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3214950

Blakes Clothing PLC

Report and Financial Statements

Year Ended

31 January 1999



BDO

BDO Stoy Hayward
Chartered Accountants

BLAKES CLOTHING PLC

Report and financial statements for the year ended 31 January 1999

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Directors

N Kaye	H Osmond*
P Kaye	D Taylor*
T Woodcock	A McIntosh*
D Kaye	

* Non Executive Director

Secretary and registered office

T Woodcock, 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.

BLAKES CLOTHING PLC

Chairman's statement

Year end results

The audited results for the year to 31 January 1999 show a loss before tax of £973,000 (1998 – proforma profit before tax of £937,000) after an exceptional charge of £611,000 relating to store closures. Turnover rose 2.3% to £11,136,000 (1998 – proforma £10,878,000). Like for like sales, however, fell 11.4%.

The company's poor performance during the year was partly a result of the general downturn in retail sales during the year. These general problems were exacerbated by the failure of new stores to perform in line with expectations. As a result, management took the decision to close 4 stores – 2 of which had only recently been opened. The costs of store closures are shown in the £611,000 exceptional charge.

Open offer & capital reorganisation

The combined effect of new store openings and lack of profits from existing operations placed a severe strain on company cashflow. Cash balances reduced by £1,778,000 from £1,294,000 at January 1998 to £484,000 overdrawn at 31 January 1999. In order to maintain the support of our bankers, new equity was raised by way of an open offer of new shares to existing shareholders on 19 February 1999.

I am pleased to inform you that the Open Offer raised £891,250. This was £131,000 in excess of the amount underwritten by directors and investors. The funds have been used to improve the working capital position of the company and will provide resources for increased expenditure on customer research and marketing in the forthcoming year.

Store openings & closures

The company has now closed loss-making stores in the Arndale Centre, Manchester and Cribbs Causeway, Bristol.

After the year end the lease on the store in New Street, Birmingham was assigned to Going Places for a premium of £300,000 and our other store in the Midlands – in the Merryhill Centre – was also assigned for a premium.

A new store at Bluewater Park, Kent opened on 18 March 1999. Early indications are very encouraging. However the opening of the centre has had an impact on trading at our stores in Lakeside and Bromley.

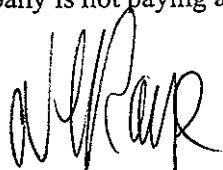
Current trading & prospects

Trading conditions remain difficult. Whilst we are seeing growth in sales volume in a number of stores, this progress is being held back by static and, in some instances, declining sales volumes elsewhere. We have taken a conservative approach in our budgeting for the year to 31 January 2000 and, consequently, we are not forecasting any like for like sales growth. Nevertheless, we do feel that the reduction of interest rates and the approach of the millennium may provide a good backdrop for more buoyant sales in the autumn.

Dividend

The company is not paying a dividend for the period under review.

N Kaye
Chairman
Date



1 June 1999

BLAKES CLOTHING PLC**Unaudited consolidated proforma profit and loss account for the year ended 31 January 1999**

	Year ended 31 January 1999 £'000	Proforma Year ended 31 January 1998 £'000
Turnover	11,136	10,878
Cost of sales	5,163	5,056
	<hr/>	<hr/>
Gross profit	5,973	5,822
Administrative expenses	6,329	4,807
	<hr/>	<hr/>
Operating (loss)/profit	(356)	1,015
Loss on disposal of discontinued operation	-	(92)
Exceptional item – provision for loss on disposal	(611)	-
	<hr/>	<hr/>
(Loss)/profit on ordinary activities before interest	(967)	923
Interest receivable	18	21
Interest payable	(24)	(7)
	<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	(973)	937
Taxation on (loss)/profit on ordinary activities	(291)	309
	<hr/>	<hr/>
(Loss)/profit on ordinary activities after taxation	(682)	628
	<hr/>	<hr/>
Proforma basic (loss)/earnings per share	(7.0p)	6.2p
	<hr/>	<hr/>
Proforma diluted (loss)/earnings per share	(7.0p)	6.0p
	<hr/>	<hr/>
Basis of preparation		

