally make payment by means of a cheque drawn by the shareholder named on the Application Form. If this is not practicable and a cheque drawn by a third party, building society cheque or banker's draft is to be used you should:-

(i) write the name and address of the shareholder named on the Application Form on the back of the cheque, building society cheque or banker's draft and record the date of birth of the shareholder;

(ii) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque the name and account number of the person whose building society or bank account is being debited; and

(iii) if you are making the application as an agent for one or more persons indicated on the Application Form indicate whether you are a UK or European Community regulated person or institution (for example a bank or stockbroker) and specify your status. If you are not a UK or European Community regulated person or institution, you should contact KPMG.

If the Application Form is delivered by hand, you should ensure that you have with you evidence of identity (for example your passport).

6. Taxation

The comments set out below are based on existing law and what is understood to be current Inland Revenue practice. They are intended as a general guide only and apply only to shareholders who are resident in the United Kingdom for tax purpose (except to the extent that specific reference is made to shareholders resident outside the United Kingdom), who hold the shares as investments and who are the absolute beneficial owners thereof. Shareholders who are in doubt as to their position should consult their own professional advisers immediately.

Taxation of chargeable gains

Capital Gains Tax

It is understood that the Inland Revenue takes the view that, in circumstances such as these, the issue of Offer Shares under the Open Offer by the Company to Qualifying Shareholders up to each Qualifying Shareholders entitlement will be treated as a reorganisation of the share capital for the purposes of United Kingdom taxation of capital gains.

Accordingly, Offer Shares issued to a Qualifying Shareholder by the Company pursuant to the Open Offer and not exceeding the Qualifying Shareholders pro rata entitlement will together with the shareholder's holding of Existing Ordinary Shares, be treated as a single asset acquired at the time the holding of Existing Ordinary Shares was acquired. The price paid for the Offer Shares will be added to the base cost of the existing holding.

A United Kingdom resident individual Qualifying Shareholder who acquired his existing holding of ordinary shares prior to 31 March 1998 will be entitled to an indexation allowance for periods up to 1 April 1998. The indexation allowance will be calculated by reference to the consideration paid for the holding of Existing Ordinary Shares and not the price paid for the Offer Shares. For periods after 5 April 1998 the indexation allowance has been replaced by taper relief. The amount of taper relief available to a Qualifying Shareholder depends on the number of complete years after 5 April 1998 that the Qualifying Shareholder has held the Existing Ordinary Shares. If a Qualifying Shareholder acquired his holding of Existing Ordinary Shares before 16 March 1998 he will be entitled to an additional year's worth of taper relief. For taper relief purposes the Offer Shares taken up under the Open Offer will be treated as having been acquired at the same time as the Qualifying Shareholder's holding of Existing Ordinary Shares.

A United Kingdom resident corporate Qualifying Shareholder will continue to be entitled to indexation relief for periods after 1 April 1998. For the purposes of calculating the indexation allowance, the expenditure incurred in subscribing for the Offer Shares will be treated as having been incurred when the Qualifying Shareholder makes or becomes liable to make payment of the subscription monies.

A subsequent disposal of the Offer Shares acquired pursuant to the Open Offer may, depending upon individual circumstances, give rise to a liability to United Kingdom taxation of capital gains.

7. **Settlement and Dealings**

The results of the Open Offer are expected to be announced on 26 March 1999. It is expected that dealings in the New Ordinary Shares and the Offer Shares, for normal account settlement, will commence on 29 March 1999. Pending despatch of the share certificates, transfers will be certified against the register. Subject to the fulfilment of the conditions of the Open Offer set out above, it is expected that share certificates in respect of the Offer Shares will be sent to relevant Qualifying Shareholders on 6 April 1999 by post at their own risk.

In the event that any of the conditions to the Open Offer referred to on page 15 above are not satisfied by 7 April 1999 (or such later date being not later than 14 April 1999 as the Underwriters and Bell Lawrie Wise Speke may agree) or the Open Offer has been terminated by the Underwriters on or before this time, the Open Offer will not proceed.

All documents or remittances sent by or to a Qualifying Shareholder, or as they may otherwise direct, will be sent through the post at such person's risk.

Application monies will be kept in a separate bank account pending fulfilment of the conditions of the Open Offer. In the event that the conditions of the Open Offer are not fulfilled on or before 7 April 1999 (or such later date being note later than 14 April 1999 as the Underwriters and Bell Lawrie Wise Speke may agree), the Open Offer will lapse and all monies will be returned (without payment of interest) to applicants as soon as practicable thereafter.

Any instructions with regard to payments or notices which have been recorded by the Company or its registrars in respect of Existing Ordinary Shares will apply to the New Ordinary Shares.

8. **CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. These proposals are not reflected in the Articles of Association of the Company but the Existing Ordinary Shares were made eligible for settlement by CREST by means of a directors' resolution as contemplated by the Uncertificated Securities Regulations 1995 of the United Kingdom ("the Regulations") and have been admitted for settlement by CREST since 6 August 1997. The Directors will apply for the New Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in New Ordinary Shares following Admission may take place within the CREST system if the relevant holder so wishes.

CREST is a voluntary system and, subject to the following, holders of New Ordinary Shares who wish to receive and retain certificates in respect of New Ordinary Shares will be able to do so. Qualifying Shareholders may only elect to receive Offer Shares in uncertificated form if they are a "system member" (as defined in the Regulations) in relation to CREST. Further information is set out in the Application Form.

9. **Further information**

Your attention is drawn to the remainder of this document which provides further information on the Company.

Yours faithfully
for and on behalf of Bell Lawrie Wise Speke

Neil Baldwin
Director

PART III
UNAUDITED CONSOLIDATED ACCOUNTS OF BLAKES CLOTHING FOR THE ELEVEN MONTHS ENDED 31 DECEMBER 1998

	Note	Unaudited 11 months ended 31 December 1998 £'000	Unaudited Proforma* Year ended 31 January 1998 £'000	Year ended 31 January 1998 £'000
Turnover		10,317	10,878	7,228
Cost of sales		4,764	5,056	3,416
		5,553	5,822	3,812
Administrative expenses		5,745	4,807	2,920
Operating (loss)/profit	4	(192)	1,015	892
Exceptional item – revaluation of fixed assets	5	(564)	(92)	(92)
(Loss)/profit on ordinary activities before interest		(756)	923	800
Interest receivable		18	21	21
Interest payable	6	(21)	(7)	(8)
(Loss)/profit on ordinary activities before taxation		(759)	937	813
Taxation on (loss)/profit on ordinary activities	7	-	309	275
(Loss)/profit on ordinary activities after taxation		(759)	628	538
(Loss)/earnings per share		(7.7p)	6.1p	9.3p

*** Unaudited proforma - basis of preparation**

The proforma statement was prepared on the assumption that Casanova Fashions Limited, (Blakes Clothing PLC's trading subsidiary company) had been a subsidiary of Blakes Clothing PLC for the year ended 31 January 1998 which was consistent with information previously sent to shareholders. The taxation charge was calculated by applying the effective tax rate of 33% for the period.

The notes on pages 24 to 31 form part of these accounts

Unaudited reconciliation of movements in shareholders' funds for the period ended 31 December 1998

	Unaudited 11 months ended 31 December 1998		Year ended 31 January 1998	
	Group £'000	**Company £'000**	**Group £'000**	**Company £'000**
(Loss)/profit for the period	(759)	(73)	538	192
Dividends and appropriations	(12)	(12)	(107)	(107)
	(771)	(85)	431	85
New ordinary share capital subscribed (net of issue costs)	-	-	1,157	1,157
New preference share capital subscribed	-	-	200	200
Merger reserve arising on acquisition	-	-	5,000	-
Goodwill written off	(14)	-	(4,713)	-
Finance cost appropriation of non-equity interests	12	12	7	7
Net (reduction)/addition to shareholders' funds and shareholders' funds at 31 December 1998	(773)	(73)	2,082	1,449

The notes on pages 24 to 31 form part of these accounts

Unaudited consolidated balance sheet at 31 December 1998

	Note	Unaudited 31 December 1998 £'000	£'000	31 January 1998 £'000	£'000
Fixed assets					
Tangible assets	11		2,255		2,042
Current Assets					
Stocks	13	1,031		634	
Debtors	14	751		434	
Cash at bank and in hand		51		1,294	
		1,833		2,362	
Creditors: amounts falling due within one year	15	2,507		1,835	
Net current (liabilities)/assets			(674)		527
Total assets less current liabilities			1,581		2,569
Creditors: amounts falling due after more than one year	16		141		356
Provision for liabilities and charges	17		131		131
			1,309		2,082
Capital and reserves					
Called up share capital	18		1,198		1,198
Share premium account	19		145		159
Merger reserve	19		287		287
Profit and loss account	19		(321)		438
Shareholders' funds			1,309		2,082

Included within shareholders' funds of £1,309,000 (31 January 1998 - £2,082,000) is an amount £219,000 (31 January 1998 - £207,000) attributable to non-equity interests.

The notes on pages 24 to 31 form part of these accounts

Unaudited balance sheet at 31 December 1998

	Note	Unaudited 31 December 1998 £'000	£'000	31 January 1998 £'000	£'000
Fixed assets					
Investments	12		1,176		1,176
Current assets					
Debtors	14	220		405	
Creditors: amounts falling due within one year	15	20		132	
Net current assets			200		273
Total assets less current liabilities			1,376		1,449
Capital and reserves					
Called up share capital	18		1,198		1,198
Share premium account	19		145		159
Profit and loss account	19		33		92
			1,376		1,449

Included within shareholders' funds of £1,376,000 (31 January 1998 - £1,449,000) is an amount £219,000 (31 January 1998 - £207,000) attributable to non-equity interests.

The notes on pages 24 to 31 form part of these accounts

Unaudited consolidated cash flow statement for the period ended 31 December 1998

	Note	Unaudited 11 months ended 31 December 1998 £'000	£'000	Year ended 31 January 1998 £'000	£'000
Net cash inflow from operating activities	20		41		1,966
Returns on investments and servicing of finance					
Interest received		18		21	
Bank interest paid		(16)		(4)	
Finance lease interest paid		(5)		(4)	
			(3)		13
Taxation paid			(26)		-
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,120)		(821)	
Receipts from sale of tangible fixed assets		6		56	
			(1,114)		(765)
Acquisitions and disposals					
Payments to acquire subsidiary undertakings		-		(176)	
Net overdraft acquired with subsidiary		-		(66)	
			-		(242)
			(1,102)		972
Equity dividends paid			(100)		-
Cash (outflow)/inflow before use of liquid resources and financing			(1,102)		972
Management of liquid resources					
Payments to acquire short term deposits		-		(1,294)	
					(1,294)
Financing					
Issue of shares		-		678	
Issue costs		(14)		(321)	
Repayment of capital portion of finance leases		(27)		(35)	
			(41)		322
Decrease in cash in the period			(1,243)		-

The notes on pages 24 to 31 form part of these accounts

Notes forming part of the unaudited interim accounts for the period ended 31 December 1998

1. **Accounting policies**

The accounts have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation

The consolidated accounts incorporate the accounts of Blakes Clothing PLC and its subsidiary undertaking made up to 31 December 1998.

The acquisition method of accounting has been used to consolidate the results of the subsidiary undertaking in the group accounts from the date of its acquisition.

Goodwill on consolidation arises under acquisition accounting and represents the excess of purchase consideration over the fair value of the underlying net assets of subsidiaries at the time of acquisition. Goodwill arising on acquisitions is written off to reserves in the period in which it arises.

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax.

Fixed asset investments

Investments held as fixed assets are valued at cost less any provision for a permanent diminution in value.

Stocks

Stock is valued at the lower of cost and net realisable value.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Furniture, fixtures, fittings	10% straight line or over the remaining periods if the lease if and pre opening rents shorter
Motor vehicles	25% per annum reducing balance

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are released to the profit and loss account on a straight line basis over the period of the lease or until the next rent review, whichever is the sooner.

Pension costs

The Group makes contributions to both the Group's defined contribution scheme and to employees' personal pension schemes. All contributions are charged to the profit and loss account in the period in which they become payable.

2. Turnover and operating (loss)/profit

The turnover and (loss)/profit before taxation is wholly attributable to the retailing of menswear in the United Kingdom.

3. Employees

	11 months ended 31 December 1998 £'000	Year ended 31 January 1998 £'000
Staff costs (including directors) consist of:		
Wages and salaries	1,500	882
Social Security costs	147	88
Other pension costs	4	13
	1,651	983

	11 months ended 31 December 1998 Number	Year ended 31 January 1998 Number
The average monthly number of employees, including directors, during the period was:		
Administration	17	18
Selling	85	79
	102	97

The comparative figures for the year ended 31 January 1998 represent only the seven month period from 8 July 1997 to 31 January 1998.

4. Operating (loss)/profit

		£'000	£'000
Rent on operating leases	- land and buildings	2,125	1,062
	- equipment	22	6
Auditors' remuneration	- Audit services	20	17
Depreciation		315	155

The comparative figures for the year ended 31 January 1998 represent only the seven month period from 8 July 1997 to 31 January 1998.

5. **Exceptional item - revaluation of fixed assets**

	£'000	£'000
Revaluation of fixed assets in respect of stores to be closed after the period end	564	-
Loss on disposal of fixed assets (shown as a discontinued activity	-	92
	564	92

The above charge includes a write down of fixed assets of £589,000 and a reduction of other net current liabilities of £25,000.

6. **Interest payable and similar charges**

	11 months ended 31 December 1998 £'000	Year ended 31 January 1998 £'000
Bank interest	16	2
Hire purchase interest	5	4
Other interest	-	2
	21	8

The comparative figures for the year ended 31 January 1998 represent only the seven month period from 8 July 1997 to 31 January 1998.

7. **Taxation on (loss)/profit from ordinary activities**

UK corporation tax	-	245
Transfer to deferred taxation	-	30
	-	275

No charge to corporation tax arises in the period due to losses incurred.

8. **Dividends and appropriations**

	11 months ended 31 December 1998 £'000	Year ended 31 January 1998 £'000
Equity interests		
Proposed dividend of Nil p per ordinary share (31 January 1998 – 1 p)	-	100
Non-equity interests		
Finance cost appropriations	12	7
	12	107

9. **Earnings per share**

The earnings per share is calculated by reference to the loss, after taxation and after preference share appropriations of £771,000 (31 January 1998 - profit £531,000) and the weighted average number of shares in issue during the period of 9,984,000 (31 January 1998 - 5,683,485).

Notes forming part of the unaudited interim accounts for the period ended 31 December 1998 *(Continued)*

10. **Blakes Clothing plc - profit and loss account**

The Company has taken advantage of the exemption allowed by Section 230 of the Companies Act 1985 from presenting its own profit and loss account. The loss for the period available before distributions dealt with in the accounts of the Company was £73,000.

11. **Tangible assets**

	Furniture, fixtures and pre-opening rents £'000	Motor Vehicles £'000	Total £'000
Cost			
As at 31 January 1998	2,872	173	3,045
Additions	1,108	12	1,120
Revaluation (see note 5)	(637)	(6)	(643)
At 31 December 1998	3,343	179	3,522
Depreciation			
As at 31 January 1998	971	32	1,003
Provided for the period	281	34	315
Revaluation (see note 5)	(48)	(3)	(51)
At 31 December 1998	1,204	63	1,267
Net book value			
At 31 December 1998	2,139	116	2,255
At 31 January 1998	1,901	141	2,042

The net book value of tangible fixed assets includes an amount of £106,000 (31 January 1998 - £94,000) in respect of assets held under finance leases. The related depreciation charge for the period was £37,000 (31 January 1998 - £9,000).

12. **Fixed asset investments**

	Group undertakings 31 December 1998 £'000	31 January 1998 £'000
Company		
Cost		
As at 31 December 1998 and 31 January 1998	1,176	1,176

The Company owns 100% of the issued share capital of Casanova Fashions Limited, a company which is registered and operates in England, and whose principal activity is the retailing of menswear.

The consolidated accounts of the Company include the results of this subsidiary.

Notes forming part of the unaudited interim accounts for the period ended 31 December 1998 *(Continued)*

13. **Stocks**

	31 December 1998		31 January 1998	
	Group £'000	Company £'000	Group £'000	Company £'000
	1,031	-	634	-

In the directors' opinion there is no significant difference between the replacement cost of stocks and the amounts stated above.

14. **Debtors**

	31 December 1998		31 January 1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Prepayments	674	-	314	-
Other debtors	52	8	95	32
Amounts owed by group undertakings	-	187	-	148
Dividends receivable	-	-	-	200
ACT recoverable	25	25	25	25
Amounts falling due within one year	751	220	434	405

15. **Creditors: amounts falling due within one year**

	31 December 1998		31 January 1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade creditors	1,505	20	761	7
Dividends	-	-	100	100
Creditors for taxation and social security	293	-	325	-
Corporation tax	314	-	340	25
Obligations under finance leases	30	-	40	-
Accruals and deferred income	273	-	269	-
Deferred income on lease incentives	92	-	-	-
	2,507	20	1,835	132

Notes forming part of the unaudited interim accounts for the period ended 31 December 1998 ***(Continued)***

16. Creditors: amounts falling due after more than one year

	31 December 1998		31 January 1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Obligations under finance leases	14	-	31	-
Deferred income on lease incentives	127	-	325	-
	141	-	356	-

Obligations under finance leases are due as follows:

	31 December 1998 Group £'000	31 December 1998 Company £'000	31 January 1998 Group £'000	31 January 1998 Company £'000
Within one to two years	6	-	30	-
Within two to five years	8	-	1	-
	14	-	31	-

17. Deferred taxation

	31 December 1998		31 January 1998	
	Group Provided in accounts £'000	Company Provided in accounts £'000	Group Provided in accounts £'000	Company Provided in accounts £'000
Accelerated capital allowances	154	-	154	-
Short term timing differences	(23)	-	(23)	-
	131	-	131	-

18. Share capital

	As at 31 December 1998 and 31 January 1998 Authorised		As at 31 December 1998 and 31 January 1998 Called up, allotted and fully paid	
	Number	£'000	Number	£
Ordinary shares of 10% each	15,000,000	1,500	9,984,000	998,400
Preference shares of £1 each	200,000	200	200,000	200,000
	15,200,000	1,700	10,184,000	1,984,400

19. **Reserves**

Group	**Share premium account £'000**	**Merger reserve £'000**	**Profit and loss account £'000**
As at 31 January 1998	159	287	438
Loss for the period	-	-	(771)
Finance cost appropriation of non-equity interests	-	-	12
Issue costs	(14)	-	-
At end of period	145	287	(321)

Company	**Share premium account £'000**	**Profit and loss account £'000**
As at 31 January 1998	159	92
Retained profit for the period	-	(71)
Finance cost appropriation of non-equity interests	-	12
Issue costs	(14)	-
At end of period	145	33

20. **Reconciliation of operating (loss)/profit to net cash inflow from operating activities**

	11 months ended 31 December 1998 £'000	**Year ended 31 January 1998 £'000**
Operating (loss)/profit	(192)	892
Increase in stock	(397)	(7)
(Increase)/decrease in debtors	(344)	646
Increase in creditors	662	378
Depreciation	315	155
Profit on sale of fixed assets	(3)	(6)
Loss on disposal of discontinued activities	-	(92)
Net cash inflow from operating activities	41	1,966

21. **Commitments under operating leases**

As at 31 December 1998, the company had annual commitments under non-cancellable operating leases as set out below:

	31 December 1998 Land and buildings Group £'000	31 December 1998 Land and buildings Company £'000	31 January 1998 Land and buildings Group £'000	31 January 1998 Land and buildings Company £'000
Operating leases which expire				
In two to five years	72	-	95	-
Over five years	2,553	-	2,775	-
	2,625	-	2,870	-

The above figures excludes additional rent payable on certain leases calculated as a percentage of a stores turnover. It also includes rent payable on the stores for which a provision has been made for closure.

22. **Related party transactions**

The Group leases two properties from N Kaye, a director of the Group. The Group pays an annual rental charge for both of these properties of £55,000 per annum.

23. **Contingent liability**

The Group has given notice to its landlord on one leasehold property that it will not be taking up occupation for commercial reasons. However, no provision has been made in these accounts.

PART IV

PROFORMA STATEMENT OF NET ASSETS OF BLAKES CLOTHING

The pro forma statement of net assets set out below shows the effect of the Open Offer on the consolidated net asset position of Blakes.

The pro forma statement of net assets has been prepared for illustrative purposes only on the basis described in the notes below as if the Open Offer had taken place on 31 December 1998 and, because of its nature, it cannot give a complete picture of the financial position of Blakes. It is designed only to give an indication of the net assets of the Group.

