

Northworld Investments Limited

Financial statements

For the year ended 31 January 2004

Grant Thornton 



Company No. 4466016

Company information

Company registration number	4466016
Registered office	Units 16-18 Victoria Industrial Estate Wales Farm Road London W3 6YN
Directors	Mrs E McPherson Mr D A Thompson
Secretary	Mr D A Thompson
Bankers	Bank of Scotland Gordon Street Glasgow G1 3RS
Solicitors	Titmuss Sainer Dechert 2 Sergeants' Inn London EC4Y 1LT
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Churchill House Chalvey Road East Slough Berkshire SL1 2LS

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Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 January 2004.

Principal activities and business review

The principal activity of the group during the year was value fashion retailers and the principal activity of the company during the year was to operate as a holding company.

On 1 April 2003 the company purchased the entire share capital of Northworld Limited and commenced trading on this date.

There was a profit for the period after taxation amounting to £3,584,478.

The directors do not recommend the payment of a dividend and the profit has been transferred to reserves.

Results and dividends

The trading results for the period, and the group's financial position at the end of the period are shown in the attached financial statements.

Directors and their interests

The directors who served the company during the period together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 January 2004	At 1 February 2003
Mr D A Thompson	"B" Ordinary Shares	675,001	—
Mrs E McPherson	"A" Ordinary Shares	<u>1,575,000</u>	<u>—</u>

On 1 April 2003 the company purchased the entire share capital of the Northworld Limited for consideration of £32,764,300 (see note 28).

Policy on the payment of creditors

It is the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transactions to ensure that suppliers are aware of these terms and to abide by them. Trade creditors at the year end amount to 78 days (2003: 70 days) of average supplies for the year.

Report of the directors

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 group at the end of the period and of the group's profit or loss for the period then ended. 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 group will continue in business.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

During the year, the subsidiary's policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the company's profit sharing schemes.

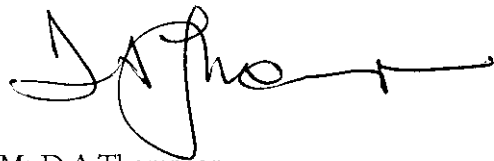
Report of the directors

Auditors

Grant Thornton were appointed auditors on 1 April 2004 in accordance with section 388(1) of the Companies Act 1985. On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. Under section 26(5) of the Companies Act 1989, the directors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'D A Thompson', with a long horizontal stroke extending to the right.

Mr D A Thompson
Secretary
11 November 2004

Report of the independent auditors to the members of Northworld Investments Limited

We have audited the financial statements of Northworld Investments Limited for the year ended 31 January 2004 which comprise the principal accounting policies, consolidated profit and loss account, group balance sheet and company balance sheet, consolidated cash flow statement and notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the directors' report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 group'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.

Report of the independent auditors to the members of Northworld Investments Limited

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 January 2004 and of the profit of the group for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LONDON THAMES VALLEY OFFICE
SLOUGH

11 November 2004

Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and the goodwill on consolidation is capitalised and written off over twenty years from the year of acquisition. The results of the companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively.

As permitted by section 230 of the Companies Act 1985, the parent company has not presented its own profit and loss account in these financial statements (see note 9).

Turnover

Turnover is the total amount receivable by the company for goods supplied and services provided, including goods and services provided by concessions, excluding VAT and trade discounts. Turnover is recognised at the point of sale.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	-	twenty years
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Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	-	fifty years
Leasehold Property	-	the period of the lease
Fixtures & Fittings	-	eight years
Motor Vehicles	-	four years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Accounting policies

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the group, and hire purchase contracts are capitalised and depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pension costs

The group makes contributions to the personal pension plans of certain employees and the pensions costs charged against profits represent the amount of contributions payable to the scheme in respect of the accounting period.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future, or a right to pay less tax in future.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Reverse premiums

Incentives to sign leases, including lease premiums and rent-free periods, are treated as deferred income. These are spread on a straight-line basis over the shorter of the full lease term or to a review date on which rent is first expected to be adjusted to the prevailing market rate.

