

# **TJ Hughes (Holdings) Company Limited**

**Directors' report and consolidated financial  
statements**

**Period ended 30 January 2010**

**Registered number 04984399**

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## Directors' report

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

The Directors present their annual report and the audited financial statements for the 52 weeks ended 30 January 2010

### 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 52 (2009 49) discount department stores and a transactional website.

### Business review

The results of the group are set out on page 9 of the financial statements.

### Current year performance

The current trading period has been a positive one for the group with continued turnover growth of 2.1%, aided by the successful opening of three new stores in the year and growth in the transactional website, with an operating profit before exceptional items of £6.2 million compared with £4.2 million last year. The table below presents a comparison of the audited results for the current and prior year.

	52 weeks ended 30 January 2010	Growth	53 weeks ended 31 January 2009
	£000	£000	£000
Turnover	266,710	+5,398 +2.1%	261,312
Gross profit	100,405	+5,045 +5.3%	95,360
Gross profit %	37.6%	+1.1%pts	36.5%
Operating profit	6,237	+1,995 +47.0%	4,242
Operating profit %	2.3%	+0.7%pts	1.6%

During the 52 week period ended 30 January 2010 total sales increased by £5.4 million to £266.7 million. Gross profit increased by £5.0 million with gross profit percentage rising from 36.5% to 37.6%.

## **Directors' report** *(continued)*

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

Operating profit for the 52 week period ended 30 January 2010 amounted to £6.2 million, an increase of £2.0 million (47.0%) over the comparable period. Operating profit margin improved from 1.6% to 2.3% due to the sales and gross profit improvement.

Cash generation continues to be strong with net cash inflow from operating activities of £11.3 million (2009 £5.5 million). The business continued to invest and spent £5.9 million on fixed assets in the period (2009 £3.3 million). Our cash balances at the balance sheet date were £13.1 million (2009 £12.9 million) and net debt was £3.1 million (2009 £5.4 million). During the period other loans totalling £3.0 million were repaid, funded by the group's surplus cash balances.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

### **Strategy and Outlook**

During the current period the group has performed well in difficult economic circumstances. Whilst the economic outlook remains poor the group expects to continue the trend of sales growth, through new store openings, a further two new stores in Belfast and Blackpool were opened in March 2010, whilst maintaining gross profit percentage and controlling costs.

### **Trends and factors affecting performance**

The external environment remains challenging with retail high street performance affected by the prevailing economic conditions. 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.

Risk management, health and safety and potential employer's liability are key parts of the monthly executive meeting agenda.

## **Directors' report** *(continued)*

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

### **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**

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

- Like for like sales
- Like for like contribution
- Percentage gross margin
- Stock level and cover
- Earnings before Interest, Tax, Depreciation and Amortisation
- Cash balance relative to plan
- Health and Safety compliance

### **Proposed dividend and transfer to reserves**

The profit for the period retained by the group is £1,357,000 (2009 £1,211,000) and this has been transferred to reserves. The company has an obligation to declare a dividend at the balance sheet date in favour of the 'B' ordinary shareholders and the retained profit for the year includes a proposed dividend of £1,357,000 (2009 £nil) which has been treated as an interest cost in accordance with FRS25 and the dividend liability has been included within creditors

### **Post balance sheet events**

Subsequent to the year end on 12th March 2010 the group extended its existing finance agreement with Lloyds Banking Group. See note 14 for further details

### **Directors and Directors' interests**

The Directors who held office during the period were as follows

NW McCausland  
GR Whaley  
S Tennant  
DR Williams

## **Directors' report** *(continued)*

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

### **Payment of suppliers**

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 30 January 2010 was 64 (2009 59 days)

### **Charitable and political donations**

Charitable contributions made by the group in the period amounted to £1,533 (2009 £2,387). No political contributions were made during the period (2009 £nil)

### **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 21 to the Financial Statements.

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.

