TJ Hughes (Holdings) Company Limited

Directors' report and consolidated financial statements

Registered number 04984399

Period ended 27 January 2007

Contents

Directors' report

52 weeks ended 27 January 2007 (2006. 52 weeks ended 28 January 2006)

The Directors present their annual report and the audited financial statements for the 52 weeks ended 27 January 2007

Principal activities

The principal activity of the company is to act as a holding company and to provide management services for its subsidiaries The principal activity of the group is trading from discount department stores

Business review

The results of the group are set out on page 8 of the financial statements

Current year performance

The current trading period has been a difficult one for the group with an operating profit of £0 2 million compared with £11 2 million last year The table below presents a comparison with the audited results for the 52 weeks ended 28 January 2006

	2007 52 weeks ended 27 January 2007 Audited £'000	Growth £'000	2006 52 weeks ended 28 January 2006 Audited £'000
Turnover	239,477	+ 24,949 + 11 6%	214,528
Gross profit	88,011	+2,892 +3 4%	85,119
Gross profit %	36 8%	-2 9%pts	39 7%
Operating profit before exceptional items	171	-11,088 -98 5%	11,259
Operating profit before exceptional items %	0 1%	-5 1%pts	5 2%

During the 52 week period ended 27 January 2007 total sales increased by 11 6% from £214 5 million to £239 5 million, driven by new store openings However a challenging retail environment, with strong competitive pressures on margins, resulted in a reduction in gross profit percentage from 39 7% to 36 8%

Directors' report

52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

Operating profit before exceptional items for the 52 week period ended 27 January 2007 amounted to £0 2 million, a decrease of £11 1 million (98 5%) over the comparable period Reduced gross profit percentage and a 2 2% increase in costs resulted in a reduction in operating profit margin from 5 2% to 0 1% The increase in costs arose from a combination of expenses associated with the new stores and above inflation increases affecting utility costs and business rates

During the period six new stores were opened at Sunderland, Plymouth, Dumfries, Corby, Ipswich and Bolton adding 161,000 sq ft of net trading space bringing total net trading space to 1,782,000sq ft

Cash generation continues to be strong with net cash inflow from operating activities of £14 1 million *(2006 £21 9 million)* giving cash balances at the balance sheet date of £17 8 million *(2006 £15 7 million)* During the period other loans totalling £2 million were repaid, funded by the group's surplus cash balances

Strategy and Outlook

After a period of rapid expansion over the past two financial years, this year the group will focus on trading in the existing stores and returning the group to previous levels of profitability before undertaking any future store expansion

The group plans to restore 'like for like' sales growth and recover gross profit percentage through improved buying and better stock management

In September 2007 the group will vacate its store in Blackburn, where the Town Centre is being redeveloped The group will receive compensation of £3M

Trends and factors affecting Performance

The external environment remains challenging with retail high street footfall in decline, growth in internet shopping, non food value merchandising from supermarkets and in some mid market players However the group's ability to offer discounted branded product across a wide product portfolio remains its key strength

Risk

Commercial risk

The Directors view the key commercial risk to be the continuing pressure on consumer spend and competition in our sector of the retail market

Operational risk

Within the business the key operational risk is in assessing demand and ensuring our intake plans optimise sales whilst retaining flexibility This area is constantly being reviewed and processes enhanced

Directors' report

52 weeks ended 27 January 2007 (2006 52 weeks ended 28th January 2006) – continued

Risk management, health and safety and potential employers liability are key parts of the monthly executive meeting agenda

Financial risk

The group manages financial and treasury risk through active working capital and debt management Monitoring of net debt, banking facilities, cash flow and banking covenants is undertaken at Board level

Key Performance Indicators

Financial

The following are some of the principal KPI's used to monitor the financial performance of the business

- LFL Sales
- LFL £ contribution
- Footfall
- Average transaction value
- Stock Cover
- Earning before interest tax and amortisation relative to plan
- Cash balances relative to plan
- Levels of net debt

Non-Financial

- Customer satisfaction
- Health and safety

Proposed dividend and transfer to reserves

The loss for the period retained by the group is £1,998,000 *(2006 profit £4,581,000)* and this has been transferred to reserves The Directors do not recommend payment of a dividend

Directors and Directors' interests

The Directors who held office during the period were as follows

J Barton
R Dickie
NW McCausland
GR Whiley
PJT Gilbert (resigned 31 January 2007)

The Directors who held office at the end of the year had the following interests in the shares of the company, as recorded in the register of Directors' share and debenture interests

Directors' report

52 weeks ended 27 January 2007 (2006· 52 weeks ended 28th January 2006) – continued