Consolidated profit and loss account

	Note	2004 £
Turnover	1	122,253,542
Cost of sales		55,409,558
Gross profit		66,843,984
Other operating charges	2	59,762,803
Other operating income	3	(427,144)
Operating profit	4	7,508,325
Interest receivable		88,184
Interest payable	7	(995,309)
Profit on ordinary activities before taxation		6,601,200
Taxation on profit on ordinary activities	8	3,016,722
Profit on ordinary activities after taxation (retained)	24	3,584,478

All of the activities of the group are classed as continuing and relate to the acquisition in the year.

The group has no recognised gains or losses other than the results for the period as set out above.

The group did not trade in the previous accounting period and therefore no comparative figures are presented.

Consolidated balance sheet as at 31 January 2004

	Note	2004 £
Fixed assets		
Intangible assets	10	12,962,912
Tangible assets	11	27,582,846
		<u>40,545,758</u>
Current assets		
Stocks	13	10,588,146
Debtors	14	7,272,735
Cash at bank		6,590,922
		<u>24,451,803</u>
Creditors: amounts falling due within one year	15	28,016,332
Net current liabilities		<u>(3,564,529)</u>
Total assets less current liabilities		<u>36,981,229</u>
Creditors: amounts falling due after more than one year	16	15,085,997
		<u>21,895,232</u>
Provisions for liabilities and charges		
Deferred taxation	19	1,759,000
		<u>20,136,232</u>
Capital and reserves		
Called-up equity share capital	23	25,000
Share premium account	24	16,526,754
Profit and loss account	24	3,584,478
Shareholders' funds	25	<u>20,136,232</u>

These financial statements were approved by the directors on 11 November 2004 and are signed on their behalf by:



Mr D A Thompson
Director

Company balance sheet as at 31 January 2004

	Note	2004 £	2003 £
Fixed assets			
Investments	12	<u>32,764,300</u>	<u>—</u>
Current assets			
Debtors	14	-	-
Cash at bank		<u>3,080,000</u>	<u>1</u>
		<u>3,080,000</u>	<u>1</u>
Creditors: amounts falling due within one year	15	<u>5,444,668</u>	<u>—</u>
Net current (liabilities)		<u>(2,364,668)</u>	<u>1</u>
Total assets less current liabilities		<u>30,399,632</u>	<u>1</u>
Creditors: amounts falling due after more than one year	16	<u>13,847,878</u>	<u>—</u>
		<u>16,551,754</u>	<u>1</u>
Capital and reserves			
Called-up equity share capital	23	25,000	1
Share premium account	24	16,526,754	—
Profit and loss account	24	-	—
Shareholders' funds		<u>16,551,754</u>	<u>1</u>

These financial statements were approved by the directors on 11 November 2004 and are signed on their behalf by:



Mr D A Thompson
Director

Consolidated cash flow statement

	Note	2004 £	2003 £
Net cash inflow from operating activities	26	16,295,193	—
Returns on investments and servicing of finance	26	(790,294)	—
Taxation	26	(2,144,555)	—
Capital expenditure and financial investment	26	(5,598,078)	—
Acquisitions and disposals	26	(13,000,000)	—
Cash outflow before financing		(5,237,734)	—
Financing	26	13,947,877	—
Increase in cash	26	<u>8,710,143</u>	<u>—</u>

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.
An analysis of turnover is given below:

	2004 £
United Kingdom	<u>122,253,542</u>

2 Other operating charges

	2004 £
Distribution costs	5,584,800
Administrative expenses	<u>54,178,003</u>
	<u>59,762,803</u>

3 Other operating income

	2004 £
Rent receivable	358,924
Other operating income	<u>68,220</u>
	<u>427,144</u>

Notes to the financial statements

4 Operating profit

Operating profit is stated after charging/(crediting):

	2004 £
Directors' emoluments	471,700
Amortisation	553,829
Depreciation of owned fixed assets	3,652,618
Depreciation of assets held under finance leases and hire purchase agreements	27,888
Loss on disposal of fixed assets	2,221
Auditors' remuneration:	
Audit fees	50,000
Non-audit fees	11,600
Operating lease costs:	
Land and buildings	13,377,998
Plant and equipment	6,915
Net profit on foreign currency translation	(49,958)