**Directors' report** *(continued)*

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

**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

**Auditors**

Pursuant to section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board



**DR Williams**  
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 group and parent financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 UK 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 group and parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have 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 financial statements of TJ Hughes (Holdings) Company Limited for the year ended 30 January 2010 set out on pages 9 to 35. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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**

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 January 2010 and of the group's profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditors' report to the members of TJ Hughes (Holdings) Company Limited *(continued)***

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**I M Goalen (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants

26<sup>th</sup> May 2010

## Consolidated profit and loss account

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

	<i>Note</i>	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
<b>Group turnover</b>	<i>1</i>	<b>266,710</b>	<b>261,312</b>
Cost of sales		<b>(166,305)</b>	<b>(165,952)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>100,405</b>	<b>95,360</b>
Distribution costs		<b>(79,042)</b>	<b>(76,184)</b>
Administration expenses		<b>(15,126)</b>	<b>(14,934)</b>
		<hr/>	<hr/>
<b>Group operating profit</b>	<i>2</i>	<b>6,237</b>	<b>4,242</b>
Interest receivable and similar income	<i>5</i>	<b>50</b>	<b>355</b>
Interest payable and similar charges	<i>6</i>	<b>(2,762)</b>	<b>(2,445)</b>
Other finance income	<i>7</i>	<b>59</b>	<b>208</b>
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>		<b>3,584</b>	<b>2,360</b>
Tax on profit on ordinary activities	<i>8</i>	<b>(2,227)</b>	<b>(1,149)</b>
		<hr/>	<hr/>
<b>Profit for the financial period</b>	<i>18</i>	<b>1,357</b>	<b>1,211</b>
		<hr/> <hr/>	<hr/> <hr/>

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

	<i>Note</i>	30 January 2010		31 January 2009	
		£000	£000	£000	£000
<b>Fixed assets</b>					
Intangible assets	9		7,041		7,549
Tangible assets	10		40,584		40,364
			<u>47,625</u>		<u>47,913</u>
<b>Current assets</b>					
Stock		35,793		31,852	
Debtors	12	5,889		5,084	
Cash at bank and in hand		13,126		12,882	
		<u>54,808</u>		<u>49,818</u>	
<b>Creditors</b> amounts falling due within one year	13	(61,025)		(49,513)	
<b>Net current (liabilities)/assets</b>			(6,217)		305
<b>Total assets less current liabilities</b>			<u>41,408</u>		<u>48,218</u>
<b>Creditors</b> amounts falling due after more than one year	14		(28,599)		(36,649)
<b>Provisions for liabilities</b>	16		(4,386)		(4,183)
<b>Net assets excluding pension assets</b>			<u>8,423</u>		<u>7,386</u>
<b>Pension assets</b>	21		1,050		1,640
<b>Net assets including pension assets</b>			<u>9,473</u>		<u>9,026</u>
<b>Capital and reserves</b>					
Called up share capital	17		15		15
Share premium account	18		651		651
Profit and loss account	18		8,807		8,360
<b>Shareholders' funds</b>			<u>9,473</u>		<u>9,026</u>

These financial statements were approved by the board of directors on 26 May 2010 and were signed on its behalf by



**DR Williams**  
 Director

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

## Company balance sheet

	<i>Note</i>	<b>30 January 2010</b>		<b>31 January 2009</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>				
Investments	11		702	702
<b>Current assets</b>				
Debtors	12	8,979		9,185
Cash at bank and in hand		7		18
		<u>8,986</u>		<u>9,203</u>
<b>Creditors</b> amounts falling due within one year	13	<u>(1,374)</u>		<u>(84)</u>
<b>Net current assets</b>			<u>7,612</u>	<u>9,119</u>
<b>Total assets less current liabilities</b>			<b>8,314</b>	<b>9,821</b>
<b>Creditors</b> amounts falling due after more than one year	14		<u>(9)</u>	<u>(9)</u>
<b>Net assets</b>			<u><b>8,305</b></u>	<u><b>9,812</b></u>
<b>Capital and reserves</b>				
Called up share capital	17		15	15
Share premium account	18		651	651
Profit and loss account	18		7,639	9,146
<b>Shareholders' funds</b>			<u><b>8,305</b></u>	<u><b>9,812</b></u>

These financial statements were approved by the board of directors on 26 May 2010 and were signed on its behalf by