	'A' Ordinary		'B' Ordinary	
	At start of period No.	At end of period No.	At start of period No.	At end of period No.
J Barton	-	-	1,207	1,207
R Dickie	50,000	50,000	-	-
NW McCausland	10,000	10,000	-	-
GR Whiley	-	-	1,609	1,609
PJT Gilbert	12,500	12,500	-	-

According to the register of Directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the Directors or their immediate families

Payment of Suppliers

The group does not follow any code or standard on payment practice

The group's policy concerning the payment of suppliers is either to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the group's standard payment terms, and, in either case, to pay in accordance with its contractual or legal obligation, subject to confirmation of receipt of merchandise in good order The number of days' purchases outstanding at 27 January 2007 was 62 days *(2006 37 days)*

Charitable and Political Donations

Charitable contributions made by the group in the period amounted to £2,073 *(2006 £1,660)* No political contributions were made during the period

Employment of disabled persons

The group seeks to ensure that disabled people, whether applying for or in employment, receive equal opportunities and are not discriminated against on the grounds of their disability

The group's affairs are discussed with employees on a formalised and regular basis, through management and staff councils, and through annual staff meetings held in each store following the end of the trading period

The health and safety of the group's employees, customers and members of the general public is a matter of primary concern Accordingly it is the group's policy to manage its activities so as to avoid causing any unnecessary or unacceptable risk to the health of its employees and members of the public

Pension Fund

Full details of the group's defined benefit pension scheme are set out in Note 22 to the Financial Statements

Directors' report

52 weeks ended 27 January 2007 (2006 52 weeks ended 28th January 2006) – continued

Pension scheme funds are administered by Trustees and are independent of the group's finances There is no investment in the shares of the company

The defined benefit pension scheme was closed to new members with effect from 28 February 2002 A defined contribution stakeholder pension scheme was made available to all full-time and part-time employees of the group with effect from 1 February 2002

Post Balance Sheet Events

Taxation

Subsequent to the year end, it has been announced that the UK Corporation tax rate will decrease from 30% to 28% effective from 1 April 2008 This will reduce the deferred tax asset / liability in future periods

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

4/6/07.

R Dickie
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 group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group 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 (Holdings) Company Limited

We have audited the group and parent company financial statements (the "financial statements") of TJ Hughes (Holdings) Company Limited for the period ended 27 January 2007 which comprise [the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses 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 Directors' Report and 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 6

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 group's and 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 (Holdings) Company 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 group's and the parent company's affairs as at 27 January 2007 and of the group's loss for the period 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

4 June 2007

Consolidated profit and loss account

for the 52 weeks ended 27 January 2007 (2006. 52 weeks ended 28 January 2006)

	Note	**Period ended 27 January 2007 £000**	Period ended 28 January 2006 £000
Turnover		**239,477**	214,528
Cost of sales		**(151,466)**	(129,409)
Gross profit		**88,011**	85,119
Distribution costs		**(74,478)**	(61,047)
Administration expenses		**(13,435)**	(13,340)
Operating profit before exceptional items		**171**	11,259
Operating exceptional items included within administrative expenses	3	**(73)**	(527)
Operating profit	2	**98**	10,732
Interest receivable and similar income	6	**385**	773
Interest payable and similar charges	7	**(2,870)**	(4,608)
Other finance income	8	**192**	75
(Loss)/profit on ordinary activities before taxation		**(2,195)**	6,972
Tax on profit on ordinary activities	9	**197**	(2,391)
(Loss)/profit for the financial period	19	**(1,998)**	4,581

The turnover and operating profit are derived from continuing operations

The notes on pages 14 to 35 form part of these financial statements

Consolidated balance sheet at 27 January 2007

	Note	27 January 2007		28 January 2006	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	10		8,565		9,073
Tangible assets	11		48,215		46,445
			56,780		55,518
Current assets					
Stock		29,562		26,495	
Debtors	13	6,333		5,946	
Cash at bank and in hand		17,754		15,683	
		53,649		48,124	
Creditors amounts falling due within one year	14	(50,549)		(40,372)	
Net current assets			3,100		7,752
Total assets less current liabilities			59,880		63,270
Creditors amounts falling due after more than one year	15		(50,586)		(51,719)
Provisions for liabilities and charges	17		(3,831)		(3,965)
Net assets excluding pension assets/(liabilities)			5,463		7,586
Pension assets/(liabilities)	22		825		310
Net assets including pension assets/(liabilities)			6,288		7,896
Capital and reserves					
Called up share capital	18		24		24
Share premium account	19		651		651
Profit and loss account	19		5,613		7,221
Shareholders' funds			6,288		7,896

These financial statements were approved by the board of directors on and were signed on its behalf by

R Dickie Director 4/6/07.