The proforma comparison statement has been prepared on the assumption that Casanova Fashions Limited, (Blakes trading subsidiary company) had been a subsidiary of Blakes Clothing PLC for the two years ended 31 January 1999 which is consistent with information previously sent to shareholders. The proforma earnings per share has been calculated using the (loss)/profit after taxation and after deducting a £12,000 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 1999. There is no dilution of earnings per share in 1999.

BLAKES CLOTHING PLC

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, the original business which subsequently became the Blakes business. In 1986 Mr Kaye led a buy-out of this business and he had acted as managing director of Casanova Fashions Limited until May 1997, at which point he was appointed Executive Chairman of both Casanova Fashions Limited and Blakes Clothing plc.

Paul Kaye, Managing Director

Paul Kaye joined Casanova Fashions Limited in 1989 gaining experience in warehouse management, buying, store management and new store openings. He became a director of Casanova Fashions Limited in 1987. In 1993 he 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.

Tim Woodcock, ACA Finance Director

Tim Woodcock was appointed as Finance Director in October 1998. Following graduation he joined Lloyds Bank in 1986 before joining 3i plc as an Investment Controller. He joined Coopers and Lybrand in 1992, qualifying as a Chartered Accountant, following which he became Financial Controller of Vidal Sassoon Salons and Schools. From 1997 he was Finance Director of The Orange Balloon, a restaurant chain, and Uniware Systems, a software company.

Dean Kaye, Personnel, IT and Property Director

Dean Kaye graduated from Oklahoma University and Dundee University in Accountancy in 1992. He was appointed a director of Casanova Fashions Limited in 1989 and Blakes Clothing plc in November 1998. 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 chairman of Punch Taverns Limited and a director of Wellington Pub Co plc. 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. He was also the Chairman of Canbury Investments plc, an AIM listed investment company. He was appointed a director of Blakes Clothing plc in May 1997.

BLAKES CLOTHING PLC

Directors (*Continued*)

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 American Port Services plc and Pizza Express plc. He is a director of Topps Tiles plc, the UK's largest tile retailer. He was appointed a director of Blakes Clothing plc in July 1997. He is also finance director of Punch Taverns Limited and Wellington Pub Co plc which collectively own over 2,200 public houses in the UK.

David Petley, ACA Non-Executive Director

David Petley qualified as a Chartered Accountant in 1985 after training with BDO Stoy Hayward. For the four years to November 1991 he worked for Southend Property Holdings plc gaining experiences 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.

He resigned as executive director and secretary on 19 October 1998 and was appointed as non-executive director at that date and continued in this position until his resignation from the board on 23 March 1999.

BLAKES CLOTHING PLC

Report of the directors for the year ended 31 January 1999

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

Results and dividends

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

The directors do not recommend payment of a dividend.

Principal activities, trading review and future developments

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 1999	31 January 1998
N Kaye	272,690	272,690
P Kaye	15,662	15,662
D Kaye	10,242	10,242
H Osmond	612,555	612,555
D Taylor	103,450	103,450
A McIntosh	398,480	398,480
D Petley (resigned 23 March 1999)	34,480	34,480
T Woodcock (appointed 19 October 1998)	-	-

BLAKES CLOTHING PLC

Report of the directors for the year ended 31 January 1999 (*Continued*)

Substantial equity shareholdings

As at 20 April 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 1p each	
	Number of shares	Percentage
N R Kaye	14,132,690	29.66
H Osmond	4,602,555	9.66
A McIntosh	4,388,480	9.21
L Johnson	4,884,114	10.25
J Hemming	2,150,000	4.51
Mid Ocean Securities	5,589,463	11.73

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 1999 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 but these are written off as incurred.