**DR Williams**  
Director

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

## Consolidated cash flow statement

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

		Period ended 30 January 2010		Period ended 31 January 2009	
	Note	£000	£000	£000	£000
<b>Cashflow from operating activities</b>	22		11,309		5,516
<b>Return on investments and servicing of finance</b>					
Interest paid		(463)		(2,332)	
Interest received		50		477	
			(413)		(1,855)
<b>Taxation</b>					
UK Corporation tax paid			(1,670)		(5)
<b>Capital expenditure</b>					
Purchase of tangible fixed assets		(5,916)		(3,296)	
			(5,916)		(3,296)
<b>Net cash inflow before financing</b>			3,310		360
<b>Financing</b>					
Loan repayment		(3,000)		(9,701)	
Purchase of own shares	19	(8)		15	
Capital element of finance lease repayment		(58)		(62)	
			(3,066)		(9,748)
<b>Increase /(Decrease) in cash in the period</b>	23		244		(9,388)

## **Consolidated statement of total recognised gains and losses**

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

	<i>Note</i>	<b>2010</b>	2009
		<b>£000</b>	£000
Profit for the financial year		<b>1,357</b>	1,211
Actuarial loss recognised in the pension scheme	21	<b>(1,253)</b>	(1,128)
Deferred tax arising on loss in the pension scheme		<b>351</b>	377
		<hr/>	<hr/>
<b>Total recognised gains and losses since the last annual report</b>		<b>455</b>	460
		<hr/>	<hr/>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 1 Accounting policies

#### Basis of preparation

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

#### Going concern

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 30 January 2010. 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 408 of the Companies Act 2006 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 19 to these accounts.

#### Turnover

Turnover consists of the amounts receivable for the sale of goods to, and commission on concession sales to, customers outside the Group less an appropriate deduction for actual and expected returns, discounts and is stated net of Value Added Tax.

Turnover on ordinary activities relate wholly to continuing retailing activities in the United Kingdom.

#### Stocks

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

#### Goodwill

Goodwill arising on acquisition 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 33% per annum
Finance leased assets	- Over the remaining period of the lease

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 1 Accounting policies (continued)

#### 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.

#### 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 held within accruals and deferred income and 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 lines.

#### Pension costs

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

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

#### 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.

#### 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.

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.

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 1 Accounting policies (continued)

#### 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.

#### 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.

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### Classification of financial instruments issued by the group

Following the adoption of FRS25, financial instruments issued by the group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group), and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

## Notes to the financial statements

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

### 1 Accounting policies (*continued*)

#### Classification of financial instruments issued by the group (*continued*)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 2 Notes to the profit and loss account

Profit on ordinary activities before taxation is stated after charging/(crediting)	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
Amortisation of goodwill (included in administration expenses)	508	508
Auditors' remuneration		
- Audit	55	54
- Other services	5	6
Depreciation	6,037	5,977
Landlords' contributions	(1,569)	(1,550)
Operating leases		
- plant and machinery	840	793
- land and buildings	17,006	17,117
Release of government grants	(4)	(7)
	<hr/>	<hr/>

### 3 Remuneration of directors

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
<b>Directors' emoluments:</b>		
Remuneration as executives	504	466
Pension contributions	36	32
Compensation for loss of office	-	30
Fees paid to third parties in respect of directors' services	61	55
	<hr/>	<hr/>
	601	583
	<hr/>	<hr/>
 Remuneration of the highest paid director		
Emoluments	317	283
Pension contributions	30	25
	<hr/>	<hr/>
	347	308
	<hr/>	<hr/>

One director (2009 one) is a deferred member of the company's defined benefit pension scheme

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 4 Staff numbers and costs

#### Group

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

	Period ended 30 January 2010 Number of employees	Period ended 31 January 2009 Number of employees
Full time	970	936
Part time	3,219	3,143
	<u>4,189</u>	<u>4,079</u>
Total expressed in terms of full time equivalent employees	<u>2,030</u>	<u>1,958</u>

The aggregate payroll costs of these persons were as follows

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
Wages and salaries	33,851	32,202
Social security costs	2,083	1,991
Other pension costs (see note 21)	396	446
	<u>36,330</u>	<u>34,639</u>

#### Company

The company has no employees

### 5 Interest receivable and similar income

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
Bank interest receivable	34	323
Other interest receivable	16	32
	<u>50</u>	<u>355</u>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 6 Interest payable and similar charges

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
On bank loans and overdrafts	650	1,696
Other interest payable on other loans	70	72
Finance costs on shares classified as liabilities	1,357	-
Other interest payable	685	677
	<u>2,762</u>	<u>2,445</u>

Included within interest on bank loans and overdrafts are finance costs of £220,000 (2009 £322,000) associated with the raising of 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.