	Blakes as at 31 December 1998 (Note 1) £000	**Adjustment (Note 2) £000**	**Pro forma Net assets £000**
Fixed assets			
Tangible assets	2,255	-	2,255
Current assets			
Stocks	1,031	-	1,031
Debtors	751	-	751
Cash at bank and in hand	51	700	751
	1,833	700	2,533
Creditors: amounts falling due within one year	(2,507)	-	(2,507)
Net current (liabilities)/assets	(674)	700	26
Total assets less current liabilities	1,581	700	2,281
Creditors: amounts falling due after more than one year	(141)	-	(141)
Provisions for liabilities and charges	(131)	—	(131)
Net Assets	1,309	700	2,009

Notes:

1. The consolidated net assets of Blakes as at 31 December 1998 have been extracted from the unaudited accounts of Blakes for the eleven months ended 31 December 1998 set out in Part III of this document. No account has been taken of the trading results of the Group subsequent to that date.

2. The adjustment reflects the estimated minimum net proceeds from the proposed Open Offer of approximately £700,000 (which represents the value of the 30,400,000 of the Offer Shares underwritten less the estimated cash expenses of approximately £60,000).

LETTER FROM BDO STOY HAYWARD

BDO Stoy Hayward 18 Baker Street, London W1M 1DA
Chartered Accountants

3 March 1999

The Directors
Blakes Clothing PLC
Unit 2
Olympic Business Centre
Paycocke Road
Basildon
Essex SS14 3EX

and

The Directors
Bell Lawrie Wise Speke
A division of Brewin Dolphin Securities Ltd
National House
36 St Ann Street
Manchester M60 2EP

Dear Sirs

Blakes Clothing PLC - Prospectus dated 3 March 1999

We have reviewed the calculations and bases of preparation of the unaudited proforma statement of net assets ("the proforma financial information") of Blakes Clothing PLC ("Blakes") and its subsidiary undertaking (together "the Group") following the Open Offer and Capital Reorganisation included in the prospectus dated 3 March 1999 ("the Prospectus") for which the Directors of Blakes are solely responsible.

The proforma financial information, which has been prepared for illustrative purposes only, is set out in Part IV of the Prospectus.

The adjustments made in the proforma financial information illustrate how the Open Offer might have affected the balance sheet of the Group based on the latest available balance sheet of the Group. Our work has not included an audit or verification of the balance sheet as at 31 December 1998.

In our opinion:

(a) the proforma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Group.

Yours faithfully

BDO Stoy Hayward
Chartered Accountants and
Registered Auditors

PART V

Loss estimate for the year ended 31 January 1999

(a) The Directors estimate that for the year ended 31 January 1999 the Group's loss on ordinary activities before taxation will not be greater than £975,000. This estimate has been made after due and careful enquiry by the Company.

Assumptions and basis of calculation of estimate

The Directors' estimate of operating loss and loss on ordinary activities before taxation for the year ended 31 January 1999 is based on the unaudited consolidated accounts of the Group set out in Part III of this document and has been prepared on a basis consistent with the accounting policies normally adopted by the Group taking into account the assumption that nothing arises after the year end which would result in an adjustment to the accounts for the year ended 31 January 1999.

(b) Letter from BDO Stoy Hayward

BDO Stoy Hayward
Chartered Accountants

18 Baker Street, London W1M 1DA

3 March 1999

The Directors
Blakes Clothing PLC
Unit 2
Olympic Business Centre
Paycocke Road
Basildon
Essex SS14 3EX

And

The Directors
Bell Lawrie Wise Speke
A division of Brewin Dolphin Securities Ltd
National House
36 St Ann Street
Manchester M60 2EP

Dear Sirs

Blakes Clothing PLC: Prospectus dated 3 March 1999

We have reviewed the accounting policies and calculations adopted in arriving at the loss estimate of Blakes Clothing PLC ("Blakes") and its subsidiary company (together "the Group") for the year ended 31 January 1999, which is included in the prospectus dated 3 March 1999 and for which the directors of Blakes are solely responsible.

The loss estimate of the Group includes the results shown by the unaudited management accounts of the Group for the eleven months ended 31 December 1998 and estimates for the remainder of the period.

In our opinion, the estimate, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis stated and is presented on a basis consistent with the accounting policies normally adopted by the Group.

Yours faithfully
BDO Stoy Hayward
Chartered Accountants and Registered Auditors

(c) **Letter from Bell Lawrie Wise Speke**

BELL LAWRIE WISE SPEKE

CORPORATE FINANCE
A division of Brewin Dolphin Securities Ltd
A member of the London Stock Exchange and regulated by The Securities and Futures Authority Limited

PO Box 512, National House, 36 St Ann Street, Manchester M60 2EP

3 March 1999

The Directors
Blakes Clothing PLC
Unit 2
Olympic Business Centre
Paycocke Road
Basildon
Essex
SS14 3EX

Dear Sirs

We refer to the Directors' loss estimate and the notes and bases of preparation thereto of Blakes Clothing PLC in respect of the financial year ended 31 January 1999, ("the Estimate"), as set out in paragraph (a) of Part V of the Prospectus dated 3 March 1999.

We have discussed the Estimate, together with the bases upon which they are made, with you and with BDO Stoy Hayward. We have also considered the letter dated 3 March 1999 addressed to you and us from BDO Stoy Hayward regarding the accounting policies and calculations upon which the Estimate is based.

On the basis of the foregoing, we consider that the Estimate, for which you as Directors are solely responsible, has been made after due and careful enquiry by the Company.

Yours faithfully

For and on behalf of
Bell Lawrie Wise Speke
a division of Brewin Dolphin Securities Ltd

Neil Baldwin
Director

PART VI

GENERAL INFORMATION

1. INCORPORATION

The Company was incorporated in England and Wales with registered number 3214950 on 21 June 1996 under the Act as a private company limited by shares with the name Galehive Limited. On 25 July 1996 the Company changed its name to Blakes Clothing Limited. On 10 July 1997 the Company was re-registered as a public limited company with the name Blakes Clothing PLC. The Company operates under the Act.

2. REGISTERED OFFICE

The Company's registered office is at Unit 2, Olympic Business Centre, Paycocke Road, Basildon, Essex SS14 3EX.

3. SHARE CAPITAL

3.1 As at 2 March 1999, the Company's authorised share capital was £1,700,000 divided into 15,000,000 Existing Ordinary Shares, of which 9,984,800 were in issue, and 200,000 Preference Shares of £1 each, all of which were in issue. Following the passing of Resolution 2 the Company's authorised share capital will be £2,000,000 divided into 90,136,800 New Ordinary Shares of which 54,724,000 will be in issue in the event that the Open Offer is fully subscribed, 9,984,800 Deferred Shares all of which will be in issue and 200,000 Preference Shares of £1 each, all of which are in issue.

3.2 Pursuant to a special resolution passed at the annual general meeting of the Company held on 29 July 1998 the Directors remain authorised pursuant to Section 80 of the Act to allot relevant securities up to an aggregate nominal amount of £501,520, which authority will expire on the earlier of 28 October 1999 or the Annual General Meeting of the Company to be held in 1999.

3.3 Except to the extent disapplied by Section 95 of the Act, the provisions of Section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 94 of the Act which are, or are to be paid up in cash) apply to the authorised but unissued share capital of the Company.

3.4 All the issued Existing Ordinary Shares and Preference Shares in the Company are in registered form.

3.5 The liability of the members of the Company is limited.

4. SUBSIDIARIES

The Company is the holding company of Casanova Fashions Limited which was incorporated on 12 November 1985 and whose principal activity is a retailer of menswear. Casanova Fashions Limited is incorporated in England and Wales and its registered office is at Unit 2, Olympic Business Centre, Paycocke Road, Basildon, Essex, SS14 3EX.

5. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of an investment and holding company. The objects of the Company are set out in full in clause 4 of its Memorandum of Association, a copy of which is available for inspection at the addresses set out in paragraph 20 below.

6. ARTICLES OF ASSOCIATION

The Articles of the Company were adopted pursuant to a special resolution of the Company passed on 8 July 1997. Following the passing of the Resolutions, the Articles will contain provisions, inter alia, to the following effect:

6.1 **Voting rights of New Ordinary Shares**

Subject to any rights or restrictions attached to the New Ordinary Shares and/or as mentioned in this paragraph below on a show of hands every member who, being an individual, is present in person, or, being a corporation is present by a duly authorised representative and is entitled to vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every New Ordinary Share of which he is the holder. Where, in respect of any New Ordinary Shares, any registered holder or any other person appearing to be interested in such New Ordinary Shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 28 days after service of such notice (or 14 days where the New Ordinary Shares concerned represent at least 0.25 per cent in nominal value of the issued shares of the relevant class) the Company may disenfranchise the New Ordinary Shares in question.

6.2 **Rights of Deferred Shares**

The Deferred Shares shall carry no entitlement to receive any dividend or to vote at any meeting of the members of the Company and shall rank behind the Preference Shares and the New Ordinary Shares in any distribution to members on a winding up of the Company or other return of capital by the Company.

6.3 **Variation of rights**

Whenever the capital of the Company is divided into different classes of shares, unless otherwise provided by the terms of issue of the shares of that class the rights attached to any class may be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of the relevant class. At any such separate meeting two persons holding or representing by proxy at least one-third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attached to any shares these rights shall be deemed to be varied or abrogated by the creation or issue of further shares ranking in priority thereto for payment of a dividend or repayment of capital.

6.4 **Alteration of share capital**

The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may, subject to the Act and every other statute, any other subordinated legislation, order or regulations made under them for the time being in force concerning companies and affecting the Company (the "Statutes") by special resolution reduce its authorised and issued share capital, any capital redemption reserve and any share premium account.

Subject to, and in accordance with, the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares) provided that the Company shall not purchase its own shares unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

6.5 **Transfer of shares**

Any member may transfer all or any of his shares by instrument in writing in any usual or common form or in any other form acceptable to the board or by any other manner acceptable to the board and permitted by the Statutes and the London Stock Exchange. Any written instrument of transfer shall be signed by or on behalf of the transferor and (in the case of a partly paid share) by or on behalf of the transferee. The directors may in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid and on which the Company has a lien provided that, where any such share is listed or admitted to trading on the London Stock Exchange, such discretion may not be exercised in any such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register the transfer of a share which is in favour of more than four transferees, which is in respect of more than one class of share or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer provided that, in the case of a nominee designated in the rules of the London Stock Exchange for the purposes of section 185 of the Act or (subject to the Statutes and the rules of the London Stock Exchange) the board has resolved that the relevant class of share may be in uncertified form, the lodgement of share certificates shall not be necessary. Where in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then provided the shares concerned represent at least 0.25 per cent in nominal value of the issued Shares of the relevant class, the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the directors for any period not exceeding 30 days in a year.

6.6 **Dividends and other distributions including distribution of assets on a winding up**

Subject to provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the directors. The directors may pay interim dividends if it appears to them that they are justified by the financial position of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company the holders of ordinary shares are entitled pari passu amongst themselves but in proportion to the amount paid up on the shares held by them to share in the whole of the profits of the Company paid out as dividends. Except as otherwise provided by the rights (if any) attached to shares with preferential or other special rights as to dividends any surplus in the event of liquidation of the Company shall be distributed amongst the shareholders rateably according to their existing shareholdings. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie and vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine.

The directors may with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends specified by the ordinary resolution.

Where in respect of any shares, any registered holder or any other person appearing to be interested in Shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then provided the shares concerned represent at least 0.25 per cent in nominal value of the issued shares of the relevant class, the Company may withhold dividends on the shares in question.

Any dividend which is unclaimed for a period of 12 years from the date of declaration shall, if the directors so resolve, be forfeited and cease to remain owing by and reverts to the Company.

6.7 **Rights attaching to the Preference Shares**

Preference shareholders shall be entitled to receive payment in respect of their Preference Shares in priority to the holders of any other class of share on the distribution of the surplus assets of the Company in the event that assets are available for distribution amongst the members in a winding-up of the Company or other return of capital by the Company.

Except in limited circumstances holders of Preference Shares are not entitled to vote at general meetings of the Company in respect of their holding of Preference Shares. The Preference Shares do not carry the right to receive a dividend. Any Preference Shares not previously redeemed shall be redeemed on 1 January 2000. Following the publication of the accounts of the Group for the financial period ending 31 January 1998 and at the election of the holders of Preference Shares such shares on the giving of not less than 14 days' notice will be converted by the Company into ordinary shares at a price of 72.5 pence per share. In the event of over 50 per cent of the equity share capital of the Company being held by a third party (other than Storedale PLC) the Preference Shares may be redeemed or converted at the election of the holders of Preference Shares.

7. DIRECTORS' AND OTHER INTERESTS AND DEALINGS

7.1 As at 2 March 1999, being the latest practicable date prior to the printing of this document, and following Admission the interests of the Directors (all of which are, save as disclosed below, beneficial) in the ordinary share capital of the Company which (i) have been notified to the Company pursuant to Sections 324 or 328 of the Act or (ii) are required to be entered in the register of directors' interests maintained under the provisions of Section 325 of the Act or (iii) are interests of a connected person of a director which would, if the connected person were a director of the Company, be required to be disclosed under (i) and (ii) above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director are, and are expected to be, as follows:

Director	*As at 2 March 1999 Number of Existing Ordinary Shares*	*Following Admission*		
		Number of New Ordinary Shares[1]	*Percentage of Issued ordinary share Capital of Blakes*[2]	*Number of New Warrants to subscribe for New Ordinary Shares*
N. Kaye[4]	272,690	14,132,690	33.04	1,000,000[5]
P. Kaye	15,662	855,662	2.00	-
D. Kaye	10,242	430,242	1.01	-
D. Petley	34,480	172,400	0.36	-
T. Woodcock	-	840,000	2.00	-
H. Osmond	612,555	4,602,555	10.76	250,000[5]
D. Taylor	104,450[3]	104,450	0.22	1,400,000[6]
A. McIntosh	398,480	4,388,480	10.26	250,000[5]

(1) On the assumption that each director acquires the maximum number of Offer Shares he has underwritten under the terms of the Underwriting Agreement (including any Offer Shares they have irrevocably undertaken to subscribe for under their entitlement under the Open Offer) and also receives the New Ordinary Shares to be issued in satisfaction of commission due under the Underwriting Agreement.

(2) On the assumption that the only Offer Shares subscribed for are the 30,400,000 of the Offer Shares which the Underwriters have agreed to subscribe for under the terms of the Underwriting Agreement and those Offer Shares which D Petley has irrevocably undertaken to subscribe for under his entitlement in the Open Offer.

(3) These shares are held by Tarassa Investments Limited, a company wholly-owned by Eaton Trust, the beneficiaries of which include the children of Mr D Taylor.

(4) Includes 2,000 Existing Ordinary Shares held by Mr N Kaye's wife.

(5) Maximum number of New Warrants to be issued in the event that the loan facility, further details of which are set out in paragraph 15.4 below, is fully drawn down.

(6) Proposed to be allotted to Westchester Limited, a company wholly-owned by Mr D Taylor.

7.2 As at 2 March 1999, being the latest practicable date prior to the printing of this document, and following the Proposals, the Company had been notified under Section 198 of the Act or the Directors were otherwise aware of the following interests (other than those of the Underwriters and the Directors) in 3 per cent or more of the existing ordinary share capital of the Company:-

Shareholder	*Number of Existing Ordinary Shares*	*Percentage of Issued ordinary Share capital*
MidOcean Securities Limited	1,599,463	16.0
Storedale plc	1,250,000	12.5
Morstan Nominees Limited	550,000	5.5
Barclays Nominees (Branches) Limited	500,000	5.0
Lloyds Bank (I.D.) Nominees Limited a/c 171852	358,000	3.6
Alliance Nominees Limited a/c C	381,836	3.8
John Hemming	330,000	3.3

7.3 As at 2 March 1999 being the latest practicable date prior to the printing of this document, and following the Proposals, discretionary portfolios managed by fund managers of Brewin Dolphin Securities Ltd were interested in 5,415 Existing Ordinary Shares.

7.4 Save as disclosed in sub-paragraphs 7.1 and 7.2 above, the Company is not aware of any person who is interested (within the meaning of the Act) directly or indirectly in 3 per cent or more of the issued ordinary share capital of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.

7.5 No loans are outstanding by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for the benefit of any of the Directors.

7.6 Under Rule 9 of the City Code when a person or a group of persons acting in concert acquires shares in a company which is subject to the City Code, and such shares, when taken together with shares already held, would result in such person or persons holding shares carrying 30 per cent or more of the voting rights of the company, such person or group is normally obliged by the Panel to make a general offer to all shareholders for the remaining shares in the capital of the company.

Immediately following Admission Messrs N Kaye, P Kaye, D Kaye, T Woodcock, H Osmond, L Johnson, A McIntosh and MidOcean Securities Limited (whom the Panel regard collectively as the Concert Party) potentially have, as a result of the Underwriting, the following beneficial interests in the share capital of Blakes:-

	Number of Ordinary Shares held pre-Admission	*Number of Offer Shares underwritten*	*Number of additional New Ordinary Shares allotted as commission pursuant to the Underwriting Agreement*	*New Warrants*[(1)]	*Maximum percentage of issued ordinary share capital as enlarged by the Open Offer*
N. Kaye	272,690	13,200,000	660,000	1,000,000	32.01
P. Kaye	15,662	800,000	40,000	-	1.81
D. Kaye	10,242	400,000	20,000	-	0.91
T. Woodcock	-	800,000	40,000	-	1.78
H. Osmond	612,555	3,800,000	190,000	250,000	10.26
L. Johnson	894,114	3,800,000	190,000	250,000	10.86
A. McIntosh	398,480	3,800,000	190,000	250,000	9.81
MidOcean Securities Limited	1,599,463	3,800,000	190,000	2,750,000	17.64
Total	**3,803,206**	**30,400,000**	**1,520,000**	**4,500,000**	**85.07**

(1) On the assumption that the subordinated loan facility is fully drawn down.

The figures set out above include the New Ordinary Shares to be received in satisfaction of commission due under the Underwriting Agreement.

Future Dealings

The Concert Party will potentially hold, in the event that no shareholder (other than Mr D Petley who has irrevocably undertaken to take up his full entitlement under the Open Offer) subscribes in the Open Offer (and 4,500,000 New Warrants held by the Concert Party are exercised), a total of 40,223,206 New Ordinary Shares representing 85.07 per cent of the voting rights of the Company. The Panel has agreed that it deems the Underwriters to be acting in concert (the "Concert Party"). However, in the present circumstances, the Panel has agreed to waive any requirement for the Underwriters to make a general offer to shareholders under Rule 9 of the City Code which would have arisen as a result of the Concert Party's shareholding potentially increasing to approximately 85.07 per cent. of the Company's issued share capital as enlarged by the Open Offer, subject to approval by shareholders following an independent vote on a poll of Resolution 1 as set out in the notice of EGM at the end of this document.

7.7 The Directors and their immediate families and related trusts in the 12 months prior to 2 March 1999 had no dealings for value in Existing Ordinary Shares.

7.8 Fund managers of Brewin Dolphin Securities Ltd of discretionary portfolios holding Existing Ordinary Shares in the 12 months prior to 2 March 1999 had no dealings for value in Existing Ordinary Shares.

7.9 Storedale plc, which has given an irrevocable undertaking to vote in favour of Resolution 1 in respect of its entire holding of Existing Ordinary Shares, held 1,250,000 Existing Ordinary Shares as at 2 March 1999 and has had the following dealings for value in the 12 months prior to 2 March 1999:

Name	**Nature of Transaction**	**Date**	**Number of Existing Ordinary Shares**	**Price/value per share (p)**
Storedale PLC	Disposal	20 May 1998	30,000	47p
Storedale PLC	Disposal	8 October 1998	25,000	13p
Storedale PLC	Disposal	19 October 1998	100,000	6p
Storedale PLC	Disposal	21 October 1998	95,000	8p

7.10 Save as disclosed in sub-paragraph 7.1 above no Director is interested in Existing Ordinary Shares or any securities convertible into, rights to subscribe for, options (including traded options) in respect of, or derivatives referenced to, Existing Ordinary Shares (together "Existing Securities"), and no Director or any member of his immediate family or any related trust has dealt for value in Existing Securities during the 12 months prior to 2 March 1999.

7.11 Save as disclosed in sub-paragraph 7.6 above no Underwriter is interested in Existing Ordinary Shares or any securities convertible into, rights to subscribe for, options (including traded options) in respect of, or derivatives referenced to, Existing Ordinary Shares (together "Existing Securities"), and no Underwriter or any member of his immediate family or any related trust has dealt for value in Existing Securities during the 12 months prior to 2 March 1999.

7.12 Save as disclosed in sub-paragraph 7.3 above no subsidiary of Blakes or pension fund of Blakes or of any such subsidiary or bank, financial or other professional adviser (including stockbrokers) to Blakes or person controlling, controlled by, or under the same control as, any such bank, financial or other professional adviser (other than exempt market makers and exempt principal traders) owns or controls any Existing Securities and no such person has dealt for value therein during the 12 months prior to 2 March 1999. In this sub paragraph 7.11, references to a "bank" do not include a bank whose sole relationship with Instem is the provision of normal commercial banking services.