The notes on pages 14 to 35 form part of these financial statements

Company balance sheet at 27 January 2007

	Note	27 January 2007		28 January 2006	
		£000	£000	£000	£000
Fixed assets					
Investments	12		**702**		702
Current assets					
Debtors	13	**9,405**		9,519	
Cash at bank and in hand		**16**		19	
		9,421		9,538	
Creditors amounts falling due within one year	14	**(4)**		(1)	
Net current assets/(liabilities)			**9,417**		9,537
Total assets less current liabilities			**10,119**		10,239
Net assets			**10,119**		10,239
Capital and reserves					
Called up share capital	18		**24**		24
Share premium account	19		**651**		651
Profit and loss account	19		**9,444**		9,564
Shareholders' funds			**10,119**		10,239

These financial statements were approved by the Board of Directors on and were signed on its behalf by

R Dickie Director 4/6/07.

The notes on pages 14 to 35 form part of these financial statements

Consolidated cash flow statement

for the period ended 27 January 2007 (2006: 52 weeks ended 28 January 2006)

	Note	Period ended 27 January 2007		Period ended 28 January 2006	
		£000	£000	£000	£000
Net cash inflow from operating activities	23		**14,105**		21,891
Return on investments and servicing of finance					
Interest paid		**(1,960)**		(1,246)	
Interest received		**446**		709	
			(1,514)		(537)
Taxation					
UK Corporation tax paid			**(1,167)**		(763)
Capital expenditure					
Purchase of tangible fixed assets		**(7,353)**		(10,223)	
			(7,353)		(10,223)
Net cash inflow before financing			**4,071**		10,368
Financing					
New loan		**-**		9,062	
Loan repayment		**(2,000)**		(24,199)	
Purchase of own shares		**-**		(157)	
			(2,000)		(15,294)
Increase/(decrease) in cash and cash equivalents	24		**2,071**		(4,926)

Consolidated statement of total recognised gains and losses

for the 52 weeks ended 27 January 2007 (2006. 52 weeks ended 28 January 2006)

	2007	2006
	£000	£000
(Loss)/profit for the financial year	(1,998)	4,581
Actuarial gain recognised in the pension scheme	556	407
Deferred tax arising on gains in the pension scheme	(166)	(100)
Expenses of pension fund	-	(73)
Total recognised gains and losses relating to the financial year	(1,608)	4,815
Prior year adjustment - adoption of FRS17	-	(862)
Total recognised gains and losses since the last annual report	(1,608)	3,953

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006)

1 Accounting policies

In these financial statements the following new standards have been adopted for the first time

FRS 20 "Share Based Payments"

The directors have considered the requirements of this accounting standard in relation to share options granted to employees and in relation to shares sold to directors and employees The directors have assessed the fair value of any benefit using valuations of the business at the appropriate point in time and in accordance with the standard Having considered this, the directors are of the opinion that no charges to the profit and loss account need to be made in respect of these share based transactions

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements except as noted below

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 27 January 2007 The acquisition method of accounting has been adopted Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company

In accordance with Section 230(4) of the Companies Act 1985 TJ Hughes (Holdings) Company Limited is exempt from the requirement to present its own profit and loss account

The result for the year dealt with in the financial statements of TJ Hughes (Holdings) Company Limited is disclosed in note 20 to these accounts

Stocks

Stocks, representing goods for resale, are valued at the lower of cost and net realisable value

Goodwill

Goodwill arising on acquisitions is capitalised and amortised on a straight line basis over the directors' estimate of its useful life which the directors consider to be 20 years

Fixed assets and depreciation

Tangible fixed assets are included at cost, less accumulated depreciation Depreciation is charged on a straight line basis over the following periods

Leasehold improvements and fixed plant	- Over the remaining period of the lease
Fixtures, fittings and equipment	- 10% to 20% per annum
Finance leases	- Over the remaining period of the lease

Investments

Investments held as fixed assets are stated at cost, less any provision for impairment in value Investments

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) - continued

1 Accounting policies *(continued)*

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

Leased assets

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors

Operating lease rental charges are charged to the profit and loss account on a straight line basis over the life of the lease

Capital contributions

Capital contributions received in respect of new stores are credited to the profit and loss account in equal instalments over the period of the lease

Other incentives receivable towards the costs of fitting out new stores are credited to the profit and loss account in equal instalments over the period to the first rent review