5 Particulars of directors and employees

The average number of staff employed by the group during the financial period amounted to:

	2004 No
Average number of staff employed	2,797

The aggregate payroll costs of the above were:

	2004 £
Wages and salaries	15,796,907
Social security costs	1,006,624
Other pension costs	217,475
	<u>17,021,006</u>

Notes to the financial statements

6 Directors

Remuneration in respect of directors was as follows:

	2004 £
Emoluments receivable	<u>471,700</u>
Emoluments of highest paid director :	
	2004 £
Total amounts excluding pension contributions	<u>311,700</u>

7 Interest payable and similar charges

	2004 £
Interest payable on bank borrowing	870,496
Finance charges	7,982
Other interest payable	116,831
	<u>995,309</u>

8 Taxation on profit on ordinary activities

(a) Analysis of charge in the period

	2004 £
Current tax:	
UK Corporation tax based on the results for the period at 30% (2003 - 30%)	2,600,000
Under provision in prior year	728,722
Total current tax	<u>3,328,722</u>
Deferred tax:	
Movement in the period	
Current year	164,000
Prior years	(476,000)
Tax on profit on ordinary activities	<u>3,016,722</u>

Notes to the financial statements

Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%).

	2004 £
Profit on ordinary activities before taxation	7,508,325
Profit on ordinary activities by rate of tax	2,252,497
Expenses not deductible for tax purposes	494,593
Capital allowances for period in excess of depreciation	(159,817)
Other short term timing differences	(4,360)
Adjustment to tax charge in respect of prior periods	728,722
Sundry tax adjusting items	17,087
Total current tax (note 8(a))	3,328,722

9 Profit/(loss) attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £Nil (2003 - £Nil).

Notes to the financial statements

10 Intangible fixed assets

Group	Goodwill on consolidation £
Cost	
Additions in period	13,516,741
At 31 January 2004	13,516,741
Amortisation	
Charge for the period	553,829
At 31 January 2004	553,829
Net book value	
At 31 January 2004	12,962,912

On 1 April 2003 the company acquired 100% of the share capital of Northworld Limited (see Note 28). The goodwill on the transaction amounting to £13,516,741 has been recognised and is being amortised over 20 years.

11 Tangible fixed assets

Group	Freehold Property £	Leasehold Property £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost or valuation					
On acquisition of subsidiary	1,412,432	11,028,956	30,548,681	156,312	43,146,381
Additions	26,474	2,569,049	2,942,905	59,794	5,598,222
Disposals	-	-	(3,589)	(7,599)	(11,188)
Deficit on revaluation	(242,129)	-	-	-	(242,129)
At 31 January 2004	1,196,777	13,598,005	33,487,997	208,507	48,491,286
Depreciation					
On acquisition of subsidiary	77,756	3,285,683	13,821,810	56,256	17,241,505
Charge for the period	23,769	774,468	2,854,381	27,888	3,680,506
On disposals	-	-	(1,223)	(7,600)	(8,823)
Eliminated on revaluation	(4,748)	-	-	-	(4,748)
At 31 January 2004	96,777	4,060,151	16,674,968	76,544	20,908,440
Net book value					
At 31 January 2004	1,100,000	9,537,854	16,813,029	131,963	27,582,846

The freehold and long leasehold properties were revalued on 26 March 2003 by Messrs Collier, Conrad Ritblat, Erdman Chartered Surveyors. The basis of this valuation was open market value. The deficit has been transferred to the profit and loss account.

Notes to the financial statements

Tangible fixed assets (continued)

If the freehold and long leasehold properties had not been revalued they would have been included in the historical cost basis at the following amounts

	Group 2004 £
Cost	1,438,906
Accumulative depreciation	101,525
Net book value at 31 January 2004	<u>1,337,381</u>

Included within the net book value of £27,582,846 is £131,963 (2003 - £Nil) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £27,888 (2003 - £Nil).