7.13 Neither Blakes nor any associate of Blakes has any arrangement (including indemnity or option arrangements), agreement or understanding, formal or informal, of whatever nature, with any person relating to Existing Securities which may be an inducement to deal or refrain from dealing. In this paragraph 7.13:

(a) an "associate" of Blakes means any of:

(i) its subsidiaries, its associated companies and companies of which any such subsidiaries or associated companies are associated companies;

(ii) the banks, financial and other professional advisers (including stockbrokers) to Blakes or any company referred to in (i) above, including persons controlling, controlled by or under the same control as such banks, financial or other professional advisers;

(iii) the Directors (together with their close relatives and related trusts) of Blakes or of any company referred to in (i) above; and

(iv) the pension funds of Blakes or of any company referred to in (i) above;

(b) ownership or control of 20 per cent. or more of the equity share capital is regarded as the test of associated company status and "control" means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holdings gives de facto control; and

(c) references to a "bank" do not include a bank whose sole relationship with Blakes is the provision of normal commercial banking services.

8. DIRECTORS' SERVICE AGREEMENTS AND EMOLUMENTS

8.1 Mr N Kaye has a service agreement dated 10 July 1998 at an annual salary of £45,000. He also receives a pension contribution equivalent to 10% of his basic salary and is entitled to the use of a company car and private medical, permanent health and life insurance. The service agreement is for one year and shall thereafter be terminable on 3 month's notice by either Blakes or Mr Kaye.

8.2 Mr P Kaye has a service agreement dated 18 July 1998 at an annual salary of £65,000. He participates in an annual bonus scheme whereby up to 10% of the annual adjusted pre-tax profits of Blakes Menswear will be paid to Mr P Kaye and Mr D Kaye, subject to a maximum payment of £200,000. He also receives a pension contribution equivalent to 10% of his basic salary and is entitled to the use of a company car and private medical, permanent health and life insurance. The service agreement is for one year and shall thereafter be terminable on one year's notice by either Blakes or Mr Kaye. Mr P Kaye will waive his entitlement to options subject to the terms of the Share Option Scheme to subscribe for 310,345 Existing Ordinary Shares at 72.5p.

8.3 Mr D Kaye has a service agreement dated 18 July 1998 at an annual salary of £40,000. He participates in an annual bonus scheme whereby up to 10% of the annual adjusted pre-tax profits of Blakes Menswear will be paid to Mr P Kaye and Mr D Kaye, subject to a maximum payment of £200,000. He also receives a pension contribution equivalent to 10% of his basic salary and is entitled to the use of a company car and private medical, permanent health and life insurance. The service agreement is for one year and shall thereafter be terminable on one year's notice by either Blakes or Mr Kaye. Mr D Kaye will waive his entitlement to options subject to the terms of the Share Option Scheme to subscribe for 241,380 Existing Ordinary Shares at 72.5p.

8.4 Mr T Woodcock has a service agreement dated 19 October 1998 at an annual salary of £50,000. He is entitled to a bonus payment of £10,000 if profits for the financial year 1999/2000 reach budgeted figures. He also receives a pension contribution equivalent to 10% of his basic salary and is entitled to the use of a company car and private medical insurance. The service agreement is for one year and shall thereafter be terminable on 3 months' notice by either Blakes or Mr Woodcock. Mr Woodcock will waive his entitlement to options subject to the terms of the Share Option Scheme to subscribe for 125,000 Ordinary Shares at 11p.

8.5 Save as disclosed in this paragraph 8, there are no existing or proposed service agreements between any of the Directors and the Company or its subsidiary other than contracts expiring or terminable by the employing company without payment of compensation (other than statutory compensation) within 12 months. Also, there are no service contracts which have been amended in the six months prior to the date of this document.

8.6 There is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

8.7 Save as disclosed in paragraphs 17 and 18 of Part VI of this document, no person (other than professional advisers) has received directly or indirectly, from the company within 12 months preceding the date of this document or entered into contractual arrangements to receive directly or indirectly from the Company on or after the date of completion of the Open Offer fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more, calculated by reference to the Offer Price, or any other benefit with a value of £10,000 or more at the date of completion of the Open Offer.

8.8 The aggregate remuneration (including salaries, fees, pension contributions, bonus payments and benefits in kind) of the Directors during the period ended 31 January 1998, paid by any member of the Group, amounted to approximately £203,000. The aggregate remuneration, excluding bonus payments, is estimated to amount to approximately £240,000 during the year ending 31 January 1999 under the arrangements in force at the date of this document.

8.9 The Directors currently hold the following directorships and have held the following directorships within the five years prior to the publication of this document:-

	Other current directorships	*Former directorships (in last 5 years)*
Neville Kaye (aged 55)	Casanova Fashions Limited Garwood Services Limited	Storedale PLC Dukedart Limited (dissolved)
Paul Kaye (aged 30)	Casanova Fashions Limited	Storedale PLC
Dean Kaye (aged 28)	Casanova Fashions Limited	
Tim Woodcock (aged 34)	Casanova Fashions Limited Additions Consulting Limited	Jebcorp Trading Limited Uniware Systems Limited
David Petley (aged 39)	David Wedgwood Properties Limited	
Alan McIntosh (aged 31)	Topps Tiles Plc STS Flooring Distributors Limited Hawcubite PLC Rankcrown Limited The Gargoyle Club Limited Wellington Investments Limited Punch Taverns Limited Punch Taverns Investments PLC Punch Taverns Finance PLC Punch Taverns Beer Supply Company Limited Punch Taverns Holdings Limited Punch Taverns Group Limited Punch Taverns Intermediate Holdings Limited Punch Taverns Properties Limited Punch Taverns Employee Scheme Limited Punch Taverns (Fradley) Limited Punch Taverns (Concept Company) Limited Punch Taverns (Trent Limited)	American Port Services PLC Sunday Business Newspapers Limited (1) Stair Tread Supply Co. Limited Topps Tile Kingdom Limited Restaurants and Bars PLC (dissolved) Integrated Dental Holdings Limited Worthfair Limited (dissolved) J&O Investment Partnership Limited (dissolved)

(*) In liquidation following a solvent reconstruction

Hugh Osmond (aged 36)	PizzaExpress PLC September 1993 PLC PizzaExpress (Holdings) Limited PizzaExpress (Restaurants) Limited PizzaExpress (Camberley) Limited PizzaExpress (Soho) Limited Brown Rock Limited Xercise Limited Maxgate Properties Limited Wellington Investments Limited Wellington Pub Company PLC Punch Taverns Limited Punch Taverns Investments PLC Punch Taverns Finance PLC Punch Taverns Beer Supply Company Limited Punch Taverns Holdings Limited Punch Taverns Group Limited Punch Taverns Intermediate Holdings Limited Punch Taverns Properties Limited Punch Taverns Employee Scheme Limited Punch Taverns (Fradley) Limited Punch Taverns (Concept Company) Limited Punch Taverns (Trent Limited) Belba Limited Maxgate Enterprises Limited	European Restaurants Limited My Kinda Town Group Limited RPT Management Services PLC Star Computer Group PLC Laberfabrica PLC Robinbuy Limited (in liquidation) (*) My Kinda Town PLC Storedale PLC Capital Radio Restaurants Group Limited Capital Radio Restaurants Holdings Limited (in liquidation) Johme Limited Renbrace Limited (dissolved) The J&O Investment Partnership Limited (dissolved) Intrinsic Value Advisers Limited (dissolved)
Dan Taylor (aged 40)	Cambury Investments plc Victoria Asset Management Inc. Pennines Pizza Trading Company Limited Casanova Fashions Limited Grosvenor Park Management Limited	Storedale PLC Keystone Software plc

(1) Mr McIntosh was a director of Sunday Business Newspapers Limited until his resignation on 11 March 1997. Administrative Receivers were appointed to the Company on 22 July 1997. As at 28 May 1998, the shortfall to creditors amounted to £2,511,904.00

8.10 Mr Petley was a director of Jefmet Limited until his resignation on 7 January 1988. Jefmet Limited was issued with a winding-up petition on 12 October 1988. The shortfall to creditors amounted to £1,163,975. Mr Petley was also director of Tollcatering Limited until January 1988. Tollcatering Limited went into liquidation in November 1988 with a shortfall to creditors (other than shareholders) of £15,000.

8.11 None of the Directors has any unspent convictions relating to indictable offences, has been bankrupt or has made or been the subject of any individual voluntary arrangement.

8.12 Save as disclosed above, none of the Directors has been a director of any company at the time of, or within twelve months preceding the date of its receivership, compulsory liquidation, creditors' voluntary arrangement or any composition or arrangement with its creditors and none of the Directors has been a partner of any partnership the time or within twelve months preceding the date of its compulsory liquidation, administration, or partnership voluntary arrangement or at the time of or within twelve months preceding the date of the receivership of any asset of such Director or partnership.

8.13 None of the Directors has been criticised by any statutory or regulatory authority or been disqualified by a court from acting as a director of a Company or from acting in the management of the affairs of any Company.

9. **SHARE OPTION SCHEME**

9.1 The terms and conditions of the 1997 Executive Share Option Scheme (the "Scheme") are as follows:-

Participants in the Scheme will be selected by the board but are limited to employees and directors. Invitations to apply for options may be made by the remuneration committee at any time within a period of 42 days after the Scheme is adopted or the date on which the annual and half yearly results of the Company are announced. Options are not generally transferable. The exercise price of an option under the Scheme is the higher of the nominal value of the share and its mid-market value derived from the Appendix to the Official List on the five dealing days immediately preceding the date of grant. Options may not be granted if as a result the number of shares issued or which may be issued under the Scheme in the immediate preceding ten year period or any other employee share option scheme of the Company would exceed ten per cent of the Ordinary Shares in issue at that time. In general, options may be exercised at any time specified by the Remuneration Committee on grant of the relevant option. Options lapse on the earliest of the seventh anniversary of grant, and save as outlined above, normally lapse when the participant ceases to be employed by the Group, unless the remuneration committee in its absolute discretion grants an additional period of 12 months in which options may be exercised. Options may also be exercised in the event of a change of control or reorganisation of the Company. In the event of a change of control participants may, with the agreement of the acquiring company, exchange options under the Scheme for equivalent options in the acquiring company or another company. In the event of any capitalisation or rights issue, or any consolidation, subdivision or reduction of capital by the Company the number of shares subject to any option and the exercise price will be adjusted by the board subject (except on a capitalisation) to the auditors confirming such adjustment is fair and reasonable. Shares issued on the exercise of options shall rank pari passu with Existing Ordinary Shares save for rights determined by reference to a date preceding their allotment. The Scheme may be amended by the board provided that save for minor amendments to benefit the administration of the Scheme, to take account of changes in legislation or to obtain or maintain favourable tax treatment for participants or for any company participating in the Scheme no amendment may be made to the advantage or detriment of participants without the prior approval of the Company in General Meeting.

9.2 On 6 August 1997 options to subscribe for 662,071 Ordinary Shares at 72.5 pence were conditionally granted under the Share Option Scheme. On 12 December 1997 options to subscribe for a further 50,000 Ordinary Shares at 72.5 pence were conditionally granted under the Share Option Scheme. On 19 January 1999 options to subscribe for a further 125,000 Ordinary Shares at 11 pence were conditionally granted under the Share Option Scheme.

10. **TAXATION**

The statements below are general in character and are intended only as a general guide to certain aspects of current law and UK Inland Revenue practice. They apply to the beneficial owners of New Ordinary Shares and may not apply to certain classes of taxpayers (such as dealers in securities). Prospective purchasers of New Ordinary Shares who are in doubt about their tax position, and in particular those who are subject to taxation in a jurisdiction other than in the UK, are a strongly advised to consult their own professional advisers.

10.1 Taxation of dividends

Under current UK legislation, withholding tax does not apply on dividends paid by the Company but, when it pays a dividend, the Company is currently obliged to account to the UK Inland Revenue for advance corporation tax ("ACT") at a rate of one-quarter of the cash dividend. ACT paid by the Company can (within limits) normally be offset against the Company's liability to corporation tax for the year of payment. Any surplus ACT can be carried back up to a maximum of six years and/or carried forward indefinitely.

ACT is to be abolished from 6th April 1999.

An individual who is resident (for the purposes of UK taxation law) in the UK and who receives a dividend prior to 6th April 1999 is entitled to a tax credit of an amount equal to one-quarter of the amount of the cash dividend received. Liability to UK income tax is calculated on the sum of the dividend and the related tax credit. The tax credit therefore equals 20 per cent. of the combined amount of the dividend and the tax credit. The dividend and the associated tax credit will be regarded as the top slice of the individual recipient's income for tax purposes.

The tax credit will discharge the individual's liability to income tax, save to the extent that the dividend plus the related tax credit exceeds the threshold for higher rate income tax, in which case the individual will, to that extent, pay tax on the dividend and the related tax credit at a rate equal to the excess of higher rate (currently 40 per cent) over the lower rate (currently 20 per cent) equivalent to 25 per cent of the cash dividend. A basic rate tax payer will have no further liability to income tax on the dividend. To the extent that an individual's total tax credits exceed his liability to income tax, the excess may be reclaimed from the Inland Revenue.

With effect from 6th April 1999 the rate of credit will be reduced to $^1/_9$ of the cash dividend. The tax credit will no longer be repayable to UK resident individual shareholders with no income tax liability.

Dividends received by individuals who are lower and basic rate taxpayers will be taxable at 10 per cent on the sum of the dividend and the related tax credit. The tax liability will be covered by the attributable tax credit and the shareholder will have no further liability to account for tax. Dividends received by higher rate tax payers will be subject to income tax at 32.5 per cent on the sum of the dividend and the related tax credit. Such a shareholder will have a liability to account for additional tax at 22.5 per cent on the sum of the dividend and the related tax credit equivalent to 25 per cent of the dividend.

A UK resident corporate shareholder will not normally be liable to UK corporation tax on any dividend received. Such a shareholder will normally be able to treat any dividend received prior to 6th April 1999 together with the associated tax credit as franked investment income. Such income should be available for off-set against franked payments which arise on its own distributions.

Pension funds are not entitled to the repayment of any tax credits.

Subject to certain exceptions for Commonwealth citizens, and certain others which apply to dividends paid prior to 6th April 1999, a shareholder who is not resident (for tax purposes) in the UK is not generally entitled to the benefit of a tax credit in respect of a dividend received from the Company. Whether or not such a shareholder is entitled to a payment from the UK Inland Revenue or a proportion of the tax credit in respect of any dividends received depends, in general, upon the provision of any double taxation agreement or convention which exists between the country of residence of the recipient and the UK. Any person who is not a resident in the UK should consult his tax adviser as to whether he is entitled to a payment in respect of the tax credit, the procedure for claiming it and his tax liability on the dividend in the jurisdiction in which he is resident. The decrease in the rate of the tax credit to 10 per cent from 6th April 1999 will generally reduce or eliminate the amount in respect of the tax credit that may be paid under the terms of a double taxation agreement from that date.

10.2 Stamp duty and stamp duty reserve tax

No liability to stamp duty or stamp duty reserve tax ("SDRT") will arise in relation to the allotment and issue of New Ordinary Shares pursuant to the Open Offer.

The transfer on sale of New Ordinary Shares both before and after the issue of certificates will generally be subject to ad valorem stamp duty at the rate of 50p per £100 (or part thereof) of the amount or value of the consideration or to SDRT (if an unconditional agreement to transfer such shares is not completed before the "accountable date" for SDRT purposes by a duly stamped transfer to the transferee under that agreement), at the rate of 0.5 per cent. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made. A transfer of shares effected on a paperless basis through CREST will generally be subject to SDRT at the rate of 0.5 per cent of the value of the consideration.

The above statements are intended as a general guide to the current position. Certain categories of person are not liable to stamp duty or SDRT, and others may be liable at the higher rate or may, although not primarily liable for the tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986.

Any person who is in doubt as to his taxation position in the United Kingdom and in any other jurisdiction in which he is subject to taxation should consult his professional adviser.

11. AUDITORS AND FINANCIAL INFORMATION

BDO Stoy Hayward, chartered accountants and registered auditors of 8 Baker Street, London W1M 1DA audited the accounts of Blakes Menswear for the ten months ended 31 January 1998 and of Blakes Clothing PLC for the financial period ending on 31 January 1998. Price Waterhouse, chartered accountants and registered auditors, of Southwark Towers, 32 London Bridge Street, London SE1 9SY audited the accounts of Blakes Menswear for the 14 months ended 31 March 1997 and the twelve months ended 31 January 1997. Derek Webster & Co., chartered accountants and registered auditors, of 136 Baker Street, London W1M 2DU, audited the accounts of Blakes Menswear for the two financial periods ended 31 January 1996.

12. MATERIAL CHANGES

Save as disclosed in Parts I and III of this document, there has been no significant change in the financial or trading position of the Group since 31 January 1998, the date to which the most recent audited accounts were made up.

13. WORKING CAPITAL

The Company is of the opinion that, having made due and careful enquiry and having regard to the minimum proceeds of the Open Offer and the available bank and other facilities, the working capital available to the Group will, from the time the New Ordinary Shares are admitted to trading on AIM, be sufficient for its present requirements.

This statement is made based upon the Directors' estimates of likely trading and the planned store disposal programme referred to in Part I of this document. Shareholders should be aware that if there are deviations from the Directors' assumptions, then there may be a requirement for additional working capital within the next twelve months. In particular the Company has signed an agreement to lease a unit at the Braehead Centre, Glasgow which is expected to open in September 1999. The Directors have requested that the landlords find an alternative tenant and are not expecting to open a store at that site. In the event that the landlord enforces the agreement, the Company will be required to fit out and open the store, the costs of which will be significant and are not included in the Directors' working capital projections.

14. LITIGATION

14.1 Casanova Fashions Limited is involved in a dispute with the receiver of C J Dauncey Limited concerning a claim by the receiver for £62,231.86.

14.2 Save as mentioned above there are, and have been, no legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Directors are aware) by or against an member of the Group which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of the Group.

15. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or one of its subsidiaries within the period of two years immediately preceding the date of this document and are, or may be, material:-

15.1 An instrument dated 10 April 1997 as superseded by an instrument dated 10 July 1997 pursuant to which, following the reorganisation whereby Blakes became the holding company of Blakes Menswear and the application of the adjustment mechanism contained in the instrument, Blakes created £350,000 7 per cent unsecured convertible loan stock 1998 ("Loan Stock"). The Loan Stock was converted into 1,400,000 Existing Ordinary Shares on 9 July 1997.

15.2 An instrument dated 10 April 1997 as superseded by an instrument dated 10 July 1997 pursuant to which, following the reorganisation whereby Blakes became the holding company of Blakes Menswear and the application of the adjustment mechanism contained in the instrument, Blakes created warrants to subscribe for Existing Ordinary Shares ("Warrants"). The holder of a Warrant has the right to subscribe in cash for one Ordinary share at a price of 25 pence per Ordinary share at any time up to 31 December 2002. The Company gave certain undertakings in the instrument.

15.3 An agreement (the "Placing and Underwriting Agreement") dated 11 July 1997 between the Company (1), Formal Group PLC (now renamed Storedale PLC) (2) then the directors of the Company (3), Wise Speke Limited (4) and others ("the 1997 Underwriters") pursuant to which:-

15.3.1 Wise Speke Limited agreed, subject to certain conditions, to underwrite 2,439,398 Existing Ordinary Shares of 10p at 72.5p and to make an offer to qualifying shareholders. Wise Speke Limited received from Storedale PLC a fee together with a commission of 2.75 per cent of the value of the Existing Ordinary Shares, out of which Wise Speke Limited paid commissions to placees. Such fees and commissions were exclusive of VAT;

15.3.2 The 1997 Underwriters agreed, subject to certain conditions, to underwrite the offer. The 1997 Underwriters received from Storedale PLC a commission of 5 per cent of the value of the Offer Shares. The Placing and Underwriting Agreement contained certain warranties and indemnities given by the Company to Wise Speke Limited and the Underwriters.

15.4 A loan facility constituted by a letter dated 3 March 1999 by N.Kaye, H. Osmond, A. McIntosh, L. Johnson and MidOcean Securities Limited (together the "Lenders") pursuant to which the Lenders have agreed to provide up to £100,000 save that, in the event that Qualifying Shareholders who are not Underwriters subscribe for New Ordinary Shares pursuant to the Open Offer, the aggregate amount of the Loan shall be reduced by £1 for every £1 received by the Company from such Qualifying Shareholders. Any amount drawn down is scheduled for repayment in full by 21 December 1999 and interest will accrue at the rate of 2% above LIBOR. Drawdown is conditional, inter alia, on the Company issuing New Warrants to subscribe for 20 New Ordinary Shares at an exercise price of 2.5p per share to the Lenders for every £1 of the Loan drawn down.

15.5 Offer dated 27 August 1997 made to the Company by Messrs Bird Semple on behalf of Braehead Park Retail Limited and Braehead Park Investments Limited (the "Landlord") and accepted by Messrs Brechin Tindal Oatts on behalf of the Company on or around 28 August 1997, to enter into a lease in respect of Unit 9, Braehead Shopping Centre, Glasgow. The offer sets out the terms and conditions of the contract between the Landlord and the Company in relation to the Braehead unit including, inter alia, conditions relating to construction of the centre, entry to the Unit and shop fitting out works.