Supplier discounts

Supplier discounts are credited against costs of sales with corresponding reduction made to the value of stock in respect of discounts receivable on individual stock lives

Pension costs

The group operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the company

The group has adopted FRS 17 This standard replaces the use of the actuarial values for assessing pension costs in favour of a market-based approach In order to cope with the volatility inherent in this measurement basis, the standard requires that the profit and loss account shows the relatively stable ongoing service cost, the expected return on assets and the interest on the liabilities Differences between expected and actual returns on assets, and the impact on the liabilities of changes in the assumptions, are reflected in the statement of total recognised gains and losses

Application of FRS 17 requires the exercise of judgement in relation to various assumptions including future pay rises in excess of inflation, employee and pensioner demographics and the future expected returns on assets The group determines the assumptions to be adopted in discussion with its actuaries, and believes these assumptions to be in line with UK practice generally, but the application of different assumptions could have a significant effect on the amounts reflected in the profit and loss account and balance sheet in respect of post employment benefits A list of the major assumptions used by the group are set out in Note 22 It is not practical to give the impact of the effect of changes in these assumptions

The group also operates a defined contribution pension scheme The assets of the scheme are held separately from those of the group in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

1 Accounting policies *(continued)*

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

Grants

Grants in respect of capital expenditure are recognised in the profit and loss account on a straight line basis over the expected useful life of the asset to which they relate Grants in respect of revenue expenditure are recognised in the profit and loss account in the period in which they become receivable

Employee share schemes

The company runs an unapproved share option scheme All awards have performance criteria attached, none of which have been met and therefore no shares have vested with employees Shares in the company are held by an Employee Benefit Trust The trust acquires shares in the company with the benefit of loans advanced by the company In accordance with UITF Abstract 38 these shares are accounted for as a deduction from shareholders' funds In accordance with UITF Abstract 37 consideration paid or received for these shares is shown in the reconciliation of movements in shareholders' funds No gain or loss is recognised in respect of these transactions The Employee Benefit Trust grants options to employees at the restricted market value for a minority interest at the date of grant The group does not operate SAYE schemes

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

Significant estimates

FRS 18 requires disclosure of the bases of significant estimations in company accounts The only significant estimate in these accounts is in relation to the provision for slow moving stock which is based on current and forecast realisable values

Turnover

Turnover consists of the amounts receivable for goods and services supplied by the subsidiary companies, excluding value added tax Turnover and profit on ordinary activities relate wholly to continuing retailing activities in the United Kingdom

Group guarantee

The company has not adopted FRS 26 in relation to financial guarantee contracts which will apply for periods commencing on or after 1 January 2007

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

The company does not expect the amendments to have any impact on the financial statements for the period commencing 28 January 2007

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006· 52 weeks ended 28 January 2006) – continued

2 Operating profit

Operating profit is stated after charging	**Period ended 27 January 2007 £000**	Period ended 28 January 2006 £000
Bad debt provision	**(132)**	325
Auditors' remuneration		
- Audit	**61**	42
- Other services	**-**	-
Depreciation	**5,793**	5,046
Amortisation of goodwill (included in administration expenses)	**508**	508
Operating leases - plant and machinery	**790**	765
- land and buildings	**15,927**	12,575
Release of government grants	**(7)**	(7)
Landlords' contributions	**(1,492)**	(1,091)

3 Exceptional items

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
These consist of costs incurred in restructuring management		
Restructuring costs	**73**	527

The tax impact of these expenses is to decrease the tax charge by £22,000 *(2006 £158,000)*

4 Remuneration of directors

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
Directors' emoluments:		
Remuneration as executives	**502**	521
Pension contributions	**10**	4
Compensation for loss of office	**-**	151
Fees paid to third parties in respect of directors' services	**53**	53
	565	729

The emoluments, excluding pension contributions, of the highest paid director were £330,000 *(2006 £330,000)* and company pension contributions of £4,000 *(2006 £3,000)* were made to a money purchase scheme on his behalf No directors *(2006 none)* are members of the company's defined benefit pension scheme

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006: 52 weeks ended 28 January 2006) – continued

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows

	Number of employees Period ended 27 January 2007	Number of employees Period ended 28 January 2006
Full time	**975**	974
Part time	**3,048**	2,504
	4,023	3,478
Total expressed in terms of full time equivalent employees	**2,016**	1,725

The aggregate payroll costs of these persons were as follows

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
Wages and salaries	**31,174**	26,904
Social security costs	**1,967**	1,756
Other pension costs (see note 22)	**548**	599
	33,689	29,259