The finance costs on shares classified as liabilities relates to the obligation to pay the 'B' ordinary shareholders' a dividend each year from 30 January 2010 equal to fifty percent of the net profits for the relevant year.

### 7 Other finance income/(costs)

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
Expected return on pension scheme assets	743	888
Interest on pension scheme liabilities	(684)	(680)
	<u>59</u>	<u>208</u>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 8 Taxation

*Analysis of charge in the period*

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
<b>UK corporation tax</b>		
UK corporation tax on profit for the period	1,907	1,257
Adjustment in respect of prior periods	(3)	(3)
Total current tax	<u>1,904</u>	<u>1,254</u>
<b>Deferred tax</b>		
Reversal of timing differences	(161)	(159)
Adjustment in respect of prior periods	364	(43)
Charge in respect of pension charge	120	97
Total deferred tax	<u>323</u>	<u>(105)</u>
<b>Tax on profit on ordinary activities</b>	<u><u>2,227</u></u>	<u><u>1,149</u></u>

*Factors affecting the tax charge for the current period*

The current tax charge assessed for the period is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28.3%)

The differences are explained below

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
<b>Current tax reconciliation</b>		
Profit on ordinary activities before taxation	3,584	2,360
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28.3%)	<u>1,004</u>	<u>669</u>
Effects of		
Expenses not deductible for tax purposes	584	624
Short term timing differences	(72)	(98)
Dividend payable on shares classed as liabilities	379	-
Capital allowances in excess of depreciation	112	161
Non taxable income	(95)	(94)
Adjustment to tax charge in respect of previous periods	(3)	(3)
Effect of small company rate	(5)	(5)
<b>Current tax charge for the period</b>	<u><u>1,904</u></u>	<u><u>1,254</u></u>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 9 Intangible fixed assets

Group	Goodwill £000
<b>Cost</b>	<b>10,164</b>
<i>Amortisation</i>	
At beginning of period	2,615
Charged in the period	508
<b>At end of period</b>	<b>3,123</b>
<i>Net book value</i>	
<b>At end of period</b>	<b>7,041</b>
At beginning of period	7,549

### 10 Tangible fixed assets

	Leasehold improvements and fixed plant	Fixtures, fittings and equipment	Security equipment held on finance leases	Total
Group	£000	£000	£000	£000
<b>Cost</b>				
At beginning of period	29,486	37,149	323	66,958
Additions	2,864	3,393	-	6,257
<b>At end of period</b>	<b>32,350</b>	<b>40,542</b>	<b>323</b>	<b>73,215</b>
<i>Depreciation</i>				
At beginning of period	7,258	19,201	135	26,594
Charge for period	1,703	4,269	65	6,037
<b>At end of period</b>	<b>8,961</b>	<b>23,470</b>	<b>200</b>	<b>32,631</b>
<i>Net book value</i>				
<b>At end of period</b>	<b>23,389</b>	<b>17,072</b>	<b>123</b>	<b>40,584</b>
At beginning of period	22,228	17,948	188	40,364

Included in leasehold improvements and fixed plant is £300,000 of freehold buildings (2009 £300,000)

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 11 Fixed asset investments

	Shares in Subsidiary undertakings £000
Cost and net book value	
At beginning and end of period	<u>702</u>

Subsidiary companies included in the consolidation are as follows

Company	Class of shares	Percentage of shares held by		Principal activity
		Group	Company	
<i>Direct participating undertaking</i>				
TJ Hughes (Investments) Limited	Ordinary	100	100	Investment company
<i>Indirect participating undertaking</i>				
TJ Hughes Limited	Ordinary	100	-	Discount department store retailer
TJ Hughes (Properties) Company Limited	Ordinary	100	-	Property leasing

The above subsidiary companies are registered in England and Wales

### 12 Debtors

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Trade debtors	728	-	790	-
Other debtors	5,161	-	4,294	-
Amounts owed by subsidiary undertakings	-	8,979	-	9,185
	<u>5,889</u>	<u>8,979</u>	<u>5,084</u>	<u>9,185</u>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 13 Creditors: amounts falling due within one year

	Group 2010 £000	Company 2010 £000	Group 2009 £000	Company 2009 £000
Bank loans	9,912	-	2,780	-
Other loans	82	-	172	-
Obligations under finance leases	59	-	59	-
Trade creditors	31,827	-	29,987	-
Corporation tax	1,683	-	1,450	-
Other taxes and social security	5,342	-	5,338	-
Accruals and deferred income	10,763	17	9,727	84
Dividend payable	1,357	1,357	-	-
	<u>61,025</u>	<u>1,374</u>	<u>49,513</u>	<u>84</u>

Bank loans and other loans are stated net of finance costs of £88,000 (2009 £123,000) and £96,000 (2009 £97,000) respectively. These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate.