The agreement between the Landlord and the Company is expressed to be a continuing and enforceable contract between the parties to the extent that the terms therein have not been implemented.

The lease referred to in the agreement is required to be entered into within 3 months of the date on which the Braehead centre and the unit opens to the public.

16. CONSENTS

16.1 BDO Stoy Hayward has given and has not withdrawn its written consent to the inclusion in this document of its report and letters and accepts responsibility for its report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

16.2 Pricewaterhouse Coopers has given and has not withdrawn its written consent to the inclusion in Appendix I to this document of its report and accepts responsibility for its report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

16.3 Derek Webster has given and has not withdrawn its written consent to the inclusion in Appendix I to this document of its report and accepts responsibility for its report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 of the Public Offers of Securities Regulations 1995.

16.4 Bell Lawrie Wise Speke has given and has not withdrawn its written consent to the issue of this document and the references to its name in the form and context in which they appear.

17. UNDERWRITING ARRANGEMENTS

An agreement dated 3 March 1999 between (1) the Company, (2) the Directors, (3) Neville Kaye & Others and (4) Bell Lawrie Wise Speke pursuant to which Bell Lawrie Wise Speke has agreed to make the Open Offer to Qualifying Shareholders and the Underwriters have agreed to subscribe for up to 30,400,000 of the Offer Shares for which valid applications are not received under the Open Offer. The Agreement is conditional, inter alia, on the passing of Resolution 1, the new banking facility having becoming unconditional in all respects (save in respect of the condition that the Underwriting Agreement has become unconditional in all respects and Admission becoming effective) and upon Admission taking place not later than 9.00 am on 7 April 1999 or such later date as is agreed in writing between the Company, the Underwriters and Bell Lawrie Wise Speke but in any event not later than 14 April 1999.

The Company will pay Bell Lawrie Wise Speke a fee of £30,000 (plus VAT if applicable) for its services in connection with the Open Offer of which £18,000 will be paid in cash and the balance will be satisfied by the issue of 480,000 New Ordinary Shares fully paid and will pay to the Underwriters a commission of 5% of the aggregate value of the Open Offer shares for which the Underwriters have committed to subscribe such commission to be satisfied by the issue of a further 1,520,000 New Ordinary Shares in aggregate fully paid which shares shall be allotted to each of the Underwriters in proportion to the number of Open Offer shares subscribed by each Underwriter or as they shall otherwise direct.

18. SUMMARY OF THE TERMS OF THE NEW WARRANTS

The New Warrants will be constituted by a Warrant Instrument (the "Instrument") to be executed by the Company and the issue of the New Warrants will be authorised by resolutions of the Board or a duly appointed committee thereof. The holders of New Warrants will be entitled to the benefit of, be bound by, and be deemed to have notice of, all the provisions of the Instrument which in summary will contain provisions, inter alia, to the following effect:

18.1 Subscription Rights

18.1.1 The holder of a New Warrant shall have rights ("subscription rights") to subscribe in cash for 1 New Ordinary Shares in respect of each New Warrant of which he is a holder at the relevant subscription price (the "subscription price") payable in full on subscription. Such rights are exercisable on any day during the period commencing with the issue of such New Warrant and terminating on 31 December 2004 (the "subscription period"). The number and/or nominal value of New Ordinary Shares to be subscribed and/or subscription price will be subject to adjustment as provided in paragraph 18.2 below.

18.1.2 To exercise their subscription rights in whole or in part the holders of New Warrants shall deliver the relevant New Warrant certificates at the registered office of the Company during the subscription period having complete the notice of subscription set out in the New Warrant certificate accompanied by a remittance for the subscription price of the New Ordinary Shares in respect of which the subscription rights are exercised. Once delivered, a Notice of Subscription shall be irrevocable save with the consent of the directors of the Company.

18.1.3 New Ordinary Shares issued pursuant to the exercise of subscription rights conferred by New Warrants will be allotted not later than 14 days after the day on which the relevant documentation and remittance are received by the Company (the "subscription day") and the allottee of such New Ordinary Shares shall be registered in the Company's register of members and certificates in respect of such New Ordinary Shares will be issued and despatched (at the risk of the person entitled thereto) not later than 28 days after the relevant subscription day to the holder of such New Warrants or to such other person as may be named in the form of nomination set out in such new Warrant certificate. In the event of a partial exercise of the subscription rights comprised in such New Warrants prior to the final subscription period, the Company shall at the same time issue and despatch (at the risk of the person entitled thereto) a New Warrant certificate in respect of the balance of subscription rights.

18.1.4 New Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year or other period ended prior to the relevant day on which such Warrants are exercised but subject thereto will rank in full for all dividends and other distributions in respect of the then current financial year (other than any distribution declared, made or paid for which the record date is a date prior to their allotment) and otherwise pari passu in all respects with the New Ordinary Shares in issue at that date.

18.1.5 Application will be made to the London Stock Exchange for the New Ordinary Shares allotted pursuant to any exercise of subscription rights under the New Warrants to be admitted to trading on AIM, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant subscription day.

18.2 **Adjustment of Subscription Rights**

After any allotment of fully paid New Ordinary Shares by way of capitalisation of profits or reserves to holders of the New Ordinary Shares on the register on a date (or by reference to a record date) while any subscription rights remain exercisable or upon any sub-division or consolidation of the New Ordinary Shares while any subscription rights remain exercisable the number and/or nominal value of New Ordinary Shares to be subscribed on a subsequent exercise of the subscription rights will be increased or (as the case may be) reduced proportionately on the basis that immediately after the allotment, sub-division or consolidation, the subscription rights shall relate to the same percentage of the New Ordinary Shares as that to which the subscription rights related immediately before such allotment, sub-division or consolidation and the subscription price will be adjusted accordingly. On any such capitalisation, sub-division or consolidation, the auditors of the Company shall certify the appropriate adjustments and, within 28 days thereof, notice will be sent to the holder of the New Warrants, together with the a New Warrant certificate evidencing the rights to which the holder of the New Warrants is entitled in consequence of such adjustments, fractional entitlements being ignored.

18.3 **Undertakings**

Except with the sanction of an Extraordinary Resolution (as defined in paragraph 18.4.5 below) for as long as any subscription rights remain exercisable:

18.3.1 Application will be made to the London Stock Exchange for the New Ordinary Shares allotted pursuant to any exercise of subscription rights under the New Warrants to be admitted to trading on AIM, and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant subscription day.

18.3.2 the Company shall not in any way modify the rights attached to its New Ordinary Shares as a class in any way which operates to vary the rights of the holders of New Warrants (but nothing herein shall restrict the right of the Company to increase, consolidate, sub-divide or reduce its share capital);

18.3.3 the Company shall not issue any New Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 18.4.6 below if, as a result, the Company would, on exercise of any subscription rights, be obliged to issue New Ordinary Shares at a discount to nominal value;

18.3.4 the Company shall not make any distribution to shareholders save for distributions out of distributable profits and shall not make any distribution of a capital nature;

18.3.5 the Company shall maintain sufficient authorised but unissued share capital and all requisite authorities to enable the issue of New Ordinary Shares (free from any rights of pre-emption) pursuant to the exercise of all the New Warrants outstanding from time to time;

18.3.6 the Company will (insofar as payment is not in contravention of Section 151 of the Act or any other applicable laws relating to financial assistance to which the Company is or may be subject) pay all taxes, stamp and other duties and charges in respect of the creation and issue of New Warrants and on the issue of New Ordinary Shares on the exercise of New Warrants;

18.3.7 New Warrantholders will have made available to them, at the same time and in the same way as they are made available to holders of New Ordinary Shares, copies of the audited accounts of the Company (with the relevant directors' and auditor's reports) and copies of all other circulars or notices made available to holders of New Ordinary Shares;

18.3.8 the Company shall not make, authorise, consent to or permit any offer or sale to the holders of existing New Ordinary Shares generally of any assets of the Company, or any subsidiary of the Company, or of rights to acquire any such assets, except:-

(a) at a price which is, in the opinion of the auditors, acting as experts, not lower than the fair market price of such assets as between a willing buyer and a willing seller; or

(b) where the offer or sale extends to include New Warrantholders on the same terms;

18.3.9 the Company shall not permit any subsidiary to issue (other than to the Company or any wholly-owned subsidiary of the Company) any shares ranking as regards participation in the assets or profits of that subsidiary in priority to its ordinary share capital nor *shall* any disposal be made by the Company or by any subsidiary of any such shares (otherwise than as aforesaid).

18.4 General offers and liquidation

18.4.1 subject to paragraphs 18.4.2 and 18.4.3 below, if at any time an offer is made to all holders of equity share capital of the Company (or all such holders other than the offeror and/or any Company controlled by the offeror and/or any person acting in concert with the offeror) to acquire the whole or any part of such equity share capital of the Company and the Company becomes aware that as a result of such an offer the right to cast a majority of votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall forthwith give notice to the holder of the New Warrants of such vesting within 14 days of its becoming so aware and such holder shall be entitled, at any time within the period of 28 days following the date of such notice, to exercise his subscription rights at the subscription price as if the said 28 day period was a subscription period; the publication of a scheme of arrangement providing under section 425 of the Act for the acquisition by any person of the whole or any Part of such equity share capital of the Company shall be deemed to be the making of an offer for the purposes of this sub-paragraph;

18.4.2 if subscription rights shall have become exercisable in the circumstances described in the preceding sub-paragraph and the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror shall have made an offer to holders of New Warrants, or all such holders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror, to acquire all of the outstanding New Warrants or such person(s) shall have proposed a scheme with regard to such acquisition and in either case the value of the consideration (on such basis as the auditors of the Company may determine, acting as experts, and shall have confirmed in writing to the holder of the New Warrants no less than 21 days prior to the expiry of such offer or the date on which such scheme becomes effective) receivable by the holder of the New Warrants pursuant to such offer or scheme represents no less than that which he would have received pursuant to the offer made or scheme proposed to holders of New Ordinary Shares had his subscription rights been exercised on the date upon which such offer became wholly unconditional or such scheme became effective (after deduction of the costs of subscription), then subscription rights attaching to any New Warrants which are not the subject of an acceptance of the offer to holders of New Warrants or are not effectively transferred pursuant to such scheme shall lapse upon the expiry of that offer or (provided such scheme becomes effective) upon the date upon which that scheme is sanctioned by the Court, save to the extent that such subscription rights have been or may be exercised pursuant to paragraph 18.4.1 above;

18.4.3 if, on a date (or by reference to a record date) while any New Warrants remain outstanding:

(a) an offer or invitation is made by the Company (whether by way of rights or otherwise but not being an offer to which paragraph 18.4.6 below applies) to all the holders of New Ordinary Shares; or

(b) any offer or invitation (not being an offer to which paragraph 18.4.1 above applies) is made to all the holders of New Ordinary Shares otherwise than by the Company

then the Company shall procure (but in the case of 18.4.3(b) only insofar as it is able) that at the same time the same offer or invitation is made to the holder of the New Warrants as if his subscription rights had been exercisable and had been exercised and the holder of the New Warrants entered in the register of members accordingly on the day immediately preceding the record date of such offer or invitation then applicable. PROVIDED THAT, if the directors so resolve, in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the holder of the New Warrants but that the subscription price and/or the subscription rights shall be adjusted in such manner as the auditors of the Company shall certify to be fair and reasonable to take account of such offer or invitation by the Company.

Any such adjustments shall become effective as at the record date for the offer or invitation The Company shall give notice to the holder of the New Warrants forthwith upon (and in any event within 14 days of) any adjustment made pursuant to this paragraph 18.4.3 and shall at the same time send to the holders of the New Warrants a New Warrant Certificate evidencing the rights to which they are entitled in consequence of such adjustments, fractional entitlements being ignored;

18.4.4 if an offer is made as referred to in paragraph 18.4.1 above whereunder the consideration consists solely of the issue of ordinary shares of the offer and the offeror makes available an offer of warrants to subscribe for ordinary shares of the offeror in exchange for New Warrants which the auditors of the Company consider in their opinion (acting as experts) is fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the auditors to be relevant) then any Director shall be authorised as attorney for the holders of the New Warrants:-

(a) to execute a transfer thereof in favour of the offeror in consideration of the issue of a warrant to subscribe for ordinary shares of the offeror as aforesaid whereupon the relevant New Warrants shall lapse; and

(b) to do such acts and things as may be reasonably necessary or appropriate in connection therewith subject in both paragraph 18.4.4(a) and 18.4.4(b) to such offer becoming declared wholly unconditional and the offeror being in a position compulsorily to acquire the whole of the then issued ordinary share capital of the Company in accordance with the Acts;

18.4.5 if on a date while any Warrants remain outstanding any order is made or an effective resolution is passed for winding up the Company, except for the purpose of reconstruction or amalgamation on term sanctioned by a resolution proposed at a meeting of the holders of New Warrants duly convened and held in accordance with paragraph 18.5 below ('Modification of Rights") and passed by a majority of not less than three-fourths of the votes cast, whether on a show of hands or on a poll ("Extraordinary Resolution"), the holder of the New Warrants will (if, in such winding up and on the basis that all subscription rights had been exercised in full and the subscription moneys therefor had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the New Ordinary Shares which would exceed in respect of the New Ordinary Share a sum equal to the subscription price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercised in at the subscription price and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the New Ordinary Shares an amount equal to the sum to which he would have become entitled by virtue of such subscription after deducting a sum per New Ordinary Share equal to the subscription price; subject to the foregoing all subscription rights shall lapse on the liquidation of the Company; and

18.4.6 if on a date while any New Warrants outstanding an offer or invitation is made by the Company to the holders of the New Ordinary Shares for the purchase by the Company of any of its New Ordinary Shares the Company simultaneously give notice thereof to the holders of the New Warrants and the holders of the New Warrants shall be entitled at any time whilst such offer or invitation is open for acceptance, to exercise any or all of their subscription rights on the basis applicable on the day immediately preceding the record date for such offer or invitation as if such day was a subscription period.

18.5 **Modification of rights**

18.5.1 The Company may at any time and shall on receipt of a request in writing of persons holding not less than one-tenth of the outstanding New Warrants (upon receiving such indemnity (if any) as it may require against reasonably costs, expenses and liabilities which it may incur by so doing) convene a meeting of New Warrantholders to be held at such place within the United Kingdom as the Company shall determine.

18.5.2 At least fourteen days' or, when the meeting is being convened to pass an Extraordinary Resolution, twenty-one days' notice in writing of every meeting shall be given to the New Warrantholders.

18.5.3 Without prejudice to the foregoing the New Warrantholders by way of Extraordinary Resolution,, shall have power, *inter alia.* to sanction any compromise or arrangement proposal between the Company and any of them or modification or compromise of their rights against the Company) to sanction any proposal by the Company for the exchange or substitution for the New Warrants and/or the conversion of the New Warrants into, shares. stock, bonds, debentures, debenture stock or other obligations or securities of the Company or any other body corporate or assent to any modification of conditions to which the New Warrants are subject proposed by the Company.

18.6 **Transfer**

18.6.1 New Warrants shall be transferable individually and in integral multiples by an instrument of transfer in any usual or common form or such other form as may be approved by or on behalf of the Company. The Registrar shall maintain a register of New Warrantholders.

18.6.2 The registered holder of a New Warrant shall be treated as its absolute owner for all purposes notwithstanding any notice of ownership or notice of previous loss or theft or of trust or other interest therein (except as ordered by a court of competent jurisdiction or required by law), the Company shall not (except as stated above) be bound to recognise any other claim to or interest in any New Warrant.

18.6.3 The Company may decline to recognise any instrument of transfer unless such instrument is deposited at the office of the Registrar or such other place as the Registrar may appoint accompanied by the New Warrant certificate to which it relates, and such other evidence as the Registrar may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on behalf of the transferor the authority of that person so to do. The Registrar may waive production of any New Warrant certificate upon evidence satisfactory to the Registrar of its loss or destruction or upon execution of an appropriate indemnity. All instruments of transfer which are registered may be retained by the Company for so long as it thinks fit together with the cancelled New Warrant certificates.

18.7 **Purchase**

The Company may at any time purchase New Warrants by tender (available to all New Warrantholders alike) at any price or by private treaty at any price. All New Warrants purchased pursuant to this provision shall be cancelled forthwith and may not be reissued or sold.

19. **GENERAL**

19.1 The costs, charges and expenses, including all fees and commissions (exclusive of value added tax) relating to Admission, which are payable by the Company, are estimated to amount to approximately £0.1 million of which £0.05 million will be satisfied by the allotment and issue of 2,000,000 New Ordinary Shares.

19.2 The minimum amount required to be raised under the Open Offer is £700,000 (net of cash expenses).

19.3 The Company has not received any public take-over offer in respect of shares in the Company nor made any such offer for any other public company.

19.4 The middle market quotation for the Existing Ordinary Shares for the first business day in each of the six months immediately before the date of this document and on 2 March 1999 being the latest practicable date prior to the posting of this document were:

2nd	March	1999	6p
1st	March	1999	6p
1st	February	1999	5p
4th	January	1999	11.5p
1st	December	1998	11.5p
2nd	November	1998	11.5p
1st	October	1998	11.5p

20. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents may be inspected at the offices of Pinsent Curtis, Dashwood House, 69 Old Broad Street, London EC2M 1NR and at the registered office of the Company, during normal business hours on any weekday (Saturday and public holidays excepted) for the period of fourteen days following the date of Admission:-

20.1 the Memorandum and Articles of Association of the Company;

20.2 the audited accounts of Blakes Menswear for the financial period ended 31 January 1996, and the fourteen months ended 31 March 1997 and of Blakes Clothing PLC for the period ended 31 January 1998 together with the Company's interim results to 31 December 1998;

20.3 the Loss estimate referred to in Part V of this document;

20.4 the Directors' service agreements referred to in paragraph 8 above;

20.5 the rules of the Share Option Scheme;

20.6 the material contracts referred to in paragraphs 15 and 17 above;

20.7 the written consents referred to in paragraph 16 above;

20.8 the Prospectus;

20.9 the letters from Stoy Hayward and Bell Lawrie Wise Speke set out in Page V; and

20.10 irrevocable undertakings to take up Offer Shares.

Copies of this document, which is dated 3 March 1999, will be available free of charge to the public during normal business hours on any weekday (except Saturdays and public holidays) from the registered office of the Company and from the offices of Brewin Dolphin Securities Ltd, 5 Giltspur Street, London, EC1A 9BD from the date of admission for not less than 14 days.

3 March 1999

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Blakes Clothing PLC will be held at the offices of Pinsent Curtis, Dashwood House, 69 Old Broad Street, London EC2M 1NR at 10.00 am on 26 March 1999 for the purpose of considering and, if thought fit, passing the following resolutions, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

1. That subject to and conditionally upon Resolution 2 below being passed in accordance with its terms, the requirement under Rule 9 of the City Code on Takeovers and Mergers that the Underwriters (as defined in a prospectus published by the Company on 3 March 1999) make a general offer to all shareholders for the remaining shares in the capital of the Company be waived (the requirement to make such an offer would ordinarily have arisen as a result of the Concert Party potentially holding 85.07 per cent of the issued share capital of the Company if they have to subscribe for their maximum commitments under the terms of the Underwriting Agreement).

SPECIAL RESOLUTION

2. THAT conditionally upon the passing of Resolution 1 above:-

2.1 each of the issued ordinary shares of 10p each in the capital of the Company at the date hereof is hereby sub-divided and converted into one new ordinary share of 1p each and one deferred share of 9p each having the rights and being subject to the restrictions set forth in the Articles of Association of the Company as amended by paragraph 2.4 of this Resolution;

2.2 each of the unissued ordinary shares of 10p each in the capital of the Company at the date hereof is hereby sub-divided and converted into ten ordinary shares of 1p each having the rights and being subject to the restrictions set forth in the Articles of Association of the Company as amended by paragraph 2.3 of this Resolution;

2.3 the authorised share capital of the Company be increased to £2,000,000 by the creation of 30,000,000 new ordinary shares of 1p each, such shares forming one class with the ordinary shares of 1p each in the capital of the Company created pursuant to paragraphs 2.1 and 2.3 of this Resolution;

2.4 the Articles of Association of the Company be amended by deleting the existing Article 3.1 and substituting the following therefor:

"3.1 The share capital of the Company is £2,000,000 divided into 90,136,800 ordinary shares of 1p each (the "Ordinary Shares") and 9,984,800 deferred shares of 9p each (the "Deferred Shares") and 200,000 preference shares of £1 each ("Preference Shares").