The company has no employees

6 Interest receivable and similar income

	Period ended 27January 2007 £000	Period ended 28 January 2006 £000
Bank interest receivable	**375**	749
Other interest receivable	**10**	24
	385	773

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

7 Interest payable and similar charges

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
On bank loans and overdrafts	**2,149**	1,920
Other interest payable on other loans	**40**	20
Other interest payable	**681**	2,668
	2,870	4,608

Included within interest on bank loans and overdrafts are finance costs of £228,000 *(2006 £ 208,000)* 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 During the period £nil *(2006 £24 2m)* of other loans were repaid The company has benefited from lower interest charged on the bank loans that were used in part to fund the repayment of the other loans

8 Other finance income/(costs)

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
Expected return on pension scheme assets	**778**	634
Interest on pension scheme liabilities	**(586)**	(559)
	192	75

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

9 Taxation

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
Current tax		
UK corporation tax on profit for the period	-	1,583
Adjustment in respect of prior periods	(118)	-
Deferred tax		
Origination and reversal of timing differences	(95)	808
Adjustment in respect of prior periods	102	-
Credit in respect of pension charge	(86)	
Tax (credit)/charge on profit on ordinary activities	(197)	2,391

The tax charge assessed for the year is lower than the standard rate of corporation tax in the UK (30%) The differences are explained below

	Period ended 27 January 2007 Group £'000	Period ended 28 January 2006 as restated Group £'000
Current tax reconciliation		
(Loss)/Profit ordinary activities before taxation	(2,195)	6,972
(Loss)/Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% *(2006 30%)*	(659)	2,092
Effects of		
Expenses not deductible for tax purposes	180	570
Short term timing differences	(221)	(188)
Capital allowances in excess of depreciation	798	(620)
Non taxable income	(98)	(98)
Adjustment to tax charge in respect of previous periods	(118)	(165)
Effect of small company tax rate	-	(8)
Current tax (credit)/charge for the period	(118)	1,583

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006. 52 weeks ended 28 January 2006) – continued

10 Intangible fixed assets

Group

	Goodwill
	£000
Cost	10,164
Amortisation	
At beginning of period	1,091
Charged in the period	508
At end of period	**1,599**
Net book value	
At end of period	**8,565**
At beginning of period	9,073

11 Tangible fixed assets

	Leasehold improvements and fixed plant	Fixtures, fittings and equipment	Finance leases	Total
Group	£000	£000	£000	£000
Cost				
At beginning of period	28,613	27,804	-	56,417
Additions	1,843	5,397	323	7,563
At end of period	**30,456**	**33,201**	**323**	**63,980**
Depreciation				
At beginning of period	2,886	7,086	-	9,972
Charge for period	1,800	3,988	5	5,793
At end of period	**4,686**	**11,074**	**5**	**15,765**
Net book value				
At end of period	**25,770**	**22,127**	**318**	**48,215**
At beginning of period	25,727	20,718	-	46,445

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006: 52 weeks ended 28 January 2006) – continued

12 Fixed asset investments

	Subsidiary undertakings £000
Cost and net book value	702
At beginning of period	-
At end of period	**702**

Subsidiary companies included in the consolidation are as follows

Company	Class of shares	Percentage of shares held by Group	Company	Principal activity	Net assets £000	Net profit for period ended 27 January 2007 £000
Direct participating undertaking						
TJ Hughes (Investments) Limited	Ordinary	100	100	Holding company	1,040	(2,833)
Indirect participating undertaking						
TJ Hughes Limited	Ordinary	100	-	Discount department stores	34,473	1,392
TJ Hughes (Properties) Company Limited	Ordinary	100	-	Property leasing	214	69

The above subsidiary undertakings are registered in England and Wales

13 Debtors

	Group 2007 £000	Company 2007 £000	Group 2006 £000	Company 2006 £000
Trade debtors	**1,883**	**-**	1,455	-
Other debtors	**4,388**	**29**	4,491	54
Corporation tax	**62**		-	
Amounts owed by subsidiary undertakings	**-**	**9,376**	-	9,465
	6,333	**9,405**	5,946	9,519

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

14 Creditors: amounts falling due within one year

	Group 2007 £000	**Company 2007 £000**	Group 2006 £000	Company 2006 £000
Bank loans	**1,794**	**-**	1,773	-
Other loans	**164**	**-**	164	-
Obligations under finance leases	**59**	**-**	-	-
Trade creditors	**30,524**	**-**	21,416	-
Corporation tax	**-**	**-**	1,224	-
Other taxes and social security	**5,123**	**(13)**	5,016	-
Accruals and deferred income	**12,885**	**17**	10,779	1
	50,549	**4**	40,372	1