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

There is commitment to high standards of corporate governance throughout the company and the company is voluntarily providing the corporate governance disclosures required by fully listed companies. The board confirms that the company has complied throughout the accounting period with the provisions set out in Section 1 of the Combined Code, which was issued in June 1998 with the exception that it does not have a nominations committee as given the size of the board it is not deemed necessary. The board has decided to restrict its reporting on internal controls to internal financial controls until guidance for directors on the scope, nature and review of all controls including financial, operational and compliance controls and risk management is produced.

The board is accountable to the company's shareholders for good governance and the statement set out below describes how the principles identified in the Combined Code already referred to above are applied by the company.

There is no formal means of communication between the directors and the company's shareholders but directors will make themselves available to answer shareholders questions.

BLAKES CLOTHING PLC

Report of the directors for the year ended 31 January 1999 (*Continued*)

Corporate governance (*continued*)

Directors

The board consists of a chairman, Neville Kaye, three other executive directors and three independent non-executive directors. The board meets regularly and although it does not have a formal schedule of matters reserved to it for decision, all important business decisions are taken at board level and board meetings are structured.

Directors are authorised to take independent professional advice if necessary and at the company's expense. This is in addition to the access which every director has to the company secretary. The secretary is charged by the board with ensuring that board procedures are followed.

To enable the board to function effectively and directors to discharge their responsibilities, full and timely access is given to all relevant information. In the case of board meetings, this consists of a comprehensive set of papers, including monthly management accounts, minutes of the last board meeting and discussion documents regarding specific matters.

Any director appointed during the year is required, under the provisions of the company's Articles of Association, to retire and seek re-election by shareholders at the next annual general meeting. The Articles also require that one third of the directors retire by rotation each year and seek re-election at the annual general meeting. The directors required to retire are those in office longest since their previous re-election and this means that each director retires at least every three years.

Full details of directors' remuneration and a statement of the company's remuneration policy is set out in the report on remuneration and related matters on pages 10 to 12.

Audit and internal financial control

The board of directors has overall responsibility for the company's systems of internal financial control which include the following key elements:

- a comprehensive budgeting system with an annual budget approved by the board.
- detailed monthly reporting and comparison of results against budget with performance monitoring and explanations provided for significant variances.
- defined procedures for the appraisal, review and authorisation of capital expenditure.
- regular reporting to the board on financial, legal and insurance matters.

The Audit Committee on behalf of the board has reviewed the effectiveness of the system of internal financial control from information provided by management. Any system of internal financial control can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee scope and cost effectiveness of the audit are kept under review. The independence and objectivity of the auditors is also considered on a regular basis, with particular regard to the level of non-audit fees. The split between audit and non-audit fees for the year under review appears in note 4 to the financial statements. The non-audit fees were paid in respect of the capital re-organisation and are considered not to affect independence or objectivity.

There is no internal audit function but the need for one is reviewed annually by the Audit Committee.

BLAKES CLOTHING PLC

Report of the directors for the year ended 31 January 1999 (*Continued*)

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.

Auditors

BDO Stoy Hayward, 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

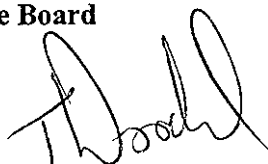
Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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

T Woodcock



Secretary

1 June 1999

Date

BLAKES CLOTHING PLC

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 twice a year, with further meetings as circumstances require.

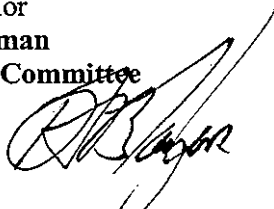
The Committee considers the group's half year and annual financial statements prior to their approval by the Board. It focuses on changes in accounting practice, major areas of judgement, the going concern assumption, and compliance with accounting principles and regulatory requirements.