3.2 The special rights, restrictions and provisions applicable to the Deferred Shares are as follows:-

3.2.1 as regards income:-

the Deferred Shares shall confer on the holders thereof no rights whatsoever to receive any dividend, distribution or other entitlement in respect of the profits of the Company;

3.2.2 as regards capital:-

on a winding up or other return of capital, and subject to any special rights which may be attached to any class of shares which may be issued in the future, the Deferred Shares shall entitle the holders thereof to repayment of the amounts paid up on such shares after repayment of the capital paid up on, and any other amounts which may be due and owing in respect of, all the Preference Shares and the Ordinary Shares in issue at such time;

3.2.3 as regards voting:-

the Deferred Shares shall confer on the holders thereof no rights to receive notice of or to attend or vote, whether on a show of hands or on a poll or otherwise, at any general meeting of the Company."

and by renumbering the present Articles 3.2 to 3.6 as Articles 3.3 to 3.7;

2.5 in substitution for all existing authorities the directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the "Act") to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £730,641.58 to such persons and at such times and on such terms as they think proper during the period expiring (unless previously renewed, varied or revoked by the Company in general meeting) fifteen months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution; and

2.6 in substitution for all existing authorities the directors be and are generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred on them to allot relevant securities by paragraph 2.6 of this resolution as if section 89(1) of the Act did not apply to any such allotment. This power:-

(A) expires fifteen months after the date of the passing of this resolution or at the conclusion of the next annual general meeting of the Company following the passing of this resolution, whichever first occurs, but the Company may make an offer or agreement which would or might require equity securities to be allotted after the expiry of such period and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution; and

(B) is limited to:-

(i) the allotment for cash of up to 44,739,200 ordinary shares of 1p each pursuant to the Open Offer and in satisfaction of fees and commissions payable pursuant to the terms of an underwriting agreement dated 3 March 1999 between the Company, the directors, the several persons named therein as underwriters and Bell Lawrie Wise Speke and the allotment of up to 5,900,000 New Warrants, in each case as described in the prospectus published by the Company dated 3 March 1999 which accompanies this notice; and

(ii) the allotment of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory; and

(iii) allotments of equity securities for cash otherwise than pursuant to sub-paragraphs (i) or (ii) above up to an aggregate nominal amount equal to five per cent of the nominal value of the issued ordinary share capital of the Company following completion of the Open Offer.

Registered Office:

Unit 2
Olympic Business Centre
Paycocke Road
Basildon
Essex SS14 3EX

By Order of the Board:

T Woodcock
Secretary
3 March 1999

Notes:

1. A shareholder entitled to attend and vote at the above mentioned Extraordinary General Meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the enclosed form of proxy together with the power of attorney or other authority (if any) under which it is executed (or a notarially certified or authorised copy of such power or authority) must be lodged at the office of the Company's registrars, KPMG, Festival Way, Stoke on Trent, Staffordshire, ST1 5TA not less than 48 hours before the time fixed for the meeting.
3. Completion and return of a form of proxy will not preclude a shareholder from attending the Extraordinary General Meeting and, on a poll, voting in person if he or she wishes to do so.

APPENDIX I
FINANCIAL INFORMATION ON BLAKES CLOTHING

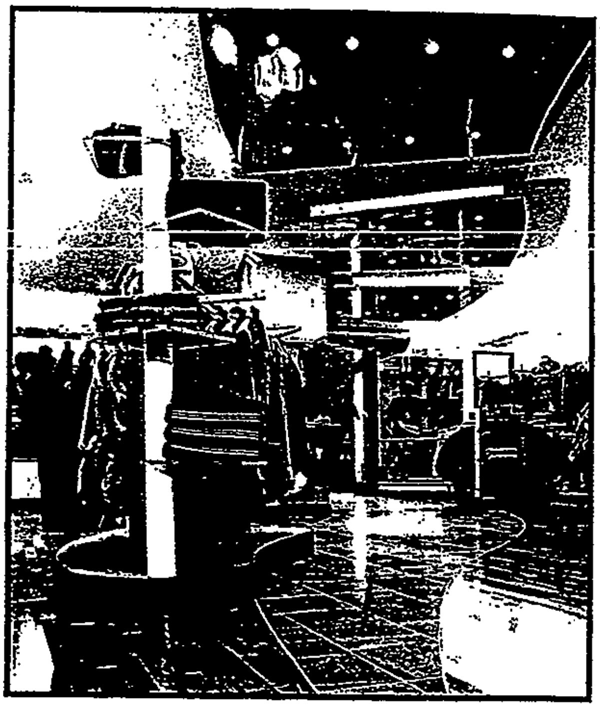
The following financial information is a reproduction of (1) the report and accounts of Blakes Clothing PLC for the year ended 31 January 1998 (2) the report and accounts of Blakes Clothing Limited for the period ended 31 January 1997 (3) the report and accounts of Casanova Fashions Limited for the 14 months ended 31 March 1997 and (4)) the report and accounts of Casanova Fashions Limited for the year ended 31 January 1996. Blakes Clothing PLC was incorporated in England and Wales with registered number 3214950 on 21 June 1996 under the Act as a private company limited by shares with the name Galehive Limited. On 25 July 1996 Galehive Limited changed its name to Blakes Clothing Limited. On 8 July 1997 Blakes Clothing Limited acquired 100 per cent of the issued share capital of Casanova Fashions Limited and on 10 July 1997 Blakes Clothing Limited was re-registered as a public limited company with the name Blakes Clothing PLC.

The accounting policies throughout the above periods have not been materially changed and have been consistently applied.

BLAKES
CLOTHING PLC

1998

REPORT AND ACCOUNTS




BLAKES
BLAKES

CONTENTS

DIRECTORS AND ADVISERS

Directors	N Kaye P Kaye D Petley D Kaye H Osmond* D Taylor* A McIntosh* **Non-Executive Director*
Secretary and registered office	D Petley Unit 2 Olympic Business Centre Paycocke Road Basildon Essex SS14 3EX
Company number	3214950
Nominated broker and nominated adviser	Wise Speke Limited National House 36 St Ann Street Manchester M60 2EP
Auditors	BDO Stoy Hayward 8 Baker Street London W1M 1DA

DIRECTORS

The Board comprises:

Neville Kaye, *Executive Chairman*
Neville Kaye was recruited by a Hong Kong based investment company in 1972 to establish a menswear chain in the UK. In 1986 Mr Kaye led a buy-out of this business which subsequently became Blakes. He acted as managing director of Casanova Fashions Limited until May 1997, at which point he was appointed Executive Chairman of Blakes Clothing PLC.

Paul Kaye, *Managing Director*
Paul Kaye joined Casanova Fashions Limited in 1987 gaining experience in warehouse management, buying, store management and new store openings. In 1993 Mr Kaye directed his time to merchandising and buying and in 1995 took full control of that area. He was appointed Managing Director of Blakes Clothing PLC in May 1997.

David Petley, ACA *Finance Director*
David Petley qualified as a Chartered Accountant in 1985 having trained with BDO Stoy Hayward. For the four years to November 1991 he worked for Southend Property Holdings plc gaining experience of the retail property market. Since 1992 he has worked for a number of businesses including Select Industries plc and has been working for Casanova Fashions Limited since October 1996. He was appointed a director of Blakes Clothing PLC in May 1997.

Dean Kaye, *Personnel, IT and Property Director*
Dean Kaye graduated from Oklahoma University and Dundee University in Accountancy in 1992. Mr Kaye was appointed a director of Casanova Fashions Limited in 1989 and Blakes Clothing PLC in November 1997. He is responsible for personnel, information technology and property matters.

Hugh Osmond, *Non-Executive Director*
Hugh Osmond graduated from Oxford University in Medicine. In 1984 he founded his own computer software company which was sold to Quotient plc in 1990. He became a UK Associate of Axel Group, a Madrid based merchant bank in 1991 and then became a director of that company. He was involved in the reverse takeover of Star Computer Group plc by the companies now comprising Pizza Express plc and remains a non-executive director of that company. He is also a director of Punch Taverns Limited and Wellington Pub Co PLC which collectively own 2,300 public houses in the UK. He was appointed a director of Blakes Clothing PLC in July 1996.

Daniel Taylor, *Non-Executive Director*
Dan Taylor graduated from Stanford University. He joined First Boston, Inc., the American investment bank in 1984, and held the title of vice-president from 1986 until his departure in 1989. He is currently President and 50% owner of Victoria Asset Management Inc., a US based property investment company which he co-founded in 1989, and is currently in the process of disposing of it's $30 million portfolio. He was also the Chairman of Calidore Group plc, an AIM listed investment company. He was appointed a director of Blakes Clothing PLC in May 1997.

Alan McIntosh, CA *Non-Executive Director*
Alan McIntosh graduated from the University of Aberdeen with an MA in economics. He qualified as a Chartered Accountant with Deloitte & Touche and subsequently joined the corporate finance department of Hill Samuel. He left Hill Samuel in 1994 and has since worked with a number of private and public companies including Topps Tiles Plc where he is a non-executive director. He is also a director of Punch Taverns Limited and Wellington Pub Co PLC which collectively own 2,300 public houses in the UK. He was appointed a director of Blakes Clothing PLC in July 1997.

CHAIRMAN'S STATEMENT

I am pleased to make my first full report to you since the admission of your Company's shares to the Alternative Investment Market of the London Stock Exchange on 6 August 1997 following the Company's acquisition of 100% of the issued share capital of Casanova Fashions Limited on 8 July 1997.

The consolidated results show the performance of the Company from 8 July 1997 to 31 January 1998. Proforma results for the year ended 31 January 1998 have been prepared to show the performance of the Company on an annualised basis.

Proforma results

The proforma results for the year ended 31 January 1998 show sales growth on continuing activities of 18% to £10.7m (1997: £9.1m) and an operating profit on continuing activities of £1.10m (1997: £1.05m) despite an increase in overhead costs reflecting the Board's strategic decision to strengthen Blakes' infrastructure in order to provide a solid platform for future growth.

As described in our AIM Prospectus, we have now closed our loss-making, discount clearance outlet, "End of the Line", which was based in Croydon. The total cost of the closure to this year's profits was £177,000 comprising £85,000 of operating losses and a one off disposal cost.

Proforma profit before tax on continuing operations of £1.10m (1997: £1.05m) was in line with the latest broker's forecast. The business achieved a gross margin of 54% from its continuing operations. Proforma earnings per share were 6.1p compared with 6.9p last year.

In our trading statement in January, we announced that sales for Christmas 1997 did not match the exceptional performance of the previous year and like-for-like turnover therefore ended the year at the same level as for 1996.

The Board proposes to make a maiden final dividend payment of 1.0p per ordinary share to shareholders on the register as at 22 May 1998 on 31 July 1998. As stated in the AIM prospectus, the Board intends to pursue a progressive dividend policy with a ratio of approximately one-third to two-thirds in respect of the interim and final dividends in the current and future financial years.

Operating review

The shop opening programme has been progressing well with 4 outlets opened during the period under review within prime centres near Leeds, Nottingham, Manchester (Arndale Centre) and Watford.

Since the year end, we have opened a 2,400 sq ft outlet in the new Cribbs Causeway shopping mall just outside Bristol and have further openings planned for September in Manchester (Trafford Centre) and in Brighton. Heads of agreement have also been reached to open outlets at retail centres in Braehead in Glasgow and Bluewater Park in Dartford which are scheduled to open in Spring 1999.

We outlined in the AIM Prospectus last August that we would be exercising a break clause in the lease of our Woking store in January 1998. We have taken this opportunity to relocate to new premises in the same centre and will re-open in July.

At the end of September, we moved to a new head office in Basildon which more than doubled our office and warehouse facilities. The move was successfully achieved with minimal disruption to trading. At the same time, we strengthened our buying department and regional management structure with the appointment of key personnel.

Current trading and prospects

We currently have two openings planned for this year in addition to the 16 outlets we already operate and the reopening of the relocated Woking shop. The new outlets are in prime retail centres across the UK which offer a high footfall and a sophisticated shopping environment. Position and price are keenly negotiated and the revised shop design complements our established retail format. We already have two further openings in position for Spring 1999 in key new shopping centres.

The new warehouse facilities in Basildon and the augmented management infrastructure give us the potential to support a significantly larger shop network. The Board intends to continue the controlled expansion of the Blakes concept where suitable units and prices can be negotiated.

The Company has now put in place the necessary infrastructure for its 3-year opening programme, including a new warehouse and appropriate central control functions. The Board believes that this extra overhead, in conjunction with the expectation of higher rent reviews at key premises, will affect profits growth in the current year. In addition, we do not foresee any like-for-like sales growth in the first half of 1998 as the same period in 1997 was significantly boosted by windfalls and lower interest rates.

Taking into account the above factors, the Board has taken a conservative approach to its 1998/99 budgets and is not anticipating an increase in profits in the current year. However, cashflow from the business continues to be strong and the Board believes that its strategy to invest in a firm foundation for major expansion and profits will be successful in the medium to long term.

Finally I would like to thank all BLAKES stores staff for their effort and enthusiasm, their work is much appreciated and is an important factor in our continued growth. Also my gratitude to our management team who ensure they live up to our mission statement with their dedication and enthusiasm.

"BLAKES – A TEAM COMMITTED TO
QUALITY, MOTIVATION, SUPPORT
AND SUCCESS"

N Kaye
Chairman

24 June 1998

UNAUDITED PROFORMA PROFIT AND LOSS ACCOUNT

For the year ended 31 January 1998

	Year ended 31 January 1998			Year ended 31 January 1997
	Continuing £'000	Discontinued £'000	Total £'000	£'000
Turnover	10,717	161	10,878	9,064
Cost of sales	4,940	116	5,056	4,132
	5,777	45	5,822	4,932
Administrative expenses	4,677	130	4,807	3,882
Operating profit	1,100	(85)	1,015	1,050
Loss on disposal of discontinued operation	—	92	92	—
Profit/(loss) on ordinary activities before interest	1,100	(177)	923	1,050
Interest receivable			21	17
Interest payable			(7)	(23)
Profit on ordinary activities before taxation			937	1,044
Taxation on profits on ordinary activities			309	345
Profit on ordinary activities after taxation			628	699
Proforma earnings per share			6.1p	6.9p
Proforma diluted earnings per share			5.8p	6.5p

Basis of preparation

The proforma statement has been prepared on the assumption that Casanova Fashions Limited, (Blakes trading subsidiary company) has been a subsidiary of Blakes Clothing PLC for the two years ended 31 January 1998 which is consistent with information previously sent to shareholders. It also assumes that Blakes Clothing PLC will incur £10,000 of management expenses each year. The taxation charge is calculated by applying the effective tax rate of 33% for both years. The proforma earnings per share has been calculated using the profit after taxation and after deducting a £14,000 preference share apportionment for each year. The weighted average number of shares in issue has been assumed to be 9,984,800 being the number of shares in issue at 31 January 1998.

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements for the year ended 31 January 1998.

Results and dividends

The profit and loss account for the Group is set out on page 15 and shows the profit for the year.

The Directors recommend a dividend of 1 pence per ordinary share.

Principal activities, trading review and future developments

The Company acquired all the issued share capital of Casanova Fashions Limited on 8 July 1997.

The principal activity of the Group is that of menswear retailer. A full review of the Group's activities during the year and subsequent events is set out in the Chairman's statement.

Directors

The Directors of the Company during the year and their beneficial interests in the ordinary share capital of the Company were:

		Ordinary shares of 10p each	
		31 January 1998	31 January 1997 or Date of appointment
N Kaye	(appointed 30 May 1997)	272,690	—
P Kaye	(appointed 30 May 1997)	15,662	—
D Petley	(appointed 30 May 1997)	34,480	—
D Kaye	(appointed 3 November 1997)	10,242	7,242
H Osmond		612,555	—
D Taylor	(appointed 30 May 1997)	103,450	—
A McIntosh	(appointed 8 July 1997)	398,480	—

No Directors remain as directors of Storedale plc, which held 20.03% of the Company's issued ordinary share capital at 31 January 1998.

Substantial equity shareholdings

As at 24 June 1998 the Company has been notified by the following whose interests total 3% or more of the issued ordinary share capital of the Company.

	Ordinary shares of 10p each	
	Number of shares	Percentage
Storedale plc	1,970,000	19.73
Mid Ocean Securities Limited	1,599,463	16.02
L Johnson	894,114	8.95
Nat West Alliance Nominees Limited	381,836	3.82

REPORT OF THE DIRECTORS

Payment to creditors

The Group agrees a variety of terms and conditions for business transactions with its suppliers. Payment is then made in accordance with these terms, subject to the terms and conditions being met by the supplier.

The number of supplier days represented by trade creditors for the Group at 31 January 1998 was 33.

Year 2000

We have contacted all of our clothing suppliers regarding the millennium problems requesting confirmation that they are Year 2000 compliant. As yet we have had no worrying responses, and do not envisage any.

As regards to ourselves we are currently in the process of testing all of our systems, even though the suppliers of our computer hardware and software have given us written assurances of the fact that they are Year 2000 compliant. We have not quantified the cost of testing our systems.

If there are any problems with any of our systems, this will be known within the next few months and rectified well in advance of the millennium.

There can be no absolute guarantee that the problem will have been eliminated in advance of the Year 2000, but we believe that our business is well advanced in this area.

Corporate governance

The Group observes best practice with regard to corporate governance and has complied with all the applicable recommendations of the Cadbury Committee Code of Best Practice.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Directors' statement of internal control

The Directors are responsible for the Group's system of internal financial control. Any system of internal financial control can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group prepares regular management accounts, sales reports and other management information. There are established procedures for the consideration of all variances from the budgets by each Store Manager and the Executive Directors. Management information is monitored by the Board at each Board Meeting against previously agreed budgets.

The Audit Committee also monitors the effectiveness of the internal financial control systems.

The directors have considered the effectiveness of the system of internal control.

Auditors

BDO Stoy Hayward, who were appointed as auditors of the Company by the Directors, have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period which 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 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; 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

D Petley
Secretary

24 June 1998

REPORT OF THE AUDIT COMMITTEE

The members of the Committee are:

D Taylor, *Chairman*
A McIntosh
H Osmond

In addition the Finance Director and a representative of the Group's Auditors attend meetings. All Executive Directors have the right to attend. The Committee normally meets three times a year, with further meetings as circumstances require.

The Committee considers the Group's half year and annual financial statements prior to their approval by the Board. It focuses on changes in accounting practice, major areas of judgement, the going concern assumption, and compliance with accounting principles and regulatory requirements.

The Committee examines whatever aspects of the Group's financial affairs and audit it considers appropriate. In conjunction with the Auditors it reviews the effectiveness of the Group's system of accounting and internal financial controls.

The Committee reviews the plans and findings of the Group's Auditors with them each year. It also makes recommendations as regards the appointment of the Group's Auditors.

D Taylor
Chairman, Audit Committee

24 June 1998

REPORT ON REMUNERATION AND RELATED MATTERS

This report covers the remuneration of the Non-Executive as well as the Executive Directors. It therefore covers issues which are the concern of the Board as a whole in addition to those which are dealt with by the Remuneration Committee.

The Remuneration Committee

The Remuneration Committee reviews, determines and recommends to the Board for approval the remuneration of all Executive Directors. It has established a framework of policies within which it sets the remuneration package for each Executive Director. The Remuneration Committee is made up wholly of Non-Executive Directors in accordance with the Greenbury recommendation as follows:

H Osmond, *Chairman*
D Taylor
A McIntosh

Throughout the year the Company has complied with the requirements of Section A of the Best Practice Provisions annexed to the Listing Rules of the London Stock Exchange as regards remuneration committees and remuneration policy.

Remuneration policies

The objectives of the Remuneration Committee's policies are that Executive Directors should receive compensation which is appropriate to their scale of responsibility and performance, and which will attract, motivate and retain executives of the necessary calibre. The Committee also proposes the principles underlying remuneration for other senior executives. In framing the remuneration policies, the Remuneration Committee has given full consideration to the requirements set out in Section B of the Best Practice Provisions annexed to the Listing Rules of the London Stock Exchange.

The remuneration packages of N Kaye, P Kaye and D Kaye consist of annual salary, car benefits, reimbursement of reasonable mobile phone rental and call costs, clothing allowance, contributions to pension schemes, entitlement to life assurance and private medical insurance.

In addition, P Kaye and D Kaye are entitled to participate in the Company's Executive Share Option Scheme and to receive an annual cash bonus.

The remuneration package of D Petley consists of an annual salary, and participation in the Company's Executive Share Option Scheme.

Summary of remuneration

Salaries of Executive Directors

In setting salary levels the Committee compared the remuneration packages with those for jobs of similar type and seniority in relevant similar companies. In selecting appropriate survey comparators consideration was given to the level of managerial responsibility, size of company and industry sector.

Bonuses

Annual cash bonuses are currently based on targets linked to financial performance measured by reference to annual profits. Annual cash bonuses do not form part of the pensionable earnings.

REPORT ON REMUNERATION AND RELATED MATTERS

Pensions

The Company has contributed to the Executive Directors' defined contribution pension scheme at a rate based on basic salary.

Share options

The Executive Directors have options under the Executive Share Option Scheme.

Non-Executive Directors' remuneration

None of the Non-Executive Directors has received remuneration, benefits or pension contributions during the year.