Bank loans are stated net of finance costs of £206,000 *(2006 £227,000)* These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate

15 Creditors: amounts falling due after more than one year

	Group 2007 £000	Group 2006 £000
Bank loans	**20,312**	22,107
Other loans	**5,813**	5,132
Obligation under finance leases	**233**	-
Accruals and deferred income	**24,228**	24,480
	50,586	51,719

Bank loans and other loans are stated net of finance costs of 438,000 *(2006 £643,000)* and £290,000 *(2006 £290,000)* respectively These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

The maturity of obligations under finance leases is as follows

	Group 2007 £000	Group 2006 £000
Within one year	**59**	-
In the second to fifth years	**233**	-
	292	-

Included within accruals and deferred income is amounts of £18,127,000 *(2006 £19,105,000)* to be released to the profit and loss account in more than 5 years

16 Treasury Policy and Financial Instruments

The group's policy, approved by the Directors, is to manage its funding requirements and treasury risks without undertaking any speculative risks The group's policy with regard to the maturity profile and interest rate risk of debt is that the majority of the group'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 group's policy is to take out future loans at variable interest rates

Less than one per cent of the group's purchases are made in foreign currencies Where necessary, to reduce any associated risk these transactions are covered, as commitments are made, by foreign exchange contracts Such commitments generally do not extend further than two to three months beyond the balance sheet date There were no material hedging gains or losses during the period

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

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006. 52 weeks ended 28 January 2006) – continued

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

	Group 27 January 2007 £000	**Company 27 January 2007 £000**	Group 28 January 2006 £000	Company 28 January 2006 £000
Bank loans				
In one year or less	**1,794**	-	1,773	-
In more than one year but not more than two	**2,819**	-	1,795	-
In more than two years but not more than five	**17,493**	-	20,312	-
Other loans				
In one year or less	**164**		164	
In more than five years	**5,813**	-	5,132	-

(d) Borrowing Facilities

The group had an undrawn committed £10 million *(2006 £10 million)* overdraft facility available at 27 January 2007 at a floating interest rate

(e) Fair Values of Financial Assets and Liabilities

	Group 27 January 2007		**Company 27 January 2007**		Group 28 January 2006		Company 28 January 2006	
	Book Value £000	**Fair Value £000**	**Book Value £000**	**Fair Value £000**	Book Value £000	Fair Value £000	Book Value £000	Fair Value £000
Short term borrowings (due in less than one year)	**1,958**	**1,958**	-	-	1,937	1,937	-	-
Long term borrowings (due in more than one year)	**26,125**	**26,125**	-	-	27,239	27,239	-	-
Cash at bank and in hand	**17,754**	**17,754**	**16**	**16**	15,683	15,683	19	19

17 Provisions for liabilities and charges

	Group 27 January 2007 £000	Group 28 January 2006 £000
Deferred Taxation	**3,831**	3,965

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

The movement in provisions is as follows

Group

	Deferred taxation £000
At 28 January 2006	3,965
Charged to profit and loss account	(95)
Transferred from pension provision	(141)
Adjustment in respect of prior period	102
At 27 January 2007	3,831

Deferred Taxation

Group	**27 January 2007 £000**	28 January 2006 £000
Accelerated capital allowances	**4,086**	4,385
Other short term timing differences	**(255)**	(420)
Undiscounted provision for deferred tax	**3,831**	3,965

18 Called up share capital

	27 January 2007		28 January 2006	
	Number	**£000**	Number	£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
	1,010,101	**24**	1,010,101	24
Allotted, called up and fully paid				
'A' Ordinary shares of 10p each	**150,000**	**15**	150,000	15
'B' Ordinary shares of 1p each	**850,000**	**9**	850,000	9
	1,000,000	**24**	1,000,000	24

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 they are the holder

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

19 Reserves

Group	Share premium £000	Profit & loss account £000
At beginning of period	651	7,221
Loss for the period	-	(1,998)
Net contribution to Employee Benefit Trust	-	-
Other recognised gains in the year	-	390
At end of period	**651**	**5,613**

Company	Share premium £000	Profit & loss account £000
At beginning of period	651	9,564
Loss for the period	-	(120)
Net contribution to Employee Benefit Trust	-	-
At end of period	**651**	**9,444**