12 Investments

Shares in subsidiary undertaking

	Company 2004 £
Cost	
Additions	32,764,300
At 31 January 2004	<u>32,764,300</u>
Net book value	
At 31 January 2004	<u>32,764,300</u>

Subsidiary undertaking

	Country of incorporation	Class of share	Proportion of voting rights and shares held	Nature of business
Northworld Limited	England and Wales	Ordinary	100%	Value fashion retailers

Notes to the financial statements

13 Stocks

	The group 2004 £	The company 2004 £	2003 £
Finished goods	<u>10,588,146</u>	<u>-</u>	<u>-</u>

14 Debtors

	The group 2004 £	The company 2004 £	2003 £
Amounts owed by related undertakings	95,901	-	-
Other debtors	1,033,412	-	-
Director's loan account	151,701	-	-
Prepayments and accrued income	5,991,721	-	-
	<u>7,272,735</u>	<u>-</u>	<u>-</u>

Included within prepayments and accrued income are deferred finance raising fees of £299,239 which fall due after more than one year (2003: £nil).

15 Creditors: amounts falling due within one year

	The group 2004 £	The company 2004 £	2003 £
Bank loans and overdrafts	4,000,000	4,000,000	-
Trade creditors	13,547,764	-	-
Corporation tax	1,731,031	-	-
Other taxation and social security	2,903,087	-	-
Amounts owed to subsidiary undertakings	-	1,433,139	-
Amounts owed to related undertaking	763,428	-	-
Amounts due under finance leases and hire purchase agreements	55,759	-	-
Other creditors	1,736,888	-	-
Accruals and deferred income	3,278,375	11,529	-
	<u>28,016,332</u>	<u>5,444,668</u>	<u>-</u>

The loan notes are in favour of a former director of Northworld Limited, and current shareholder of the company Mr P N R Green, and are repayable in 3 equal annual instalments by 1 April 2007 and accrue interest at a rate of 2%. The loan notes rank in first priority over all of the other guarantees provided.

The bank loan is secured by way of a fixed and floating debenture over all of the assets of the group and is repayable by 31 March 2006 with an interest rate as specified by Bank of Scotland.

Notes to the financial statements

The liabilities under finance leases and hire purchase contracts are secured over the assets to which they relate.

16 Creditors: amounts falling due after more than one year

	The group 2004 £	2004 £	The company 2003 £
Loan notes	3,000,000	3,000,000	—
Bank loans and overdrafts	10,000,000	10,000,000	—
Amounts due under finance leases and hire purchase agreements	58,960	—	—
Other creditors	847,878	847,878	—
Accruals and deferred income	1,179,159	—	—
	<u>15,085,997</u>	<u>13,847,878</u>	<u>—</u>

17 Borrowings

Creditors include borrowings which are due for repayment as follows:

	The group 2004 £	2004 £	The company 2003 £
Amounts repayable within one year or less	4,000,000	4,000,000	—
In more than one year but not more than two years	12,000,000	12,000,000	—
In more than two years but not more than five years	1,000,000	1,000,000	—
	<u>17,000,000</u>	<u>17,000,000</u>	<u>—</u>

18 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	The group 2004 £	2004 £	The company 2003 £
Amounts payable within 1 year	61,642	—	—
Amounts payable between 1 and 2 years	32,721	—	—
Amounts payable between 3 and 5 years	32,539	—	—
	<u>126,902</u>	<u>—</u>	<u>—</u>
Less interest and finance charges relating to future periods	(12,183)	—	—
	<u>114,719</u>	<u>—</u>	<u>—</u>

Notes to the financial statements

19 Deferred taxation

The movement in the deferred taxation provision during the period was:

	The group 2004 £	The company 2004 £	2003 £
On acquisition of subsidiary	2,071,000		
Movement in the period	(312,000)	-	-
Provision carried forward	<u>1,759,000</u>	<u>-</u>	<u>-</u>

The deferred tax liability provided for in the financial statements consists of the tax effect of timing differences in respect of:

	The group 2004 £	The company 2004 £	2003 £
Accelerated capital allowances	1,766,000	-	-
Other short term timing differences	(7,000)	-	-
	<u>1,759,000</u>	<u>-</u>	<u>-</u>

20 Commitments under operating leases

At 31 January 2004 the group had annual commitments under non-cancellable operating leases as set out below:

The group	2004 Land and buildings £	Other £
Operating leases which expire:		
Within 1 year	216,714	46,954
Within 2 to 5 years	2,341,450	129,824
After more than 5 years	15,340,634	-
	<u>17,898,798</u>	<u>176,778</u>

21 Contingent liabilities

There is a corporate cross guarantee for all sums due between Northworld Limited and Northworld Investments Limited.

Notes to the financial statements

22 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard No 8 "Related Party Transactions" not to disclose transactions with fellow group companies included within the group financial statements.

During the year the group entered into the following transactions with Owen Owen Limited and Shoe Express Limited, companies in which certain directors are directors and/or shareholders.

Certain overhead expenses of the group were paid by Owen Owen Limited and recharged to Northworld Limited. A management fee of £407,900 (2003: £430,800) was charged in respect of consulting services provided by its senior management and administrative expenses of £345,104 (2003: £299,089) were recharged. No separate service contracts exist for individual directors differentiating between services for Owen Owen Limited and the group. A further management charge in respect of past services provided by the directors of £990,597 was charged in the year (2003: £nil).

Northworld Limited operated a concession with certain Owen Owen stores which resulted in commissions receivable of £9,612 (2003: £14,290).

At 31 January 2004, £85,901 was due to the group by Owen Owen Limited and £10,000 was due to the group by Shoe Express Limited.

At 31 January 2004, the amount due to Shoe Express Limited (of which Mr P N R Green is a director) was £773,428.

The group advanced Mrs E McPherson £151,701 during the year. This was the maximum amount in the year and the loan was repaid subsequent to the year end.

Notes to the financial statements

23 Share capital

Authorised share capital:

	2004 £	2003 £
1,000 Ordinary shares of £1 each	–	1,000
1,575,000 Ordinary "A" shares of £0.01 each	15,750	–
675,001 Ordinary "B" shares of £0.01 each	6,750	–
250,000 Ordinary "C" shares of £0.01 each	2,500	–
131,578 Ordinary "D" shares of £0.01 each	1,316	–
	<u>26,316</u>	<u>1,000</u>

Allotted and called up:

	2004		2003	
	No	£	No	£
Ordinary shares fully paid of £1 each	–	–	1	1
Ordinary "A" shares of £0.01 each	1,575,000	15,750	–	–
Ordinary "B" shares of £0.01 each	675,001	6,750	–	–
Ordinary "C" shares of £0.01 each	250,000	2,500	–	–
	<u>2,500,001</u>	<u>25,000</u>	<u>1</u>	<u>1</u>

Allotments during the year:

On 31 March 2003 the 1 ordinary share of £1 was converted into 100 1p shares and subsequently converted into ordinary "B" shares of £0.01 each. On the same day a further 1,229,101 ordinary £0.01 shares were allotted.

On 1 April 2003 the company made an allotment of 1,270,800 ordinary 1p shares at £13.015 per share to existing members. The difference between the total consideration of £16,539,462 and the total nominal value of £12,708 has been credited to the share premium account.

Each class of share ranks pari passu in all respects except the "D" shares which do not carry any permitted transfer rights. The Directors may allot some or all of the "D" shares on such terms as they, in their absolute discretion, see fit to any employee of the company or any subsidiary of the company from time to time.