Non-Executive Directors are entitled to submit invoices to the Group in respect of fees for their services.

Service contracts

The services of the Executive Directors are provided under contracts which may be terminated on one year's notice or less following an initial term of office as follows:

	Date initial term expires
N Kaye	9 July 1998
P Kaye	17 July 1998
D Kaye	17 July 1998
D Petley	10 July 1998

Non-Executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

Table of Directors' Remuneration

	Salary and fees 1998 £'000	Benefits 1998 £'000	Bonus 1998 £'000	Total 1998 £'000	Total 1997 £'000	Contributions to defined contribution pension scheme 1998 £'000	1997 £'000
Executive Directors							
N Kaye	35	4	—	39	—	4	—
P Kaye	38	4	79	121	—	5	—
D Petley	15	—	—	15	—	—	—
D Kaye	7	1	20	28	—	1	—
Non-Executive Directors							
H Osmond	—	—	—	—	—	—	—
D Taylor	—	—	—	—	—	—	—
A McIntosh	—	—	—	—	—	—	—
	95	9	99	203	—	10	—

The Group only makes contributions to the defined contribution pension scheme of the above 3 Directors.

All of the above amounts were paid or provided by the Company's subsidiary undertaking, Casanova Fashions Limited.

Note

The table is in the form recommended by the Greenbury Committee's Report dated 17 July 1995.

Table of Directors' Share Options

	Granted during and at end of year	Exercise price	Date from which exercisable	Expiry date
P Kaye	310,345	72.5p	6 August 1998	6 August 2004
D Petley	27,586	72.5p	6 August 2000	6 August 2004
D Kaye	241,380	72.5p	6 August 1998	6 August 2004

None of the Directors have exercised share options during the year.

The mid-market price of the Company's ordinary shares at 31 January 1998 was 49.5p per share and the range during the year was 49.5p to 80p per share.

H Osmond
Chairman, Remuneration Committee

24 June 1998

REPORT OF THE AUDITORS

To the shareholders of Blakes Clothing PLC

We have audited the financial statements on pages 15 to 28 which have been prepared under the accounting policies set out on page 20 and examined the amounts disclosed in respect of Directors' Remuneration and Share Options as set out in the Report of the Remuneration Committee on pages 11 to 13.

Respective responsibilities of Directors and Auditors
As described on page 9 the Company's Directors are responsible for the preparation of the 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 and the Group as at 31 January 1998 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward
Chartered Accountants
and Registered Auditors
London

24 June 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 January 1998

	Note	1998 Continuing £'000	1998 Discontinued £'000	1998 Total £'000	1997 £'000
Turnover	1, 2	7,178	50	7,228	—
Cost of sales		3,373	43	3,416	—
Gross profit		3,805	7	3,812	—
Administrative expenses		2,877	43	2,920	—
Operating profit	4	928	(36)	892	—
Loss on disposal of discontinued operation		—	(92)	(92)	—
Profit/(loss) on ordinary activities before interest		928	(128)	800	—
Interest receivable				21	—
Interest payable	5			(8)	—
Profit on ordinary activities before taxation				813	—
Taxation on profits on ordinary activities	6			275	—
Profit on ordinary activities after taxation				538	—
Dividends and appropriations	7			107	—
Retained profit for the year	18			431	—
Earnings per share	8			9.3p	0.0p
Diluted earnings per share	8			8.7p	0.0p

All the above amounts relate to acquisitions during the period except for administrative expenses of £4,000.

Discontinued activities relate to the subsequent closure during the year of the Group's discount clearance outlet, "End of the Line".

All recognised gains and losses are included in the profit and loss account.

The notes on pages 20 to 28 form part of these financial statements.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

For the year ended 31 January 1998

	1998		1997	
	Group £'000	Company £'000	Group £'000	Company £'000
Profit for the financial year	538	192	—	—
Dividends and appropriations	(107)	(107)	—	—
	431	85	—	—
New ordinary share capital subscribed (net of issue costs)	1,157	1,157	—	—
New preference share capital subscribed	200	200	—	—
Merger reserve arising on acquisition	5,000	—	—	—
Goodwill written off	(4,713)	—	—	—
Finance cost appropriation of non-equity interests	7	7	—	—
Net addition to shareholders' funds at 31 January	2,082	1,449	—	—

The notes on pages 20 to 28 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 January 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Tangible assets	10		2,042		—
Current assets					
Stocks	12	634		—	
Debtors	13	434		—	
Cash at bank and in hand		1,294		—	
		2,362		—	
Creditors: amounts falling due within one year	14	1,835		—	
Net current assets			527		—
Total assets less current liabilities			2,569		—
Creditors: amounts falling due after more than one year	15		356		—
Provision for liabilities and charges	16		131		—
			2,082		—
Capital and reserves					
Called up share capital	17		1,198		—
Share premium account	18		159		—
Merger reserve	18		287		—
Profit and loss account	18		438		—
Shareholders' funds			2,082		—

Included within shareholders' funds of £2,082,000 is an amount £207,000 attributable to non-equity interests.

These financial statements were approved by the Board on 24 June 1998

N Kaye
Directors
P Kaye

The notes on pages 20 to 28 form part of these financial statements.

BALANCE SHEET

At 31 January 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Fixed assets					
Investments	11		1,176		—
Current assets					
Debtors	13	405		—	
Creditors: amounts falling due within one year	14	132		—	
Net current assets			273		—
Total assets less current liabilities			1,449		—
Capital and reserves					
Called up share capital	17		1,198		—
Share premium account	18		159		—
Profit and loss account	18		92		—
Shareholders' funds			1,449		—

Included within shareholders' funds of £1,449,000 (1997: £Nil) is an amount £207,000 (1997: £Nil) attributable to non-equity interests.

These financial statements were approved by the Board on 24 June 1998

N Kaye
P Kaye
Directors

The notes on pages 20 to 28 form part of these financial statements.

CASH FLOW STATEMENT

For the year ended 31 January 1998

	Note	1998 £'000	1998 £'000	1997 £'000	1997 £'000
Net cash inflow from operating activities	19		1,966		—
Returns on investments and servicing of finance					
Interest received		21		—	
Bank interest paid		(4)		—	
Finance lease interest paid		(4)		—	
			13		—
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(821)		—	
Receipts from sale of tangible fixed assets		56		—	
			(765)		—
Acquisitions and disposals					
Payments to acquire subsidiary undertakings		(176)		—	
Net overdraft acquired with subsidiary	21, 22	(66)		—	
			(242)		—
Cash inflow before use of liquid resources and financing			972		—
Management of liquid resources					
Payments to acquire short term deposits	20	(1,294)		—	
			(1,294)		—
Financing					
Issue of shares		678		—	
Issue costs		(321)		—	
Repayment of capital portion of finance leases	20	(35)		—	
			322		—
Increase in cash in the year	20		—		—
Reconciliation of net cash flow to movement in net funds	20				
Repayment of finance leases		35		—	
Cash outflow from increase in liquid resources		1,294		—	
			1,329		—
Finance leases acquired with subsidiary			(22)		—
Net finance leases			(84)		—
Change in net funds and at end of year			1,223		—

The notes on pages 20 to 28 form part of these financial statements.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

For the year ended 31 January 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Blakes Clothing PLC and its subsidiary undertaking made up to 31 January 1998.

The acquisition method of accounting has been used to consolidate the results of the subsidiary undertaking in the Group financial statements from the date of its acquisition.

Goodwill on consolidation arises under acquisition accounting and represents the excess of purchase consideration over the fair value of the underlying net assets of subsidiaries at the time of acquisition. Goodwill arising on acquisitions is written off to reserves in the year in which it arises.

Turnover
Turnover represents sales to external customers at invoiced amounts less value added tax.

Fixed asset investments
Investments held as fixed assets are valued at cost less any provision for a permanent diminution in value.

Stocks
Stock is valued at the lower of cost and net realisable value.

Depreciation
Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

Furniture, fixtures, fittings and pre-opening rents	– 10% straight line or over the remaining periods if the lease is shorter
Motor vehicles	– 25% per annum reducing balance

Deferred taxation
Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can be reasonably foreseen that such deferred taxation will not be payable in the future.

Leased assets
Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are released to the profit and loss account on a straight line basis over the period of the lease or until the next rent review, whichever is the sooner.

Pension costs

The Group makes contributions to both the Group's defined contribution scheme and to employees' personal pension schemes. All contributions are charged to the profit and loss account in the year in which they become payable.

2 Turnover and operating profit

The turnover and profit before taxation is wholly attributable to the retailing of menswear in the United Kingdom.

3 Employees

	1998 £'000	1997 £'000
Staff costs (including Directors) consist of:		
Wages and salaries	882	—
Social security costs	88	—
Other pension costs	13	—
	983	—

	1998 Number	1997 Number
The average monthly number of employees, including Directors, during the period was:		
Administration	18	—
Selling	79	—
	97	—

4 Operating profit

	1998 £'000	1997 £'000
This is arrived at after charging:		
Rent on operating leases – land and buildings	1,062	—
– equipment	6	—
Auditors' remuneration – audit services	17	—
Depreciation	155	—

5 Interest payable and similar charges

	1998 £'000	1997 £'000
Bank interest	2	—
Hire purchase interest	4	—
Other interest	2	—
	8	—

6 Taxation on profit from ordinary activities

	1998 £'000	1997 £'000
UK corporation tax	245	—
Transfer to deferred taxation	30	—
	275	—

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

7 Dividends and appropriations

	1998 £'000	1997 £'000
Equity interests:		
Proposed dividend of 1p per ordinary share (1997: Nil)	100	—
Non-equity interests:		
Finance cost appropriations	7	—
	107	—

8 Earnings per share

The earnings per share is calculated by reference to the profit, after taxation and after preference share appropriations of £531,000 and the weighted average number of shares in issue during the year of 5,683,485. The fully diluted earnings per share are based on the share options, warrants and preference shares outstanding.

9 Blakes Clothing PLC - profit and loss account

The Company has taken advantage of the exemption allowed by Section 230 of the Companies Act 1985 from presenting its own profit and loss account. The profit for the year available before distributions dealt with in the financial statements of the Company was £192,000 (1997: Nil).

10 Tangible assets

	Furniture, fixtures and pre-opening rents £'000	Motor vehicles £'000	Total £'000
Cost			
On acquisition of subsidiary	2,060	145	2,205
Additions	812	93	905
Disposals	—	(65)	(65)
At 31 January 1998	2,872	173	3,045
Depreciation			
On acquisition of subsidiary	836	27	863
Provided for the period	135	20	155
Disposals	—	(15)	(15)
At 31 January 1998	971	32	1,003
Net book value			
At 31 January 1998	**1,901**	**141**	**2,042**

The net book value of tangible fixed assets includes an amount of £94,000 (1997: Nil) in respect of assets held under finance leases. The related depreciation charge for the period was £9,000 (1997: Nil).

11 Fixed asset investments

	Group undertakings 1998 £'000	Group undertakings 1997 £'000
Company		
Cost		
Additions and at 31 January 1998	1,176	—

The Company owns 100% of the issued share capital of Casanova Fashions Limited, a company which is registered and operates in England, and whose principal activity is the retailing of menswear.

The consolidated financial statements of the Company include the results of this subsidiary.

12 Stocks

	1998 Group £'000	1998 Company £'000	1997 Group £'000	1997 Company £'000
Goods held for resale	634	—	—	—

In the Directors' opinion there is no significant difference between the replacement cost of stocks and the amounts stated above.

13 Debtors

	1998 Group £'000	1998 Company £'000	1997 Group £'000	1997 Company £'000
Prepayments	314	—	—	—
Other debtors	95	32	—	—
Amounts owed by Group undertakings	—	148	—	—
Dividends receivable	—	200	—	—
ACT recoverable	25	25	—	—
Amounts falling due within one year	434	405	—	—

14 Creditors: amounts falling due within one year

	1998 Group £'000	1998 Company £'000	1997 Group £'000	1997 Company £'000
Trade creditors	761	7	—	—
Dividends	100	100	—	—
Creditors for taxation and social security	325	—	—	—
Corporation tax	340	25	—	—
Obligations under finance leases	40	—	—	—
Accruals and deferred income	269	—	—	—
	1,835	132	—	—

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

15 Creditors: amounts falling due after more than one year

	1998 Group £'000	1998 Company £'000	1997 Group £'000	1997 Company £'000
Obligations under finance leases	31	—	—	—
Deferred income on lease incentives	325	—	—	—
	356	—	—	—
The obligations under finance leases are due as follows:				
Within one to two years	30	—	—	—
Within two to five years	1	—	—	—
	31	—	—	—

16 Deferred taxation

	1998 Group Provided in accounts £'000	1998 Company Provided in accounts £'000	1997 Group Provided in accounts £'000	1997 Company Provided in accounts £'000
Accelerated capital allowances	154	—	—	—
Short term timing differences	(23)	—	—	—
	131	—	—	—

	£'000
Deferred tax movements are:	
Acquired with subsidiary undertaking (note 22)	101
Transfer from profit and loss account (note 6)	30
At end of year	131

There is no unprovided deferred tax.

17 Share capital

	1998 Authorised Number	1998 £'000	1997 Authorised Number	1997 £'000
Ordinary shares of £1 each	—	—	1,000	1
Ordinary shares of 10p each	15,000,000	1,500	—	—
Preference shares of £1 each	200,000	200	—	—
	15,200,000	1,700	1,000	1

17 Share capital continued

On 8 July 1997 the two ordinary shares of £1 each were subdivided into 20 ordinary shares of 10p each. Movement in the issued share capital is set out below:

		Ordinary shares of 10p each Number	£'000	Preference shares of £1 each Number	£'000
8 July 1997	Subdivision as described above	20	—	—	—
8 July 1997	Share for share acquisition of 100% of the issued share capital of Casanova Fashions Limited from Storedale plc	7,999,980	800	200,000	200
9 July 1997	Issue of ordinary shares pursuant to 200,000 Warrants exercised at a price of 25p per share	200,000	20	—	—
9 July 1997	Conversion of £350,000 of 7% unsecured subordinated loan stock 1998 at a price of 25p per share	1,400,000	140	—	—
10 July 1997	Issue of ordinary shares at a price of 72.5p per share	384,800	38	—	—
Allotted, called up and fully paid shares at 31 January 1998		9,984,800	998	200,000	200

The preference shares are convertible into ordinary shares, on a one for one basis, at any time following the publication of the statutory financial statements of the Company for the year ended 31 January 1998. Any preference shares not previously converted shall be redeemed at 115% at par value on 1 January 2000.

The preference shares do not carry the right to receive a dividend. Except in limited circumstances, preference shareholders are not entitled to vote at general meetings of the Company in respect of their holding of preference shares. Preference shareholders shall be entitled to receive payment in respect of their preference shares in priority to the holders of any other class of share on the distribution of the surplus assets of the Company in the event that assets are available for distribution amongst the members in a winding up of the Company or other return of capital by the Company.

The Company has granted options to acquire ordinary shares as follows:

Number of options granted	Normal date of exercise	Option price
712,071	1998-2004	72.5p

At 31 January 1998, there were in existence 500,000 warrants which will entitle the warrant holder to subscribe for 1 ordinary share per warrant at a price of 25p per share. Subscription rights on these warrants will expire on 31 December 2002.

18 Reserves

	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
Group			
Retained profit for the year	—	—	431
Finance cost appropriation of non-equity interests	—	—	7
Premium on issue of shares	480	5,000	—
Issue costs	(321)	—	—
Goodwill written off	—	(4,713)	—
At 31 January 1998	159	287	438

	Share premium account £'000	Profit and loss account £'000
Company		
Retained profit for the year	—	85
Finance cost appropriations of non-equity interests	—	7
Premium on issue of shares	480	—
Issue costs	(321)	—
At 31 January 1998	159	92

19 Reconciliation of operating loss to net cash inflow from operating activities

	1998 £'000	1997 £'000
Operating profit	892	—
Increase in stock	(7)	—
Decrease in debtors	646	—
Increase in creditors	378	—
Depreciation	155	—
Profit on sale of fixed assets	(6)	—
Loss on disposal of discontinued activities	(92)	—
Net cash inflow from operating activities	1,966	—

20 Analysis of changes in net funds

	Cash flow £'000	Finance leases acquired with subsidiary £'000	Inception of finance leases (note 21) £'000	At 31 January 1998 £'000
Short term deposits	1,294	—	—	1,294
Finance leases	35	(22)	(84)	(71)
Net funds	1,329	(22)	(84)	1,223

21 Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the finance leases of £84,000.

In addition, the Company acquired the entire share capital of Casanova Fashions Limited in a share for share exchange as disclosed in note 22 to these financial statements.

22 Purchase of subsidiary undertaking

On 8 July 1997 the Company acquired the entire share capital of Casanova Fashions Limited for 7,999,980 ordinary shares and 200,000 preference shares, giving rise to goodwill of £4,713,000. The fair value of Casanova Fashions Limited was assessed and no adjustments were found necessary.

	£'000
Net assets acquired:	
Fixed assets	1,342
Stock	627
Cash	(66)
Debtors	1,055
Creditors	(1,302)
Finance lease creditors	(22)
Corporation taxation	(70)
Deferred taxation	(101)
	1,463
Purchased goodwill	4,713
Purchase consideration	6,176
Satisfied by:	
Issue of 7,999,980 ordinary shares at a fair value of 72.5p	5,800
Issue of 200,000 preference shares	200
Cash paid	176
	6,176

The subsidiary acquired during the year contributed to all of the Group's cash flows except for £33,000 net operating outflow, £176,000 cash outflow to acquire the subsidiary and £357,000 net cash inflow from the issue of shares.

22 Purchase of subsidiary undertaking continued

The trading results and statement of recognised gains and losses of Casanova Fashions Limited for the period 1 April 1997 to 8 July 1997 and 14 months ended 31 March 1997 were as follows:

	1 April 1997 to 8 July 1997 £'000	14 months ended 31 March 1997 £'000
Sales	2,522	10,192
Operating profit	213	974
Profit before taxation	213	967
Taxation	69	351
Profit after taxation	144	616

There were no minority interests for the period. All recognised gains and losses are included in the profit after taxation for the period.

The subsidiary has been accounted for under the acquisition method of accounting.

23 Commitments under operating leases

As at 31 January 1998, the Company had annual commitments under non-cancellable operating leases as set out below:

	1998 Land and buildings		1997 Land and buildings	
	Group £'000	Company £'000	Group £'000	Company £'000
Operating leases which expire:				
In two to five years	95	—	—	—
Over five years	2,775	—	—	—
	2,870	—	—	—

The above figures excludes additional rent payable on certain leases calculated as a percentage of a stores turnover.

24 Related party transactions

On 8 July 1997 the Company acquired all the issued share capital of Casanova Fashions Limited from Storedale plc as disclosed in note 22.

The Group leases two properties from N Kaye, a director of the Group. The Group pays an annual rental charge on these properties of £55,000 per annum.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Blakes Clothing PLC will be held at Forte Posthouse, Cranes Farm Road, Basildon, Essex SS14 3DG on Wednesday, 29 July 1998 at 10.00 a.m.when the following business will be conducted.

To consider as ordinary business and, if thought fit, to pass the following resolutions of which resolutions 11 and 12 will be proposed as special resolutions:

1 To receive and adopt the financial statements for the year ended 31 January 1998 and to receive the Directors' and Auditors' reports.

2 To declare a final dividend of 1p per ordinary share.

3 To re-appoint BDO Stoy Hayward as Auditors for the Company until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.

4 To re-elect N Kaye as a Director.

5 To re-elect P Kaye as a Director.

6 To re-elect D Petley as a Director.

7 To re-elect D Kaye as a Director.

8 To re-elect H Osmond as a Director.

9 To re-elect A McIntosh as a Director.

10 To re-elect D Taylor as a Director.

11 THAT the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £501,520 provided that this authority shall expire on the date of the next Annual General Meeting or on the expiry of fifteen (15) months from the date of passing of this resolution (whichever shall be sooner), unless and to the extent that such authority is renewed prior to such date and save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

12 THAT subject to the passing of the previous resolution 11 the Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by the previous resolution 11 as if section (1) of Section 89 of the said Act did not apply to any such allotment provided that;

12.1 this power shall be limited to the allotment of equity securities during the period commencing on the date of the passing of this resolution and ending at the conclusion of the next Annual General Meeting of the Company or on the expiry of fifteen months whichever the sooner (but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power); and

NOTICE OF MEETING

12.2 the aggregate nominal value of the equity securities allotted under this authority shall not exceed £49,924 but for this purpose no account should be taken of any equity securities allotted pursuant to any employees' share scheme (as defined by the Companies Act 1985) operated by the company or any of its subsidiaries.