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

Date


1 JUNE 1999

BLAKES CLOTHING PLC

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

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.

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

P Kaye, D Kaye and T Woodcock are entitled to participate in the Company's Executive Share Option Scheme and to receive an annual cash bonus.

In addition P Kaye and D Kaye are entitled to life assurance benefits.

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.

BLAKES CLOTHING PLC

Report on Remuneration and Related Matters (*Continued*)

Summary of remuneration (*Continued*)

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.

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' Fees

D Petley received fees from his date of appointment as non-executive director (19 October 1998) until the year end as set out on the Directors Remuneration table on page 12.

Other Non-Executive Directors are entitled to submit invoices to the group in respect of fees for their services but they received no fees, benefits or pension contributions during the year.

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 1999
P Kaye	17 July 1999
D Kaye	17 July 1999
T Woodcock	18 October 1999

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

BLAKES CLOTHING PLC

Report on Remuneration and Related Matters (Continued)

Table of Directors' Remuneration

	Salary and fees 1999 £'000	Benefits 1999 £'000	Bonus 1999 £'000	Total 1999 £'000	Total 1998 £'000	Contributions to defined contribution pension scheme	
						1999 £'000	1998 £'000
Executive Directors							
N Kaye	51	8	-	59	39	4	4
P Kaye	72	8	-	80	121	6	5
D Petley	36	-	-	36	15	-	-
T Woodcock	15	1	-	16	-	2	-
D Kaye	40	6	-	46	28	4	1
Non-Executive Directors							
H Osmond	-	-	-	-	-	-	-
D Taylor	-	-	-	-	-	-	-
A McIntosh	-	-	-	-	-	-	-
D Petley	2	-	-	2	-	-	-
	216	23	-	239	203	16	10

The comparative figures relate to trading for the 7 months to 31 January 1998.

The group makes contributions to the defined contribution pension scheme of the current Executive Directors. The number of directors in the scheme during the year was 4 (1998 – 3).

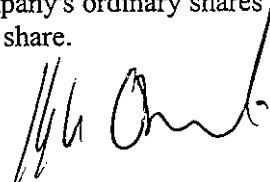
All of the above amounts were paid or provided by the Company's subsidiary undertaking, Casanova Fashions Limited.

Table of directors' Share Options

	Number at beginning of year	Number at end of year	Exercise price	Date from which exercisable	Expiry date
P Kaye	310,345	310,345	72.5p	6 August 1998	6 August 2004
D Petley	27,586	27,586	72.5p	6 August 2000	6 August 2004
D Kaye	241,380	241,380	72.5p	6 August 1998	6 August 2004
T Woodcock	-	125,000	11.0p	19 January 2002	19 January 2008

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

The mid-market price of the Company's ordinary shares at 31 January 1999 was 5p per share and the range during the year was 49p to 5p per share.



H Osmond

Chairman of the Remuneration Committee on behalf of the Board of Directors

Date

1 June 1999

BLAKES CLOTHING PLC

The responsibilities of the company's auditors

The responsibilities of the company's independent auditors are established by statute, the Auditing Practices Board and the accountancy profession's ethical guidance. Where the company is listed, there are additional responsibilities contained in the Listing Rules of the London Stock Exchange. Blakes Clothing plc has voluntarily chosen to comply with the requirements of the Listing Rules in preparing its Annual Report. The auditors have agreed that their responsibilities in relation to the Annual Report will be those set out below.

They report to the shareholders their opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. They also report to the shareholders if, in their opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if they have not received all the information and explanations they require for their audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company is not disclosed.

They review whether the statement on pages 6 and 7 reflects the company's compliance with those provisions of the Combined Code specified for their review by the Stock Exchange, and they report if it does not. They are not required to form an opinion on the effectiveness of the company's corporate governance procedures or its internal controls.

They read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. They consider the implications for their report to shareholders if they become aware of any apparent misstatements or material inconsistencies with the financial statements.

