

TJ Hughes (Investments) Limited

Directors' report and financial statements

Registered number 04958759

Period ended 26 January 2008

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Directors' report

The directors present their annual report and the audited financial statements for the period ended 26 January 2008

Principal activities and future developments

The principal activity of the company is to act as an investment company

Business review

The results of the company are set out on page 5 of the financial statements

Proposed dividend and transfer to reserves

The loss for the period retained by the company is £2,951,000 (2007 loss of £2,833,000) and this has been transferred to reserves

The Directors do not recommend the payment of a dividend for the period (2007 Nil)

Directors and directors' interests

The directors who held office during the period were as follows

NW McCausland	
GR Whiley	
S Tennant	(appointed 16 July 2007)
MP Fontaine	(appointed 5 June 2007)
J Barton	(resigned 12 July 2007)
R Dickie	(resigned 13 June 2007)
PJT Gilbert	(resigned 31 January 2007)

None of the directors had any interest in the shares of the company

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Post balance sheet event

Subsequent to the year end, the strong cash position of the Group has enabled the company to repay early £5,750,000 of bank loans and £1,951,000 of accrued interest on other loans

Auditors

A written resolution to reappoint KPMG LLP as auditors will be tabled to the shareholders following the finalisation of these financial statements

By order of the board



M Fontaine
Director

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities



KPMG LLP

8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditors' report to the members of TJ Hughes (Investments) Limited

We have audited the financial statements of TJ Hughes (Investments) Company Limited for the year ended 26 January 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. 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 auditor's 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 financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

Independent auditors' report to the members of TJ Hughes (Investments) Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 26 January 2008 and of its loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

21st July 2008

Profit and loss account

For the period ended 26 January 2008

	<i>Note</i>	Period ended 26 January 2008 £000	Period ended 27 January 2007 £000
Turnover		-	-
Cost of sales		-	-
		<hr/>	<hr/>
Gross profit		-	-
Administration expenses		-	-
		<hr/>	<hr/>
Operating loss	2	-	-
Income from shares in group undertakings		-	-
Interest payable and similar charges	4	(2,951)	(2 826)
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(2,951)	(2,826)
Tax on profit/(loss) on ordinary activities	5	-	(7)
		<hr/>	<hr/>
Loss for the period	12	(2,951)	(2 833)
		<hr/> <hr/>	<hr/> <hr/>

All operations are continuing

The notes on pages 7 to 12 form part of these financial statements

In the current period the company had no recognised gains and losses other than the loss for the period

Balance sheet
at 26 January 2008

	<i>Note</i>	26 January 2008		27 January 2007	
		£000	£000	£000	£000
Fixed assets					
Investments	6		47,422		47,422
Current assets					
Bank		4		-	
Taxation and social security		-		128	
Creditors' amounts falling due within one year	7	(3,923)		(2,414)	
Net current liabilities			(3,919)		(2,286)
Total assets less current liabilities			43,503		45,136
Creditors' amounts falling due after more than one year	8		(45,414)		(44,096)
Net (liabilities)/assets			(1,911)		1,040
Capital and reserves					
Called up share capital	11		19		19
Share premium account	12		684		684
Profit and loss account	12		(2,614)		337
Net (deficit)/surplus on shareholders' funds			(1,911)		1,040

These financial statements were approved by the board of directors on 20th May 2008 and were signed on its behalf by



M Fontaine
Director

The notes on pages 7 to 12 form part of these financial statements

Notes to the financial statements

For the period ended 26 January 2008

1 Accounting policies

The principal accounting policies adopted by the company are set out below. These policies have been consistently applied.

Basis of preparation

The financial statements have been prepared for the 52 week period ended 26 January 2008 under the historical cost convention and in accordance with applicable accounting standards.

Notwithstanding the net liabilities of £1.911 million, the financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company is dependent for its working capital on funds guaranteed by other group companies. TJ Hughes (Holdings) Company Limited, the parent company, has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees as are needed by the company. This should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Under FRS 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statement.

As 100% of the Company's voting rights are controlled within the group headed by TJ Hughes (Holdings) Company Limited, the Company has taken advantage of the exemption contained in FRS 8 and has not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of TJ Hughes (Holdings) Company Limited, within which this Company is included, can be obtained from the address given in note 15.

Basis of consolidation

The Company is exempt from preparing group accounts since its ultimate parent undertaking produces consolidated accounts.

Investments

Investments held as fixed assets are stated at cost, less any provision for impairment in value. Investments held as current assets are stated at the lower of cost and market value. In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

Group guarantee

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes to the financial statements *(continued)*

For the period ended 26 January 2008

1 Accounting policies *(continued)*

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Operating loss

	2008 £000	2007 £000
Operating loss is stated after charging		
Auditors' remuneration		
- audit services	-	-
- other services	-	-

Auditors' remuneration is borne by a subsidiary Company

3 Staff numbers and costs

No staff were remunerated through the Company during the period. Directors' emoluments are borne by a subsidiary company. It is not practical to identify the Directors' emoluments relating to this company.

4 Interest payable and similar charges

	Period ended 26 January 2008 £000	Period ended 27 January 2007 £000
On bank loans and overdrafts	2,010	1,820
Other interest payable	941	1,006
	<u>2,951</u>	<u>2,826</u>

Included within interest are finance costs of £205,000 (2007: £227,000) associated with the raising of acquisition finance. The finance costs have been allocated over the term of the loan to give a constant rate on the carrying amount of the debt in accordance with FRS 4.

5 Taxation

	Period ended 26 January 2008 £000	Period ended 27 January 2007 £000
<i>Current tax</i>		
Adjustment in respect of prior periods	-	7
Tax on (loss)/profit on ordinary activities	<u>-</u>	<u>7</u>

The tax charge assessed for the year is higher (2007: higher) than the standard rate of corporation tax in the UK (30%).