24 Reserves

Group	Share premium account £	Profit and loss account £
Retained profit for the period	–	3,584,478
Premium on new equity share capital subscribed	<u>16,526,754</u>	<u>–</u>

Notes to the financial statements

At 31 January 2004	16,526,754	3,584,478
Company	Share premium account	Profit and loss account
	£	£
Loss for the period	-	-
Premium on new equity share capital subscribed	16,526,754	-
At 31 January 2004	16,526,754	-

25 Reconciliation of movements in shareholders' funds

	2004	2003
	£	£
Profit for the financial period	3,584,478	-
New equity share capital subscribed	25,000	-
Premium on new share capital subscribed	16,526,754	-
	16,551,754	-
Net addition to funds	20,136,232	-
Opening shareholders' equity funds	-	-
Closing shareholders' equity funds	20,136,232	-

26 Notes to the consolidated cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	2004
	£
Operating profit	7,508,325
Depreciation	3,680,506
Amortisation	553,829
Decrease in stocks	846,073
Decrease in debtors	3,584,584
Decrease in creditors	121,876
Net cash inflow from operating activities	16,295,193

Returns on investments and servicing of finance

	2004
	£
Interest received	88,184
Interest paid	(868,900)
Interest element of finance leases and hire purchase	(9,578)

Notes to the financial statements

Net cash outflow from returns on investments and servicing of finance	<u>(790,294)</u>
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Taxation

	2004 £
Taxation paid	<u>(2,144,555)</u>

Capital expenditure

	2004 £
Payments to acquire tangible fixed assets	(5,598,222)
Sale of tangible fixed assets	144
Net cash (outflow) from capital expenditure	<u>(5,598,078)</u>

Acquisitions and disposals

	2004 £
Purchase of shares in subsidiary undertaking	<u>(13,000,000)</u>

Financing

	2004 £
New bank loans	14,000,000
Capital element of finance leases	(52,123)
Net cash inflow from financing	<u>13,947,877</u>

Notes to the financial statements

Reconciliation of net cash flow to movement in net debt

	2004 £	2003 £
Increase in cash in the period	8,710,143	-
Net cash (outflow) from financing	(14,000,000)	-
Cash inflow in respect of finance leases	52,123	-
Loans acquired with acquisition	(2,286,063)	-
New loans	(3,000,000)	-
	<u>(10,523,797)</u>	<u>-</u>
Change in net debt	(10,523,797)	-
Net funds at 1 February 2003	-	-
Net debt at 31 January 2004	<u>(10,523,797)</u>	<u>-</u>

Analysis of changes in net debt

	At 1 February 2003 £	Cash flow £	Acquisition £	Non Cash flows £	At 31 January 2004 £
Net cash:					
Cash in hand and at bank	-	6,487,224	103,698	-	6,590,922
Overdraft	-	2,222,919	(2,222,919)	-	-
	<u>-</u>	<u>8,710,143</u>	<u>(2,119,221)</u>	<u>-</u>	<u>6,590,922</u>
Debt:					
Bank debt	-	(14,000,000)	-	-	(14,000,000)
Loan notes	-	-	-	(3,000,000)	(3,000,000)
Finance leases	-	52,123	(166,842)	-	(114,719)
Net debt	<u>-</u>	<u>(5,237,734)</u>	<u>(2,286,063)</u>	<u>(3,000,000)</u>	<u>(10,523,797)</u>

All of the above cash flows relate to the acquisition of the subsidiary in the year.

27 Controlling related party and ultimate parent undertaking

During the period Mrs E McPherson was the controlling related party by virtue of her majority shareholding and directorship in the group.

Notes to the financial statements

28 Acquisition

On 1 April 2003 the group acquired the entire share capital of Northworld Limited for a consideration of £32,764,300 in cash, shares, loan notes and acquisition costs. The purchase of Northworld Limited has been accounted for by the acquisition method of accounting and the goodwill arising has been recognised in accordance with Financial Reporting Standard No 10 'Goodwill and Intangible Assets'.

The assets and liabilities acquired were as follows:

	Book value and fair value £
Tangible assets	26,339,438
Stocks	11,499,227
Debtors	10,655,868
Cash at bank	103,698
Creditors	(27,279,672)
Provisions for liabilities and charges	(2,071,000)
Goodwill	13,516,741
	<u>32,764,300</u>
Satisfied by:	
Cash consideration	
Loan notes	13,000,000
Issue of 1,270,800 1p shares at £13.015 per share	3,000,000
	16,539,462
Acquisition costs	224,838
	<u>32,764,300</u>