BLAKES CLOTHING PLC

Report of the auditors

To the shareholders of Blakes Clothing plc

We have audited the financial statements on pages 15 to 30 which have been prepared under the accounting policies set out on pages 20 and 21 and examined the amounts disclosed in respect of Directors' Remuneration and Share Options as set out in the Report on Remuneration and Related Matters on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 8 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 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors
London*

Date 1 June 1999

BLAKES CLOTHING PLC

Consolidated profit and loss account for the year ended 31 January 1999

	Note	1999 Total £'000	1998 Total £'000
Turnover	1, 2	11,136	7,228
Cost of sales		5,163	3,416
Gross profit		5,973	3,812
Administrative expenses		6,329	2,920
Operating (loss)/profit	2, 4	(356)	892
Loss on disposal of discontinued operation	7	-	(92)
Exceptional item- provision for loss on disposal	7	(611)	-
(Loss)/profit on ordinary activities before interest		(967)	800
Interest receivable		18	21
Interest payable	5	(24)	(8)
(Loss)/profit on ordinary activities before taxation		(973)	813
Taxation on (loss)/profit on ordinary activities	6	(291)	275
(Loss)/profit on ordinary activities after taxation		(682)	538
Dividends and appropriations – including non equity	8	12	107
Retained (loss)/profit for the year	19	(694)	431
Basic (loss)/earnings per share	9	(7.0p)	9.3p
Diluted (loss)/earnings per share	9	(7.0p)	9.0p

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

All amounts relate to continuing activities in the current year. Discontinued activities in the previous year are analysed in the notes.

The notes on pages 20 to 30 form part of these financial statements

BLAKES CLOTHING PLC

Reconciliation of movements in shareholders' funds for the year ended 31 January 1999

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
(Loss)/profit for the financial year	(682)	(73)	538	192
Dividends and appropriations	(12)	(12)	(107)	(107)
	<u>(694)</u>	<u>(85)</u>	<u>431</u>	<u>85</u>
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	-	-	(4,713)	-
Issue costs relating to share issues in prior year	(14)	(14)	-	-
Finance cost appropriation of non-equity interests	12	12	7	7
	<u>(696)</u>	<u>(87)</u>	<u>2,082</u>	<u>1,449</u>
Net (reduction)/addition to shareholders' funds	(696)	(87)	2,082	1,449
Opening shareholders' funds at 1 February 1998	2,082	1,449	-	-
	<u>1,386</u>	<u>1,362</u>	<u>2,082</u>	<u>1,449</u>
Closing shareholders' funds at 31 January 1999	<u>1,386</u>	<u>1,362</u>	<u>2,082</u>	<u>1,449</u>

The notes on pages 20 to 30 form part of these financial statements

BLAKES CLOTHING PLC

Consolidated balance sheet at 31 January 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	11	2,355	2,042
Current assets			
Stocks	13	674	634
Debtors	14	525	434
Cash at bank and in hand		-	1,294
		1,199	2,362
Creditors: amounts falling due within one year	15	1,864	1,835
Net current (liabilities)/assets		(665)	527
Total assets less current liabilities		1,690	2,569
Creditors: amounts falling due after more than one year	16	150	356
Provision for liabilities and charges	17	154	131
		1,386	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	(244)	438
Shareholders' funds		1,386	2,082

Included within shareholders' funds of £1,386,000 (1998 - £2,082,000) is an amount £219,000 (1998 - £207,000) attributable to non-equity interests.

These financial statements were approved by the Board on 1 June 1999

N Kaye)
) Directors
 P Kaye)

The notes on pages 20 to 30 form part of these financial statements

BLAKES CLOTHING PLC

Balance sheet at 31 January 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Investments	12	1,176	1,176
Current assets			
Debtors	14	220	405
Creditors: amounts falling due within one year	15	34	132
Net current assets		186	273
Total assets less current liabilities		1,362	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	19	92
Shareholders' funds		1,362	1,449

Included within shareholders' funds of £1,362,000 (1998 - £1,449,000) is an amount £219,000 (1998 - £207,000) attributable to non-equity interests.