Notes to the financial statements *(continued)*

For the period ended 26 January 2008

5 Taxation *(continued)*

The differences are explained below

	Period ended 26 January 2008 £000	Period ended 27 January 2007 £000
Loss on ordinary activities before taxation	(2,951)	(2,826)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2007 30%)	(885)	(848)
Effects of Group relief surrendered not paid for	885	848
Adjustment in respect of prior periods	-	7
Current tax charge / (credit) for the period	-	7

6 Fixed asset investments

	Shares in other undertakings £000
At the beginning and the end of period	47,422

Subsidiary companies owned are as follows

	Class of shares	Percentage of shares held by the company		Principal Activity
		Indirect	Direct	
TJ Hughes Limited	Ordinary	-	100%	Discount department stores
IJ Hughes (Properties) Company Limited	Ordinary	100%	-	Property leasing

The above subsidiary undertakings are registered in England and Wales

Notes to the financial statements *(continued)*

For the period ended 26 January 2008

7 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Bank loans	2,819	1,794
Other loans	195	164
Accruals and deferred income	909	456
	<u>3,923</u>	<u>2,414</u>

Bank loans are stated net of finance costs of £182,000 (2007 £206,000). These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate.

8 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Bank loans	17,494	20,312
Other loans	6,518	5,813
Amounts owed to group undertakings	21,402	17,971
	<u>45,414</u>	<u>44,096</u>

Bank loans and other loans are stated net of finance costs of £257,000 (2007 £438,000) and £290,000 (2007 £290,000) respectively. These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate.

9 Treasury policy and financial instruments

The Company's policy, approved by the Directors, is to manage its funding requirements and treasury risks without undertaking any speculative risks. The Company's policy with regard to the maturity profile and interest rate risk of debt is that the majority of the Company's financing should be provided by floating rate debt appropriately hedged. Debt should be fixed for a period if raised to finance expansion with the remainder being short term. Cash deposits are placed short term with the clearing bank where security and liquidity are the prime objectives. The Company's policy is to take out future loans at variable interest rates.

- (a) The Company does not trade in derivatives
- (b) Short term creditors have been excluded from all the following disclosures
- (c) Maturity of Financial Liabilities

The maturity profile of the carrying amount of the Company's financial liabilities, other than short-term creditors such as accruals, was as follows

Notes to the financial statements *(continued)*

For the period ended 26 January 2008

9 Treasury policy and financial instruments *(continued)*

	2008 £000	2007 £000
Bank Loans		
In one year or less	2,819	1,794
In more than one year but not more than two	3,104	2,819
In more than two years but not more than five	14,390	17,493
Other loans		
In one year or less	195	164
In more than five years	6,518	5,813

(d) Fair Values of Financial Assets and Liabilities

	2008		2007	
	Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
Short term borrowings (due in less than one year)	3,014	3,014	1,958	1,958
Long term borrowings (due in more than one year)	24,012	24,012	26,125	26,125

10 Deferred taxation

There are no tax losses (2007 *none*) available

11 Called up share capital

	Number	2008 £000	Number	2007 £000
Authorised				
A' Ordinary shares of 10p each	150,000	15	150,000	15
'B' Ordinary shares of 1p each	860,101	9	860,101	9
	<u>1,010,101</u>	<u>24</u>	<u>1,010,101</u>	<u>24</u>
Allotted, called up and fully paid				
A' Ordinary shares of 10p each	106,000	11	106,000	11
B' Ordinary shares of 1p each	850,000	8	850,000	8
	<u>956,000</u>	<u>19</u>	<u>956,000</u>	<u>19</u>

Sums distributed by the company shall be distributed amongst the 'A' Ordinary Shareholders and the 'B' Ordinary Shareholders in proportion to the number of such shares held by them respectively. On return of capital on liquidation or otherwise the surplus assets of the company remaining after payment of its liabilities shall be distributed amongst 'A' Ordinary Shareholders and 'B' Ordinary Shareholders in proportion to the numbers of such shares held by them respectively. Every 'A' Ordinary Shareholder and the 'B' ordinary Shareholder shall have one vote for every 'A' Ordinary Share and 'B' ordinary Share of which he is the holder.

Notes to the financial statements *(continued)*

For the period ended 26 January 2008

12 Reserves

	Share premium account £000	Profit & loss account £000
At beginning of period	684	337
Loss for the period	-	(2,951)
	<hr/>	<hr/>
At end of period	684	(2,614)
	<hr/>	<hr/>

13 Reconciliation of movement in shareholders funds

	Period ended 28 January 2008 £000	Period ended 27 January 2007 £000
Opening shareholder funds	1,040	3,873
Loss for the period	(2,951)	(2,833)
	<hr/>	<hr/>
Closing shareholders' (deficit)/ funds	(1,911)	1,040
	<hr/>	<hr/>

14 Commitments

The Company is subject to a debenture given in favour of the Bank of Scotland to secure its revolving credit facility of £5 million (2007 £10 million) and £20.75 million (2007 £22.75 million) of term loans

15 Ultimate parent Company

The directors regard TJ Hughes (Holdings) Company Limited, a company incorporated in the United Kingdom, as the ultimate parent company. The consolidated financial statements of the group are available to the public and may be obtained from TJ Hughes (Holdings) Company Limited, Hughes House, London Road, Liverpool, L3 8JA. The ultimate controlling party is disclosed in those accounts.

16 Post Balance Sheet Event

Subsequent to the year end, the strong cash position of the Group has enabled the company to repay early £5,750,000 of bank loans and £1,951,000 of accrued interest on other loans.