20 Reconciliation of movement in shareholders' funds

	Period ended 27 January 2007		Period ended 28 January 2006	
	Group £000	**Company £000**	Group	Company £000
(Loss)/profit for the period	**(1,998)**	**(120)**	4,581	9,873
New share capital subscribed	-	-	-	-
Net contribution to Employee Benefit Trust	-	-	(157)	(157)
Other recognised gains in the year	390	-	234	-
Net (deduction)/addition to shareholders' funds	**(1,608)**	**(120)**	4,658	9,716
Opening shareholders' funds	**7,896**	**10,239**	3,238	523
Closing shareholders' funds	**6,288**	**10,119.**	7,896	10,239

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006· 52 weeks ended 28 January 2006) – continued

21 Commitments

(i) The capital commitments are as follows

	27 January 2007 £'000	28 January 2006 £'000
Group		
Contracts for capital expenditure	**110**	3,926

(ii) Annual commitments under non-cancellable operating leases are as follows

	27 January 2007		28 January 2006	
	Land and Buildings	**Other**	Land and Buildings	Other
	£000	**£000**	£000	£000
Group				
Operating leases which expire				
Within one year	**-**	**70**	-	89
In the second to fifth years inclusive	**-**	**724**	-	681
Over five years	**16,947**	**-**	16,470	-
	16,947	**794**	16,470	770

Company

There are no operating lease commitments in the company

The company is subject to a debenture given in favour of the Bank of Scotland to secure the group's revolving credit facility of £10 million *(2006 £10 million)* and guarantees totalling £22 75 million *(2006 £24 75 million)* in respect of term loans for TJ Hughes (Investments) Limited

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006: 52 weeks ended 28 January 2006) – continued

22 Pension scheme

Group
Composition of the scheme

The group operates a defined benefit scheme in the UK A full actuarial valuation was carried out at 30 September 2005 and has been updated to 27 January 2007 by a qualified independent actuary The company paid contributions of £468,000 (and PPF levy of £3,000) during the year to 27 January 2007 and has agreed to pay contributions at the rate of £523,200 per annum with effect from 1 October 2006

	At 27 January 2007	At 28 January 2006	At 29 January 2005
The major assumptions used by the actuary were			
Price inflation	**3.1%**	2 9%	2 9%
Pre 6 April 1997 pension increases	**0.0%**	0 0%	0 0%
Post 5 April 1997 pension increases accrued prior to 1 December 2006	**3.1%**	2 9%	2 9%
Post 30 November 2006 pension increases	**2.3%**	2 1%	-
Rate of increase for deferred pensions	**3.1%**	2 9%	2 9%
Salary increases	**3 6%**	3 4%	3 4%
Discount rate	**5.2%**	4 6%	5 2%

The assets in the schemes and the expected rate of return were

	Long term rate of return expected at 27 January 2007	**Value at 27 January 2007**	Long term rate of return expected at 28 January 2006	Value at 28 January 2006	Long term rate of return expected at 29 January 2005	Value at 29 January 2005
		£'000		£'000		£'000
Equities	**7.50%**	**9,075**	6 80%	8,491	7 15%	6,258
Corporate bonds	**5.20%**	**461**	4 60%	331	5 20%	387
Government Bonds	**4.90%**	**3,957**	4 20%	3,972	4 65%	1,788
Cash	**5.25%**	**321**	4 50%	306	4 00%	576
		13,814		13,100		9,009

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

22 Pension scheme *(continued)*

The following amounts at 27 January 2007, 28 January 2006 and 29 January 2005 were measured in accordance with the requirements of FRS17

	27 January 2007	28 January 2006	29 January 2005
	£000	£000	£000
Total market value of assets	**13,814**	13,100	9,009
Present value of Scheme liabilities	**(12,635)**	(12,657)	(10,542)
Surplus/ (deficit) in the Scheme	**1,179**	443	(1,553)
Related deferred tax asset / (liability)	**(354)**	(133)	460
Net pension asset / (liability)	**825**	310	(1,073)

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

22 Pension scheme *(continued)*

The following amounts have been recognised in the performance statements in the periods to 27 January 2007 and 28 January 2006 under the requirements of FRS 17

	27 January 2007	28 January 2006
Operating profit	**£'000**	£'000
Current service cost	**483**	551
Total operating charge	**483**	551
Other finance income		
Interest on pension scheme liabilities	**(586)**	(559)
Expected return on pension scheme assets	**778**	634
Net return	**192**	75

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

22 Pension scheme (continued)

	27 January 2007	28 January 2006
Statement of total recognised gains and losses (STRGL)	**£'000**	£'000
Actual return less expected return on pension scheme assets	**(239)**	1,561
Experience gains and losses arising on the scheme liabilities	**(140)**	344
Changes in assumptions underlying the present value of the scheme liabilities	**935**	(1,498)
Actuarial gain/(loss) recognised in STRGL	**556**	407