The financial statements were approved by the Board on 1 June 1999

N Kaye

)

) Directors

P Kaye

)

The notes on pages 20 to 30 form part of these financial statements

BLAKES CLOTHING PLC

Consolidated cash flow statement for the year ended 31 January 1999

	Note	1999 £'000	1998 £'000
Net cash (outflow)/inflow from operating activities	20	(332)	1,966
Returns on investments and servicing of finance			
Interest received		18	21
Bank interest paid		(18)	(4)
Finance lease interest paid		(6)	(4)
		(6)	13
Taxation paid		(25)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,268)	(821)
Receipts from sale of tangible fixed assets		6	56
		(1,262)	(765)
Acquisitions and disposals			
Payments to acquire subsidiary undertakings		-	(176)
Net overdraft acquired with subsidiary		-	(66)
		-	(242)
Cash (outflow)/inflow before use of liquid resources and financing		(1,625)	972
Equity dividends paid		(100)	-
		(1,725)	972
Management of liquid resources			
Short term deposits	21	1,294	(1,294)
		1,294	(1,294)
Financing			
Issue of shares		-	678
Issue costs		(14)	(321)
Repayment of capital portion of finance leases	21	(39)	(35)
		(53)	322
Decrease in cash in the year	21	(484)	-

The notes on pages 20 to 30 form part of these financial statements

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999

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 1999.

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 was previously written off to reserves in the year in which it arose. In future under the provisions of FRS 10, 'goodwill and intangible assets', goodwill will be capitalised and amortised over its useful economic life.

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 is shorter
and pre-opening rents		
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.

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (*Continued*)

1 Accounting policies (*Continued*)

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 (loss)/profit

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

The analysis between continuing and discontinued operations for the period ended 31 January 1998 is shown below:

	Continuing £'000	1998 Discontinued £'000	Total £'000
Turnover	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	928	(36)	892

BLAKES CLOTHING PLCNotes forming part of the financial statements for the year ended 31 January 1999 (*Continued*)**3 Employees**

	1999 £'000	1998 £'000
Staff costs (including directors) consist of:		
Wages and salaries	1,660	882
Social security costs	143	88
Other pension costs	16	13
	<u>1,819</u>	<u>983</u>

Note - comparative figures relate to trading for the 7 months to 31 January 1998.

	Number	Number
The average monthly number of employees, including directors, during the year was:		
Administration	17	18
Selling	85	79
	<u>102</u>	<u>97</u>

4 Operating (loss)/profit

	£'000	£'000
This is arrived at after charging:		
Rent on operating leases - land and buildings	2,389	1,062
- equipment	24	6
Auditors' remuneration - audit services	21	17
- non audit services	10	-
Depreciation	341	155
	<u>2,785</u>	<u>1,240</u>

Note - comparative figures relate to trading for the 7 months to 31 January 1998.

5 Interest payable and similar charges

Bank interest	18	2
Hire purchase interest	6	4
Other interest	-	2
	<u>24</u>	<u>8</u>

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (*Continued*)

6 Taxation on (loss)/profit from ordinary activities

	1999 £'000	1998 £'000
UK corporation tax	(314)	245
Transfer to deferred taxation	23	30
	<u>(291)</u>	<u>275</u>

7 Exceptional item – provision for loss on disposal

Provision for loss on disposal in respect of stores to be closed after the year end	611	-
Loss on disposal of fixed assets (shown as a discontinued activity)	-	92
	<u>611</u>	<u>92</u>

8 Dividends and appropriations

Equity interests		
Proposed dividend of nilp per ordinary share (1998 - 1p)	-	100
Non-equity interests		
Finance cost appropriations	12	7
	<u>12</u>	<u>107</u>

9 Earnings per share

The basic earnings per share is calculated by reference to the profit, after taxation and after preference share appropriations of £694,000 (1998 - £531,000) and the weighted average number of shares in issue during the year of 9,984,800 (1998 - 5,683,485). There is no dilution of earnings per share in 1999. The figure for diluted earnings per share for 1998 has been restated, as now calculated under the provisions of FRS 14, 'earnings per share'.