13 THAT the Company is hereby generally authorised to make market purchases (within the meaning of Section 163(3) Companies Act 1985) of ordinary shares of 10p each in the capital of the Company ("ordinary shares") provided that:

the maximum number of ordinary shares authorised to be acquired is 998,480 ordinary shares; the minimum price which may be paid for each ordinary share is 10p (exclusive of expenses); and

the maximum price (exclusive of expenses) which may be paid for each ordinary share is, in respect of a share contracted to be purchased on any day, an amount equal to 105 per cent. of the average of the middle market quotations of ordinary shares taken from the Daily Official List of London Stock Exchange Limited for the ten business days immediately preceding the day on which the contract of purchase is made.

This authority will (unless renewed) expire at the conclusion of the next Annual General Meeting of the Company held after the date on which this resolution is passed or, if earlier, fifteen (15) months from the date of the passing of this resolution.

The company may make a contract of purchase of ordinary shares under this authority before this authority expires which will or may be executed or partly after its expiration.

By order of the Board

D Petley
Secretary

24 June 1998

Registered Office:
Unit 2
Olympic Business Centre
Paycocke Road
Basildon
Essex SS14 3EX

Notes:

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a member of the Company.

(ii) A form of proxy is attached which should be completed and lodged at the offices of the Company's Registrars not later than 48 hours prior to the time of the Meeting.

(iii) The following information which is available for inspection at the Registered Office of the Company during business hours from the date of this Notice until the date of the Annual General Meeting will also be available at the Meeting from 10.00 a.m. until the conclusion of the Meeting.

(a) particulars of transactions of the Directors in the shares of the Company; and

(b) copies of all service/consultancy agreements of the Directors with the Company or its subsidiary undertakings.

FORM OF PROXY

For use at the Annual General Meeting

I/We...

of...
being a member/members of Blakes Clothing PLC ("the Company") whose registered office is at Unit 2, Olympic Business Centre, Paycocke Road, Basildon, Essex SS14 3EX, hereby appoint the Chairman of the Meeting or

....
as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Forte Posthouse, Cranes Farm Road, Basildon, Essex SS14 3DG, on Wednesday, 29 July 1998 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote on the Resolutions as set out in the Notice convening the Annual General Meeting as follows:

Resolutions	For	Against
1 To adopt the financial statements for the year ended 31 January 1998 and to receive the Directors' and Auditors' Reports.	☐	☐
2 To declare a final dividend of 1p per ordinary share.	☐	☐
3 To re-appoint BDO Stoy Hayward as Auditors.	☐	☐
4 To re-elect N Kaye as a Director.	☐	☐
5 To re-elect P Kaye as a Director.	☐	☐
6 To re-elect D Petley as a Director.	☐	☐
7 To re-elect D Kaye as a Director.	☐	☐
8 To re-elect H Osmond as a Director.	☐	☐
9 To re-elect A McIntosh as a Director.	☐	☐
10 To re-elect D Taylor as a Director.	☐	☐
11 To grant the Directors authority to allot relevant securities.	☐	☐
12 To empower the Directors to disapply statutory pre-emption rights.	☐	☐
13 To authorise the Company to purchase its ordinary shares.	☐	☐

Signature...

Date...1998

Notes:

1. Please indicate with an "X" in the spaces provided, how you wish your votes to be cast. If you do not indicate how your votes are to be cast the proxy will vote as he thinks fit or abstain.
2. In the case of a corporation, this proxy must be executed under the Common Seal or under the hand of an Officer or duly authorised Attorney. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of votes of the other registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members.
3. To be effective this form of proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified or office copy of such power or authority, must be deposited at the Company's registrars, KPMG, Festival Way, Stoke-on-Trent, Staffordshire ST1 5TA not less than 48 hours before the time of the meeting.
4. Any alterations made to this form of proxy should be initialled.
5. If you wish to appoint a proxy other than as above please delete the reference to the Chairman and insert instead the name of your proxy (who need not be a member of the Company) in the space provided. A proxy must attend the meeting in person to represent you.

First Fold

Third Fold (Tuck in)

1

KPMG

FREEPOST

Stoke on Trent

ST1 5BR

Second Fold

First Fold

BRANCHES

Walworth Road, Walworth

Riverdale, Lewisham

Merryhill Centre, Dudley

Lakeside Centre, West Thurrock

Meadowhall Centre, Sheffield

The Glades, Bromley

Royal Victoria Place, Tunbridge Wells

The Peacocks, Woking

Bentalls Centre, Kingston-upon-Thames

Whitgift Centre, Croydon

New Street, Birmingham

Silbury Arcade, Milton Keynes

White Rose Centre, Leeds

Victoria Centre, Nottingham

Arndale Centre, Manchester

Harlequin Centre, Watford

Cribbs Causeway, Bristol

OPENING SHORTLY

Trafford Park, Manchester

Churchill Square, Brighton

Braehead, Glasgow

Bluewater Park, Dartford

CASANOVA FASHIONS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

14 MONTHS ENDED 31 MARCH 1997

(Registered number 1957503)

CASANOVA FASHIONS LIMITED

DIRECTORS' REPORT

The directors submit the audited accounts of the Company for the 14 month period ended 31 March 1997.

1 **PRINCIPAL ACTIVITIES**

The principal activities of the Company comprise the operating of men's fashion wear shops.

2 **REVIEW OF BUSINESS**

The directors are pleased with the results for the year achieved in a difficult trading period for the retail sector.

The directors remain confident about the Company's future prospects.

3 **PROFIT AND DIVIDENDS**

The profit after taxation for the financial period amounted to £616,000 (1995/96 restated £222,000).

The directors do not recommend the payment of a final dividend (1995/96 £Nil).

The retained profit for the financial period of £466,000 is added to the retained profit brought forward of £848,000 giving a balance of reserves of £1,314,000 to be carried forward on the Profit and Loss Account.

4 **FIXED ASSETS**

During the period the Company opened new shops in Milton Keynes and Leeds and spent £446,000 on fitting out costs.

5 **DIRECTORS**

The directors who have served the Company during the period are detailed below together with their interests in the share capital of the Company and of Formal Group PLC, its parent company, as at 31 March 1997.

	31 March 1997	31 January 199
N E Kaye	-	2,5C
P M Kaye	-	
D A Kaye	-	

	Number of ordinary shares in Formal Group 31 March 1997	Number of ordinary shar in Formal Gro 31 January 19
N E Kaye	375,000	
P M Kaye	147,099	

Mr P M Kaye has an option to subscribe for 500,000 ordinary shares of 50p each in the capital o Formal Group PLC.

DIRECTORS' REPORT (CONTINUED)

6 AUDITORS

During the period Derek Webster & Co. resigned as auditors and were replaced by Price Waterhouse. A resolution to re-appoint the auditors will be proposed at the Annual General Meeting.

By order of the Board

N E Kaye
Managing Director

11 July 1997

CASANOVA FASHIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

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 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, 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

32 London Bridge Street
London SE1 9SY
Telex: 884657 PRIWAT G
Facsimile: 0171-378 0647

Price Waterhouse

AUDITORS' REPORT TO THE MEMBERS OF CASANOVA FASHIONS LIMITED

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

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 estimate and judgements made by the directors in the preparation of the accounts, 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 w considered necessary in order to provide us with sufficient evidence to give reasonable assuranc that the accounts 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.

Going Concern

In forming our opinion we have considered the adequacy of the disclosures made in Note 2 to th financial statements concerning the impact on the Company if their ultimate parent, Formal Grou PLC, were to cease trading prior to the completion of the flotation of Blakes Clothing PLC on the Alternative Investment Market. The continued operational existence of Formal Group PLC is int alia, dependant upon it raising sufficient net proceeds from the sale of shares in Blakes Clothing PLC on its flotation. Should the flotation not be completed, there can be no assurance that Blak Clothing PLC and the Company would not suffer financial loss.

In view of the significance of this uncertainty we consider it should be drawn to your attention bu our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1997 and of the profit and cash flow for the period then ended and have been properly prepared in accordance with the Companies Act 1995.

Price Waterhouse
Chartered Accountants
and Registered Auditors

11 July 1!

CASANOVA FASHIONS LIMITED

PROFIT AND LOSS ACCOUNTS

	Notes	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
TURNOVER - continuing	1	10,192	6,537
Cost of sales		(4,658)	(2,888
GROSS PROFIT		5,534	3,649
ADMINISTRATIVE EXPENSES			
- recurring		(4,443)	(2,776
- non recurring directors' emoluments		(117)	(544
OPERATING PROFIT		974	329
Interest receivable and similar income		17	33
Interest payable and similar charges	6	(24)	(45
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	967	317
Taxation on profit on ordinary activities	7	(351)	(9
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		616	22
Dividends - equity	8	(150)	
PROFIT FOR THE FINANCIAL PERIOD/YEAR		466	22
RETAINED PROFITS BROUGHT FORWARD		848	62
RETAINED PROFITS CARRIED FORWARD		1,314	84

TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses in the periods other than the profit and loss for the periods.

The notes on pages 8 to 20 form part of these financial statements.

CASANOVA FASHIONS LIMITED

BALANCE SHEET

	Notes	31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
FIXED ASSETS			
Tangible assets	9	1,295	966
		1,295	966
CURRENT ASSETS			
Stock	10	759	250
Amounts owed by group companies	11	1,358	-
Debtors	12	204	140
Property held for resale	13	-	150
Cash at bank and in hand		-	809
		2,321	1,349
CREDITORS (amounts falling due within one year)	14	(1,914)	(1,06[illegible]
NET CURRENT ASSETS		407	28[illegible]
TOTAL ASSETS LESS CURRENT LIABILITIES		1,702	1,25[illegible]
CREDITORS (amounts falling due after more than one year)	15	(282)	(33[illegible]
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	16	(101)	(6[illegible]
NET ASSETS		1,319	85[illegible]
CAPITAL AND RESERVES			
Called up share capital	17	5	
Profit and loss account		1,314	84[illegible]
SHAREHOLDERS' FUNDS (All equity interests)	18	1,319	85[illegible]

The notes on pages 8 to 20 form part of these financial statements.

Approved by the Board of Directors on 11 July 1997 and signed on their behalf by:

NE Kaye

CASANOVA FASHIONS LIMITED

CASH FLOW STATEMENT

	Notes	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Cash inflow from operating activities	19	1,112	1,071
Returns on investments and servicing of finance	20	(6)	(12)
Taxation		(72)	(47)
Capital expenditure and financial investments	20	(492)	(382)
Cash outflow before financing		542	630
Financing	20	(1,465)	(355)
(Decrease)/increase in cash in the period		(923)	275
Reconciliation of cash flow movement in net debt			
(Decrease)/increase in cash in the period		(923)	275
Cash outflow from (decrease) in debt and lease financing	21	1,465	355
Changes in net debt resulting from cash flows	21	542	630
New finance leases	21	(24)	-
Movement in net debt in the period		518	630
Net debt at start of period	21	703	73
Net debt at end of period	21	1,221	703

The notes on pages 8 to 20 form part of these financial statements.

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

(1) **Convention**

The accounts have been prepared in accordance with the historical cost convention and applicable Accounting Standards.

(2) **Changes in accounting policy**

The restated comparatives for the year ended 31 January 1996 are based on previously published results, adjusted for the following change in accounting policies:

> The benefit arising from rent free periods incurred prior to 31 January 1995 and capital inducements on signature of new property leases has been allocated on a straight line basis over the period outstanding until the first rent review. This is in accordance with the Urgent Issues Task Force Pronouncement number 12.

The effect of this change which is shown as a prior year adjustment in Movements in Shareholders' Funds, Note 18 is to increase profits by £104,000 for the year to 31 January 1996 and decrease shareholders funds at that date by £28,000.

The Company has adopted Financial Reporting Standard 1 (Revised) and the 1996 cashflow figures have been restated accordingly.

(3) **Turnover**

Turnover comprises the invoiced value of goods sold net of value added tax and trade discounts. The Company's only trading activity is the retailing of men's clothing in the UK.

(4) **Depreciation**

Depreciation of tangible fixed assets is provided at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold improvements	By equal instalments over the remaining years of the lease
Furniture, fixtures and fittings	10% straight line or over the remaining years of the lease if short
Equipment	20% straight line
Motor vehicles	25% written down value

(5) **Stock**

Stock, comprising finished goods for resale, has been valued at the lower of purchase cost and n realisable value.

(6) **Taxation**

The charge for taxation is based on the results for the trading period using the current corporatio tax rate of 33%. Provision is for deferred taxation made in respect of timing differences on accelerated capital allowances to the extent that a liability is expected to crystallise.

1 ACCOUNTING POLICIES (CONTINUED)

(7) **Pensions**

The Company pension scheme is on a defined contribution basis and the contributions are charged to the profit and loss account as they are paid. The assets of the scheme are held separately from those of the company in an independently administered fund.

(8) **Leases**

Assets held under finance leases/hire purchase are included under fixed assets at the capitalised value of future minimum lease payments. The assets are depreciated over their estimated useful lives. The capital element of the future payments is treated as a liability and the interest element is charged to profit and loss account.

Rental payable under operating leases are charged to the profit and loss account as they arise.

The benefit arising from rent free periods or capital inducements on signature of new property leases is allocated on a straight line basis over the period of the lease outstanding until the next rent review.

2 BASIS OF PREPARATION

Given the current trading position of the Formal Group, of which Casanova Fashions Limited is a 100 per cent subsidiary, (with cross guarantees and bank facilities) it may not be able to continue to trade within its current bank facilities without the successful completion of the flotation of Blake Clothing PLC, and inter alia the application of part of the net proceeds to repay current loans and overdrafts.

The flotation of Blakes Clothing PLC is subject to approval by Formal Group PLC's shareholders at an Extraordinary General Meeting to be held on 28 July 1997 and the granting by the London Stock Exchange of Admission to the Alternative Investment Market. The directors of Blakes Clothing PLC and Casanova Fashions Limited are confident however, that, in the absence of unforeseen circumstances, the flotation of Blakes Clothing PLC will be completed and Formal Group PLC will be able to continue in existence and consequently Blakes Clothing PLC and Casanova Fashions Limited will not suffer financial loss should Formal Group PLC subsequently cease to be a going concern. As a consequence the financial statements of Formal Group PLC and Casanova Fashions Limited have been prepared on a going concern basis.

In the event that the flotation does not proceed, there can be no assurance that Blakes Clothing PLC and Casanova Fashions Limited will not suffer financial loss should Formal Group PLC cea to be a going concern. The financial statements do not include any adjustments that would resu if the flotation is not completed.

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

3 PROFITS ON ORDINARY ACTIVITIES

Profits on ordinary activities are stated after charging:

		14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Depreciation		207	166
Auditors' remuneration	- audit services	33	5
	- non audit services	-	5
Loss of sale of fixed assets		-	2
Rent on operating leases			
- land and buildings		1,435	1,056
- equipment		4	7

4 STAFF COSTS

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Salaries and wages	1,512	1,350
Social security costs	151	128
Other pension costs	38	87
	1,701	1,565

The average number of persons (including directors) employed by the company during the year/period was:

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Administration	15	12
Selling	91	70
	106	82

NOTES TO THE ACCOUNTS (CONTINUED)

5 REMUNERATION OF DIRECTORS

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
The aggregate emoluments of the directors (excluding pension contributions) were		
Directors emoluments:	384	564
The pension contributions paid by the company in respect of 3 directors were:	38	73
The emoluments of the highest paid director (excluding pension contributions) were:		
N Kaye	-	486
P Kaye	204	-
The pension contributions paid by the company in respect of the highest paid director were:	6	59
The emoluments of other directors (excluding pension contributions) were:		
£ 20,001 - £ 25,000	-	1
£ 30,001 - £ 35,000	1	-
£ 50,001 - £ 55,000	-	1
£140,001 - £145,000	1	-

6 INTEREST PAYABLE AND SIMILAR CHARGES

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Blakes Retirement Benefits Scheme	-	24
Director's loan	1	9
Bank interest and charges	17	11
Hire purchase interest	1	1
Other	5	-
	24	45

7 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Corporation tax on profit at 33%; 25%	318	55
Overprovision in previous year	-	(1)
Deferred taxation (Note 16)	33	41
Profit and loss account	351	95

8 DIVIDENDS

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Dividend - paid	150	-

The 1997 dividend paid represents the transfer to Mr and Mrs N Kaye, in July 1996 or property held at a director's valuation of £150,000.

9 TANGIBLE ASSETS

	Short leasehold property £'000	Furniture, fixtures & fittings £'000	Motor vehicles £'000	Total £'00
Cost				
At 1 February 1996	4	1,040	120	1,164
Prior year adjustment	-	462	-	462
Additions	-	446	127	57
Disposals	-	-	(70)	(7
At 31 March 1997	4	1,948	177	2,12
Depreciation				
At 1 February 1996	3	434	56	49
Prior year adjustment	-	167	-	16
Charge for the period	-	185	22	20
Disposals	-	-	(33)	(3
At 31 March 1997	3	786	45	83
Net book value				
At 31 March 1997	1	1,162	132	1,2
At 31 January 1996 Restated	1	901	64	9

The net book value and depreciation charge for the year in respect of assets held under hire purchase contracts are as follows:

	31 March 1997 £'000	31 Janua 19 Restate £'0
Net book value at period end	24	-
Depreciation charge for the period	-	

10 STOCKS

Stocks comprise finished goods held for resale.

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

11 AMOUNTS OWED BY GROUP COMPANIES

	31 March 1997 £'000	31 January 1996 Restated £'000
Formal Group Plc	1,358	-

The loan to The Formal Group PLC of £1,358,000 is unsecured and interest free.

12 DEBTORS

	31 March 1997 £'000	31 January 1996 Restated £'000
Prepayments	194	132
Other debtors	10	8
	204	140

13 PROPERTY HELD FOR RESALE

The property was acquired for resale and was included in the Balance Sheet at the directors' estimate of its open market value. These assets were transferred to Mr and Mrs N Kaye in July 1996 as a dividend in specie.

14 CREDITORS: Amounts falling due within one year

	31 March 1997 £'000	31 January 1996 Restated £'000
Bank overdrafts	114	-
Other loans	-	15
Trade creditors	1,085	179
Corporation tax	301	55
Income tax	-	8
Taxation and social security	68	108
Directors' current account	-	88
Hire purchase creditor	7	3
Accruals	339	606
	1,914	1,062

The bank overdraft is repayable on demand.

The other loan was from the Trustees of the Blakes Retirement Benefit Scheme (an approved s administered pension scheme for members of the Kaye family). The loan was unsecured with interest charged at commercial rates and was repayable on demand

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

15 CREDITORS: Amounts falling due after one year

	31 March 1997 £'000	31 January 1996 Restated £'000
Deferred income on lease incentives	266	332
Hire purchase creditor	16	-
	282	332

16 DEFERRED TAXATION

	31 March 1997 £'000	31 January 1996 Restated £'000
Balance at beginning of period/year	68	27
Transfer from taxation (Note 7)	33	41
Balance at end of period/year	101	68

17 CALLED UP SHARE CAPITAL

	31 March 1997 £'000	31 January 1996 Restated £'000
Authorised, allotted and fully paid		
Ordinary shares of £1 each	5	5

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

18 RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Profit for the financial period/year after taxation	616	222
Dividends paid	(150)	-
Net addition to shareholders' funds	466	222
Opening shareholders' funds as previously reported		707
Prior year adjustment		(76)
Opening shareholders' funds as restated at 1 February	853	631
Closing shareholders' funds at 31 March/31 January	1,319	853

19 RECONCILIATION OF OPERATING PROFIT TO CASH FLOWS

	14 month period ended 31 March 1997 £'000	Year ended 31 January 1996 Restated £'000
Reconciliation of operating profit to cash flows		
Operating profit	974	329
Depreciation	207	166
Deferred income recognised in year	(86)	(83)
Loss on sale of fixed assets	-	2
(Increase)/decrease in stocks	(509)	20
(Increase)/decrease in debtors	(64)	36
Increase/(decrease) in creditors	590	575
Decrease in investment property value	-	26
Net cash inflow from operating activities	1,112	1,071

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31 March 1997 £'000	31 January 1996 Restated £'000
Returns on investments and servicing of finance		
Interest received	17	33
Interest paid	(23)	(45)
Net cash outflow for returns on investments and servicing of finance	(6)	(12)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(529)	(388)
Receipts from sale of tangible fixed assets	37	6
Net cash outflow from capital expenditure and financial investment	(492)	(382)
Financing		
Loan to parent company	(1,358)	-
Repayments of loan to pension scheme	(15)	(235)
Repayment of directors capital account	(88)	(120)
Proceeds from directors capital account	-	3
Capital element of hire purchase repayments	(4)	(3)
Net cash inflow from financing	(1,465)	(355)

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

21 ANALYSIS OF NET DEBT

	At 1 February 1996 Restated £'000	Cash flow £'000	Other non cash movements £'000	Exchange movements £'000	31 Ma 1' £'
Bank balances and cash	809	(809)	-	-	
Overdrafts	-	(114)	-	-	('
		(923)			
Loan to parent company	-	1,358	-	-	1,
Debt due after 1 year	-	-	-	-	
Debt due within 1 year	(103)	103	-	-	
Hire purchase	(3)	4	(24)	-	
		1,465			
Current asset investments	-	-	-	-	
	703	542	(24)	-	1

22 CAPITAL COMMITMENTS

	31 March 1997 £'000	31 January 1996 £'000
Capital commitments		
At period ends, the capital expenditure commitments authorised by the directors but not contracted for were:	250	180

Commitments under operating leases

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

Operating leases which expire:

	Land and buildings 31 March 1997 £'000	Land and buildings 31 January 1996 £'000
Within one year	65	-
In the second to fifth years inclusive	80	-
Over five years	1,469	1,383
	1,614	1,383

CASANOVA FASHIONS LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

22 CAPITAL COMMITMENTS (CONTINUED)

	Other	
	31 March 1997 £'000	31 January 1996 £'000
Within one year	1	3
In the second to fifth years inclusive	-	4
Over five years	-	-
	1	7

23 RELATED PARTY TRANSACTIONS

Casanova Fashions Limited occupies two properties which belong to N Kaye. N Kaye is both a director of the parent company, the Formal Group PLC, and the Managing Director of Casanova Fashions Limited pays an annual rental charge for the use of these properties as set out in the table below.