	27 January 2007	28 January 2006
Movement in surplus/(deficit) during the period	**£'000**	£'000
Surplus/(deficit) in scheme at beginning of the period	**443**	(1,533)
Movement in period		
Current service cost	**(483)**	(551)
Contributions	**471**	2,118
Finance income	**192**	75
Other outgoings (e g expenses etc)	**-**	(73)
Actuarial gain	**556**	407
Surplus in scheme at end of the period	**1,179**	443

As the scheme is closed, the current service cost will increase as the members of the scheme approach retirement

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

22 Pension scheme (continued)

	27 January 2007	28 January 2006	29 January 2005
History of experience gains and losses during the period	**£'000**	£'000	£'000
Difference between the expected and actual return on scheme assets Amount (£'000)	**(239)**	1,561	245
Percentage of scheme assets	**1 7%**	11 9%	2 7%
Experience gains and losses on the scheme liabilities Amount (£'000)	**(140)**	344	72
Percentage of present value of scheme liabilities	**(1.1%)**	2 7%	0 7%
Total amount recognised in STRGL Amount (£'000)	**556**	407	(1,367)
Percentage of present value of scheme liabilities	**4.4%**	3 2%	(15 1%)

The group also operates a defined contribution pension scheme The pension cost charge for the period represents contributions payable by the group to the scheme and amounted to £ 48,000 *(2006 £48,000)* Contributions amounting to £12,000 *(£13,000)* were payable to the scheme and are included in creditors

Company

The Company does not operate a pension scheme

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

23 Reconciliation of operating profit to net cash inflow from operating activities

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
Operating profit	**98**	10,732
Depreciation	**5,793**	5,046
Amortisation charge	**508**	508
(Increase) in stocks	**(3,068)**	(4,518)
(Increase) in debtors	**(325)**	(1,917)
Increase in creditors	**11,099**	12,040
Net cash inflow from operating activities	**14,105**	21,891

24 Reconciliation of net cash flow to movement in net debt

	Period ended 27 January 2007 £000	Period ended 28 January 2006 £000
Increase/(decrease) in cash in the period	**2,071**	(4,926)
Cash outflow from acquisition	**-**	-
Net repayment of capital	**2,000**	15,136
Capitalised loan interest	**(681)**	(1,177)
Amortisation of FRS 4 costs	**(226)**	(1,699)
Movement in net debt for the period	**3,164**	7,334

25 Analysis of net debt

	At start of the period £000	**FRS 4 amortisation £000**	**Capitalised loan interest £000**	**Cash flow £000**	**At the end of the period £000**
Cash at bank and in hand	15,683	-	-	2,071	17,754
Debt due within one year	(1,937)	(21)	-	-	(1,958)
Debt due after one year	(27,239)	(205)	(681)	2,000	(26,125)
Total	(13,493)	(226)	(681)	4,071	(10,329)

Notes to the financial statements

for the 52 weeks ended 27 January 2007 (2006 52 weeks ended 28 January 2006) – continued

26 Related party transactions

PPM Capital Limited ("PPMC") is a fund management company that manages investments on behalf of its clients PPMC provides the company with non-executive management services PPMC receives fees for the provision of non-executive directors and investment monitoring on behalf of its clients Of these fees £53,000 *2006 £53,000)* is due to PPMC at 27 January 2007 in respect of the services of non-executive directors and £53,000 *(2006 £52,000)* was paid to PPMC in respect of investment monitoring fees

PPMC's clients subscribed for loan notes of £22 75 million issued by TJ Hughes (Investments) Company Limited (a wholly owned subsidiary) on 14 November 2003 A further £0 7 million *(2006 £1 70 million)* of interest accrued during the period During the previous period a total of £22 2 million was repaid to PPMC's clients representing loan note principal of £17 5 million and accrued interest of £4 7 million At 27 January 2007 the total balance outstanding in respect of the loan notes was £6 27 million *(2006 £5 59 million)*

27 Employee Share Scheme

At the balance sheet date 24,000 shares were held by the Employee Benefit Trust which had not yet vested unconditionally with employees *(2006 24,000)* Shareholders' funds have been reduced by £175,000 *(2006 £175,000)* in respect of the purchase of these shares

28 Post Balance Sheet Events

Taxation

Subsequent to the year end, it has been announced that the UK Corporation tax rate will decrease from 30% to 28% effective from 1 April 2008 This will reduce the deferred tax asset / liability in future periods