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 year available before distributions dealt with in the financial statements of the Company was £73,000 (1998 - £192,000 profit).

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (*Continued*)

11 Tangible assets

	Furniture, fixtures, and pre-opening rents £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>			
At 1 February 1998	2,872	173	3,045
Additions	1,256	12	1,268
Provision for loss on disposal (see note 7)	(664)	-	(664)
Disposal	-	(6)	(6)
	<hr/>	<hr/>	<hr/>
At 31 January 1999	3,464	179	3,643
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 February 1998	971	32	1,003
Provided for the period	304	37	341
Provision for loss on disposal (see note 7)	(53)	-	(53)
Disposals	-	(3)	(3)
	<hr/>	<hr/>	<hr/>
At 31 January 1999	1,222	66	1,288
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 January 1999	2,242	113	2,355
	<hr/>	<hr/>	<hr/>
At 31 January 1998	1,901	141	2,042
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £77,000 (1998 - £94,000) in respect of assets held under finance leases. The related depreciation charge for the period was £38,000 (1998 - £9,000).

12 Fixed asset investments

	Group undertakings	
Company	1999 £'000	1998 £'000
<i>Cost</i>		
At 31 January 1998 and 31 January 1999	1,176	1,176
	<hr/>	<hr/>

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.

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (Continued)

13 Stocks

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Goods held for resale	674	-	634	-

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

14 Debtors

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Prepayments	487	-	314	-
Other debtors	13	4	95	32
Amounts owed by group undertakings	-	191	-	148
Dividends receivable	-	-	-	200
ACT recoverable	25	25	25	25
Amounts falling due within one year	525	220	434	405

15 Creditors: amounts falling due within one year

Bank overdraft - secured	484	-	-	-
Trade creditors	590	34	761	7
Dividends	-	-	100	100
Creditors for taxation and social security	378	-	325	-
Corporation tax	-	-	340	25
Obligations under finance leases	36	-	40	-
Accruals and deferred income	270	-	269	-
Deferred income on lease incentives	106	-	-	-
	1,864	34	1,835	132

The overdraft is secured by way of a fixed and floating charge on the assets of the company.

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (Continued)

16 Creditors: amounts falling due after more than one year

	1999		1998	
	Group £'000	Company £'000	Group £'000	Company £'000
Obligations under finance leases	8	-	31	-
Deferred income on lease incentives	142	-	325	-
	<u>150</u>	<u>-</u>	<u>356</u>	<u>-</u>
The obligations under finance leases are due as follows:				
Within one to two years	4	-	30	-
Within two to five years	4	-	1	-
	<u>8</u>	<u>-</u>	<u>31</u>	<u>-</u>

17 Deferred taxation

	1999		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)	-
	<u>154</u>	<u>-</u>	<u>131</u>	<u>-</u>
				£'000

Deferred tax movements are:

At beginning of year	131
Transfer to profit and loss account (note 6)	23
	<u>154</u>
At end of year	

There is no unprovided deferred tax.

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (Continued)

18 Share capital

Share capital	1999 & 1998		1999 & 1998	
	Authorised		Called up, allotted and fully paid	
	Number	£'000	Number	£'000
Ordinary shares of 10p each	15,000,000	1,500	9,984,800	998
Preference shares of £1 each	200,000	200	200,000	200
	<hr/>	<hr/>	<hr/>	<hr/>
	15,200,000	1,700	10,184,800	1,198

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% of 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
837,071	1999-2008	11p - 72.5p

At 31 January 1999, 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.