	Annual rent £'000
Walworth Road	40
Head office, Basildon	15

In the year ended 31 January 1996, Mr N Kaye was paid a bonus of £250,000 which was left in the Company in the form of a loan which earned interest at a rate of 2% per annum above base rate. Total interest paid for the year ended 31 January 1997 was £883. The balance of the loan as at 31 January 1997 was £Nil.

Mr and Mrs N Kaye received a dividend of £150,000 in the form of property as set out in notes 8 and 13 of these accounts. Mr P Kaye, director, received in July 1996 a car, which was in the Company's books at a net book value of £9,438, as part of his salary for the year ended 31 January 1997. The car was purchased by the company in 1994 for £13,729.

Mrs N Kaye, company secretary until 21 June 1996, received a car, which was in the Company's books at net book value of £9,505, as part of her salary for the year ended 31 January 1997. The car was purchased by the company in 1993 for £18,295.

The Company borrowed £250,000 from the Blakes Retirement Benefit Scheme and paid interest at a rate of 2% above base rate on the outstanding balance thereafter. The loan was fully repaid as at 31 March 1997.

24 ULTIMATE PARENT UNDERTAKING

The parent company of Casanova Fashions Limited from 16 July 1996 is Formal Group PLC, a company incorporated in England and Wales, which forms both the smallest and largest group int which the accounts of Casanova Fashions Limited are consolidated. Copies of the Formal Grou PLC accounts can be obtained from Meridian West, Meridian Business Park, Leicester, LE3 2WX

NOTES TO THE ACCOUNTS (CONTINUED)

25 SUBSEQUENT EVENTS

On 21 June 1996, a new company, Galehive Limited was formed with an authorised share capital of £1,000 dividend into £1 ordinary shares, of which 2 were issued for a cash consideration of £2 to Formal Group PLC. On 25 July 1996 the company changed its name to Blakes Clothing Limited ("Blakes").

On 8 July 1997, the issued and unissued ordinary shares of £1 each were subdivided into 10,000 Ordinary shares of 10p each and the authorised share capital of the Company was increased from £1,000 to £1.7 million by the creation of 14,990,000 Ordinary shares of 10p each and 200,000 redeemable preference shares of £1 each.

On 8 July 1997, Formal Group PLC exchanged the entire share capital of Blakes Menswear for 7,999,980 ordinary shares and 200,000 £1 redeemable preference shares in Blakes Clothing Limited.

On 9 July 1997 the Company was re-registered as a public limited company with the name Blakes Clothing PLC.

On 10 April 1997 £250,000 and on 6 June 1997 a further £100,000 of 7% Unsecured Convertible Subordinated Loan Stock 1998 (convertible into Ordinary shares of Blakes Clothing PLC at 25p) was issued to MidOcean Securities Limited (a company registered in Guernsey). At this time MidOcean Securities Limited owned 0.97 per cent of the share capital of Formal Group PLC. Additionally on the same date MidOcean Securities Limited was issued warrants which will entitle it to subscribe for 2 Ordinary shares per £1 of loan stock at 25p per Ordinary share in Blakes Clothing PLC.

BLAKES CLOTHING LIMITED.
(Formerly Galehive Limited)
(Registered Number: 3214950)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS
31 JANUARY 1997

BLAKES CLOTHING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

The directors present their report and the audited financial statements of the Company for the period ended 31 January 1997.

CHANGE OF NAME

The Company was incorporated in England and Wales on 21 June 1996 under the Act as a private company limited by shares with the name Galehive Limited. On 25 July 1996 the Company changed its name to Blakes Clothing Limited.

RESULTS AND DIVIDENDS

The Company did not trade during the period.

DIRECTORS AND THEIR INTERESTS

The directors of the Company during the period were:

Hallmark Registrars Limited	(appointed June 1996)	(resigned July 1996)
Garath Maitland Edwards	(appointed July 1996)	(resigned July 1996)
Neville Eric Kaye	(appointed May 1997)	
Paul Michael Kaye	(appointed May 1997)	
Hugh Edward Mark Osmond	(appointed July 1996)	
David Petley	(appointed May 1997)	
Daniel James Breden Taylor	(appointed May 1997)	
Alan McIntosh	(appointed July 1997)	

The directors in office had no beneficial interests at 31 January 1997 in the ordinary share capital of the Company.

BLAKES CLOTHING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a trues 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 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and deduction of fraud and other irregularities.

AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board

NE Kaye
Director

11 July 1997

Southwark Towers
32 London Bridge Street
London SE1 9SY

Telephone: 0171-939 3000
Telex: 884657 PRIWAT G
Facsimile: 0171-378 0647

Price Waterhouse

AUDITORS' REPORT TO THE MEMBERS OF
BLAKES CLOTHING LIMITED

We have audited the financial statements on pages 4 and 5 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 2, the Company's directors are responsible for the preparation of the 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 the Company's affairs as at 31 January 1997 and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
London

11 July 1997

BLAKES CLOTHING LIMITED
BALANCE SHEET - 31 JANUARY 1997

	1997
	£
CURRENT ASSETS	
Cash in hand	2
SHAREHOLDERS' FUNDS	
Called up share capital (Note 3)	2

APPROVED BY THE BOARD ON 11 JULY 1997

NE Kaye
DIRECTOR

The notes on page 5 form part of these financial statements.

BLAKES CLOTHING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 JANUARY 1997

1 ACCOUNTING POLICIES

(1) Basis of accounting

These financial statements have been prepared in accordance with applicable UK accounting standards, and in compliance with the Companies Act 1985.

2 DIRECTORS

The directors received no emoluments in the period in respect of their services to the Company.

3 SHARE CAPITAL

	1997 £
Authorised and issued share capital:	
1,000 Ordinary shares of £1 each	1,000
Share capital called up and fully paid:	
1,000 Ordinary shares fully paid of £1 each	2

4 PRINCIPAL SHAREHOLDER

The principal shareholder of the Company is Formal Group PLC, which forms the smallest and largest group into which the accounts of Blakes Clothing Limited are consolidated. The copies of Formal Group PLC accounts can be obtained from Meridian West, Meridian Business Park, Leicester LE3 2WX.

5 SUBSEQUENT EVENTS

On 8 July 1997, Formal Group PLC exchanged the entire share capital of Blakes Menswear for 7,999,980 ordinary shares and 200,000 £1 redeemable preference shares in Blakes Clothing Limited.

On 9 July 1997 the Company was re-registered as a public limited company with the name Blakes Clothing PLC.

On 10 April 1997 £250,000 and on 6 June 1997 a further £100,000 of 7% Unsecured Convertible Subordinated Loan Stock 1998 (convertible into Ordinary shares of Blakes Clothing PLC at 25p) was issued to MidOcean Securities Limited (a company registered in Guernsey). At this time MidOcean Securities Limited owned 0.97 per cent of the share capital of Formal Group PLC. Additionally on the same date MidOcean Securities Limited was issued warrants which will entitle it to subscribe for 2 Ordinary shares per £1 of loan stock at 25p per Ordinary share in Blakes Clothing PLC.

CASANOVA FASHIONS LIMITED

ACCOUNTS

for the year ended

31ST JANUARY 1996

CASANOVA FASHIONS LIMITED

DIRECTOR'S REPORT ON THE ACCOUNTS

YEAR ENDED 31ST JANUARY 1996

The directors submit the audited accounts of the company for the year ended 31st January 1996.

1. PRINCIPAL ACTIVITIES :

The principal activities of the company comprises the operating of men's fashion wear shops and property trading.

2. REVIEW OF BUSINESS :

The profit for the financial year amounted to £118,168 (1994/95 £148,088).

The directors do not recommend the payment of a dividend (1994/95 £Nil).

The retained profit for the financial year of £118,168 is added to the retained profits brought forward of £701,462 giving a balance of £819,630 to be carried forward on the Profit and Loss Account.

The directors are pleased with the results for the year achieved in a difficult trading period for the retail sector. The profit is after providing for a further reduction in the value of the trading property owned by the company.

The directors remain confident about the company's future prospects.

3. FIXED ASSETS :

During the year the company opened new shops in Birmingham and Croydon and spent £337,712 on fitting-out costs.

4. DIRECTORS :

The directors who have served the company during the year are detailed below together with their interests in the share capital of the company at 31st January 1996.

	31.1.96	31.1.95
	Ordinary Shares £1	Ordinary Shares £1
N.E. Kaye	2,500	2,500
P.M. Kaye	-	-
D.A. Kaye	-	-

5. DIRECTORS' RESPONSIBILITIES :

Company law requires the directors to prepare accounts for each financial period which 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 those accounts, the directors are required to :

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6. AUDITORS :

A resolution to re-appoint the auditors will be proposed at the Annual General Meeting.

Registered Office :

136 Baker Street,
London.
W1M 2DU

Approved by the Board of Directors on 28. 5. 96
and signed on their behalf by :

N E Kaye

....
N.E. KAYE, Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF

CASANOVA FASHIONS LIMITED

We have audited the accounts on pages 4 to 12. which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors :

As described on page 2 the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion :

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st January 1996 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

Derek Webster & Co.

DEREK WEBSTER & CO.
Chartered Accountants
& Registered Auditor,
136 Baker Street,
London. W1M 2DU

Date : 30th May 1996

CASANOVA FASHIONS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST JANUARY 1996

	Notes	31.1.96 £	31.1.96 £	31.1.95 £	31.1.95 £
TURNOVER	2a		6,536,928		5,146,411
Cost of sales			(2,888,209)		(2,422,459)
GROSS PROFIT			3,648,719		2,723,952
Administrative expenses :					
General overheads	2b	1,758,429		1,354,242	
Staff costs	2c	1,565,285		1,127,600	
Depreciation	1b & 3	120,797		62,533	
			(3,444,511)		(2,544,375)
Property trading	4		(25,985)		-
Rent received			13,179		12,101
OPERATING PROFIT			191,402		191,678
Interest received			33,209		15,556
Interest paid	2d		(45,178)		(36,602)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			179,433		170,632
Tax on profit on ordinary activities	1d & 5		61,265		48,536
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			118,168		122,096
Surplus on winding up of subsidiary company			-		25,992
PROFIT FOR THE FINANCIAL YEAR			118,168		148,088
RETAINED PROFITS BROUGHT FORWARD			701,462		553,374
RETAINED PROFITS CARRIED FORWARD			£ 819,630		£ 701,462

CONTINUING OPERATIONS :

None of the company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES :

There are no recognised gains and losses in 1996 or 1995 other than the profit and loss for the year.

The notes on pages 8 to 12 form part of these accounts.

CASANOVA FASHIONS LIMITED
BALANCE SHEET AS AT 31ST JANUARY 1996

	Notes	31.1.96 £	31.1.96 £	31.1.95 £	31.1.95 £
FIXED ASSETS :					
Tangible assets	1b & 3		671,537		412,503
CURRENT ASSETS :					
Stock	1c	249,654		269,907	
Debtors : Other debtors		7,825		7,533	
Prepayments		131,804		168,835	
Property	4	150,000		175,985	
Cash at bank and in hand		809,037		533,512	
		1,348,320		1,155,772	
CREDITORS : Amounts falling due within one year					
Loan	6	15,000		250,000	
Trade creditors		178,855		193,778	
Corporation tax	1d & 5	55,000		48,000	
Income tax		8,500		6,240	
Taxation & Social Security		107,835		40,015	
Director's current account		88,062		204,680	
Hire purchase creditor (secured)		2,674		3,984	
Accruals		605,571		86,642	
		1,061,497		833,339	
Net current assets			286,823		322,433
Total assets less current liabilities			958,360		734,936
CREDITORS : Amounts falling due after more than one year					
Hire purchase creditor (secured)		-		2,674	
PROVISION FOR LIABILITIES & CHARGES :					
Deferred taxation	1d & 7	33,000		25,800	
Other provisions	1f	100,730	133,730	-	28,474
			£824,630		£706,462
CAPITAL AND RESERVES :					
Called up share capital	8		5,000		5,000
Profit and Loss Account			819,630		701,462
SHAREHOLDERS FUNDS (All equity interests)	9		£824,630		£706,462

The notes on pages 8 to 12 form part of these accounts.

Approved by the Board of Directors on 23.5.96 **and signed on their behalf by :**

.... **N.E. KAYE, Director**

CASANOVA FASHIONS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST JANUARY 1996

	31.1.96		31.1.95	
	£	£	£	£
Net cash inflow from operating activities		955,494		323,671
Returns on investments and servicing of finance :				
Interest received	33,209		15,556	
Interest paid	(45,178)		(36,602)	
Net cash (outflow) from return on investments and servicing of finance		(11,969)		(21,046)
Taxation :				
Corporation tax paid	(47,065)		(34,536)	
TAX PAID		(47,065)		(34,536)
Investing activities :				
Payments to acquire tangible fixed assets	(387,951)		(66,596)	
Receipts from sale of fixed assets	6,000		6,800	
Net cash (outflow) from investing activities		(381,951)		(59,796)
Net cash inflow before financing		514,509		208,293
Financing :				
Repayment of loan	(235,000)		-	
Capital element of hire purchase payments	(3,984)	(238,984)	(3,324)	(3,324)
Increase in cash and cash equivalents		£275,525		£204,969

CASANOVA FASHIONS LIMITED

NOTES TO THE CASH FLOW STATEMENT

1. Reconciliation of operating profit to net cash inflow from operating activities :

	31.1.96	31.1.95
	£	£
Operating profit	191,402	191,678
Depreciation charge	120,797	62,533
Loss on sale of fixed assets	2,120	4,302
Decrease in stock	20,253	213,821
Decrease/(increase) in prepayments and debtors	36,740	(6,419)
Decrease in property value	25,985	-
Increase/(decrease) in creditors	558,197	(142,244)
Net cash inflow from operating activities	£955,494	£323,671

2. Analysis of the balances of cash and cash equivalents as shown in the balance sheet :

	31.1.96	31.1.95	Change in year
	£	£	£
Cash at bank and in hand	£809,037	£533,512	£275,525

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1996

1. ACCOUNTING POLICIES :

a) Convention :

The accounts have been prepared in accordance with the historical cost convention.

b) Depreciation :

Depreciation of tangible fixed assets is provided at the following annual rates in order to write off each asset over its estimated useful life :

Leasehold Property	By equal instalments over the remaining years of the lease
Furniture, Fixtures & Fittings	10% straight line
Equipment	20% straight line
Motor Vehicles	25% written down value

c) Stock :

Stock, comprising finished goods for resale, has been valued at the lower of purchased cost and net realisable value.

d) Taxation :

The charge for taxation is based on the results for the trading period ended 31st January 1996 using the current corporation tax rate of 25%.

The deferred taxation account in respect of timing differences on accelerated capital allowances on capital expenditure has been maintained, using a corporation tax rate of 25% (1994/95 25%).

e) Pensions :

The company pension scheme is on a defined contribution basis and the contributions are charged to the Profit and Loss Account as they are paid. The assets of the scheme are held separately from those of the company in an independently administered fund.

f) Leases :

Assets held under finance leases/hire purchase are included under fixed assets at the capitalised value of future minimum lease payments. The assets are depreciated over their estimated useful lives. The capital element of the future payments is treated as a liability and the interest element is charged to Profit and Loss Account.

Rental payable under operating leases are charged to the Profit and Loss Account as they arise.

Two operating leases signed during the year included rent-free periods of 7 months and 14 months respectively. These benefits have been spread over 5 years using straight line method in accordance with the provision of UITF12.

2. PROFIT AND LOSS ACCOUNT :

a) Turnover :

Turnover comprises the invoiced value of goods sold net of value added tax and trade discounts.

b) General Overheads included :

	31.1.96	31.1.95
Auditors' remuneration	5,000	5,000
Auditors' other services	4,750	4,750
Rent on operating leases - land & building	1,056,151	799,011
- equipment	7,828	7,208
	£1,073,729	£815,969

c) Staff Costs :

	31.1.96	31.1.95
Salaries and wages	1,350,354	878,459
Directors pension contributions	87,000	190,666
Social security costs	127,931	58,475
	£1,565,285	£1,127,600

The average weekly number of persons (including directors) employed by the company during the year was :

	31.1.96	31.1.95
Administration	12	8
Selling	70	67
	82	75

The aggregate emoluments of the directors including pension contributions amounted to £637,065 (1994/95 £431,818).

The chairman received emoluments of £485,722 excluding pension contributions (1994/95 £249,703).

Other directors' emoluments (excluding pension contributions) :	31.1.96	31.1.95
£0 to £5,000	-	1
£20,000 to £25,000	1	-
£25,001 to £30,000	-	1
£50,001 to £55,000	1	-

PROFIT AND LOSS ACCOUNT continued :

d) **Interest**	**31.1.96**	**31.1.95**
Casanova Fashions Limited Retirement Benefits Scheme (Note 6)	24,375	18,204
N.E. Kaye	9,563	6,755
Bank interest and charges	10,652	11,159
Hire purchase interest	588	484
	£45,178	£36,602

3. TANGIBLE ASSETS :

	Short Leasehold Property	**Furniture, Fixtures & Fittings**	**Motor Vehicles**	**Total**
Cost :				
At 1.2.1995	3,804	669,783	125,814	799,401
Additions	-	370,451	17,500	387,951
Disposal	-	-	(22,000)	(22,000)
At 31.1.1996	3,804	1,040,234	121,314	1,165,352
Depreciation :				
At 1.2.1995	2,713	334,401	49,784	386,898
Charge for year	152	99,292	21,353	120,797
On disposal	-	-	(13,880)	(13,880)
At 31.1.1996	2,865	433,693	57,257	493,815
Net Book Value :				
At 31.1.1996	£ 939	£ 606,541	£ 64,057	£ 671,537
Net Book Value :				
At 31.1.1995	£ 1,091	£ 335,382	£ 76,030	£ 412,503

The net book amount of tangible fixed assets includes an amount of £9,505 (1995 £12,673) held under hire purchase contract. The depreciation charged for the year was £3,168 (1995 £3,335).

4. PROPERTY :

The property was acquired for resale and is included in the Balance Sheet at the directors estimate of its open market value.

5. TAXATION :

	31.1.96	31.1.95
Corporation tax : on profit for year (Note 1d)	55,000	48,000
Overprovision in previous year	(935)	(464)
Transfer to deferred taxation (Note 7)	7,200	1,000
Profit and Loss Account	£61,265	£48,536

6. LOAN :

The loan is from the Trustees of the Casanova Fashions Limited Retirement Benefit Scheme (an approved self-administered pension scheme for members of the Kaye family) with interest charged at commercial rates and is repayable on demand.

7. DEFERRED TAXATION :

	31.1.96	31.1.95
Balance at 1st February 1995	25,800	24,800
Transfer from taxation (Note 5)	7,200	1,000
Balance at 31st January 1996	£33,000	£25,800

8. CALLED UP SHARE CAPITAL :

Authorised, Allotted and Fully Paid :	**31.1.96**	**31.1.95**
Ordinary Shares of £1 each	£5,000	£5,000

9. RECONCILIATION OF MOVEMENTS OF SHAREHOLDERS' FUNDS :

	31.1.96	31.1.95
Profit for the financial year after taxation	118,168	148,088
Opening shareholders' funds at 1.2.95	706,462	558,374
Closing shareholders' funds at 31.1.96	£824,630	£706,462

10. COMMITMENTS :

Capital Commitments :

At 31st January 1996 capital expenditure commitments authorised by the directors but not contracted for amounted to £180,000 (1995 - £130,000).

Commitments under Operating Leases :

At 31st January 1996 annual commitments under operating leases were as follows :

	Land and Buildings	Other
Expiring within one year	-	2,750
Expiring in the second to fifth years inclusive	-	3,924
Expiring in five years or more	1,382,500	-
	£1,382,500	£6,674

11. RELATED PARTY TRANSACTIONS :

Rent on commercial terms of £53,000 per annum was paid to Mr. N.E. Kaye in respect of properties owned by him and occupied by the company for its business.