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 year	-	-	(694)
Finance cost appropriation of non-equity interests	-	-	12
Issue costs	(14)	-	-
	<u>145</u>	<u>287</u>	<u>(244)</u>
At end of year	<u>145</u>	<u>287</u>	<u>(244)</u>

Goodwill previously written off to the merger reserve amounts to £4,713,000 (1998 - £4,713,000).

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (*Continued*)

19 Reserves (*Continued*)

Company	Share premium account £'000	Profit and loss account £'000
As at 31 January 1998	159	92
Retained loss for the period	-	(85)
Finance cost appropriations of non-equity interests	-	12
Issue costs	(14)	-
	<hr/>	<hr/>
At end of year	145	19
	<hr/>	<hr/>

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

	1999 £'000	1998 £'000
Operating (loss)/profit	(356)	892
Increase in stock	(40)	(7)
(Increase)/decrease in debtors	(91)	646
(Decrease)/increase in creditors	(183)	378
Depreciation	341	155
Profit on sale of fixed assets	(3)	(6)
Loss on disposal of discontinued activities	-	(92)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(332)	1,966
	<hr/>	<hr/>

21 Reconciliation of net cash flow to movement in net funds

	1999 £'000	1998 £'000
Decrease in cash in the year	(484)	-
Cash outflow from decrease in debt and lease financing	39	35
Cash (outflow)/inflow from (decrease)/increase in liquid resources	(1,294)	1,294
	<hr/>	<hr/>
Change in net debt resulting from cash flows	(1,739)	1,329
Finance leases acquired with subsidiary	-	(22)
New finance leases	(12)	(84)
	<hr/>	<hr/>
Movement in debt in the year	(1,751)	1,223
Net funds at 1 February 1998	1,223	-
	<hr/>	<hr/>
Net (debt)/funds at 31 January 1999	(528)	1,223
	<hr/>	<hr/>

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (*Continued*)

22 Analysis of changes in net funds/(debt)

	At 1 February 1998 £'000	Cash flow £'000	Non cash changes £'000	At 31 January 1999 £'000
Short term deposits	1,294	(1,294)	-	-
Overdrafts	-	(484)	-	(484)
Finance leases	(71)	39	(12)	(44)
	<u>1,223</u>	<u>(1,739)</u>	<u>(12)</u>	<u>(528)</u>

23 Capital commitments

	1999 £'000	1998 £'000
Capital expenditure contracted but not provided for at the year end	179	207

24 Commitments under operating leases

As at 31 January 1999, the company had annual commitments under non-cancellable operating leases as set out below:

	1999		1998	
	Land and buildings Group £'000	Company £'000	Land and buildings Group £'000	Company £'000
Operating leases which expire:				
In two to five years	72	-	95	-
Over five years	2,553	-	2,775	-
	<u>2,625</u>	<u>-</u>	<u>2,870</u>	<u>-</u>

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

25 Related party transactions

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 (1998 – £55,000 per annum).

BLAKES CLOTHING PLC

Notes forming part of the financial statements for the year ended 31 January 1999 (*Continued*)

26 Post balance sheet event

On 26 March 1999 at an extraordinary general meeting, resolutions were passed to reorganise the capital structure of the company.

All the outstanding 10p ordinary shares were converted into a 1p new ordinary share and a 9p deferred share. All voting rights and entitlements to dividends attach to the new ordinary shares. The deferred shares have very limited rights and rank behind all other classes of share in the event of a winding up.

The company also increased its authorised share capital to £2 million and issued 37,650,030 1p new ordinary shares following an open offer to existing shareholders at 2.5p per share. Proceeds from the open offer totalled £941,250, before underwriting and brokers expenses paid in shares of £50,000, raising net cash of £891,250.

27 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. No provision has been made in these accounts, furthermore it is not practicable to quantify any potential liability at this stage.