### 14 Creditors: amounts falling due after more than one year

	Group 2010 £000	Company 2010 £000	2009 £000	Company 2009 £000
Bank loans	-	-	9,911	-
Other loans	6,235	-	5,461	-
Obligation under finance leases	53	-	112	-
Accruals and deferred income	22,302	-	21,156	-
Shares classified as liabilities (note 17)	9	9	9	9
	<u>28,599</u>	<u>9</u>	<u>36,649</u>	<u>9</u>

Bank loans and other loans are stated net of finance costs of £nil (2009 £88,000) and £nil (2009 £96,000) respectively. These costs are being spread in accordance with FRS 4 over the term of the finance to which they relate.

Subsequent to the year end on 12th March 2010 the group concluded an agreement with its Senior debt lenders, Lloyds Banking Group to extend the current loan facilities until 28th January 2012. As part of that agreement the repayment profile of the loans has been amended. Of the total balance outstanding, £3.0 million (£2.9 million net of FRS 4 costs) will be repayable in less than one year on 29th January 2011 and £7.0 million (£6.9 million net of FRS 4 costs) will be repayable in more than one year on 28th January 2012.

Included within accruals and deferred income is amounts of £15,405,000 (2009 £15,097,000) to be released to the profit and loss account in more than 5 years.

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 14 Creditors: amounts falling due after more than one year (*continued*)

The maturity of obligations under finance leases is as follows

	Group 2010 £000	Group 2009 £000
Within one year	59	59
In the second to fifth years	53	112
	<u>112</u>	<u>171</u>

### 15 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 a clearing bank where security and liquidity are the prime objectives.

Less than six 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 extend for up to six months beyond the balance sheet date. There were no material hedging gains or losses during the period. The group does not trade in derivatives.

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 15 Treasury policy and financial instruments (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 30 January 2010 £000	Company 30 January 2010 £000	Group 31 January 2009 £000	Company 31 January 2009 £000
<b>Bank loans</b>				
In one year or less	9,912	-	2,780	-
In more than one year but not more than two	-	-	9,911	-
In more than two years but not more than five	-	-	-	-
	<u>9,912</u>	<u>-</u>	<u>12,691</u>	<u>-</u>
<b>Other loans</b>				
In one year or less	82	-	172	-
In more than five years	6,235	-	5,461	-
	<u>16,229</u>	<u>-</u>	<u>18,324</u>	<u>-</u>

#### Borrowing Facilities

The group had an undrawn committed revolving credit facility of £5 million (2009 £5 million) available at 30 January 2010 at a floating interest rate

#### Fair Values of Financial Assets and Liabilities

The directors consider that there is no material difference between the book and fair values of financial assets and liabilities

### 16 Provisions for liabilities and charges

	Group 30 January 2010 £000	Group 31 January 2009 £000
Deferred Taxation	<u>4,386</u>	<u>4,183</u>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 16 Provisions for liabilities and charges (continued)

The movement in deferred tax provisions is as follows

Group Deferred taxation	30 January 2010 £000	31 January 2009 £000
At beginning of period	4,183	4,385
Charged/(credited) to profit and loss account	203	(202)
<b>At end of period</b>	<b>4,386</b>	<b>4,183</b>
<b>Group Deferred Taxation</b>	<b>30 January 2010 £000</b>	<b>31 January 2009 £000</b>
Accelerated capital allowances	3,693	3,723
Other short term timing differences	(125)	(92)
Gains rolled over	818	552
<b>Undiscounted provision for deferred tax</b>	<b>4,386</b>	<b>4,183</b>

### 17 Called up share capital

	30 January 2010		31 January 2009	
	Number	£000	Number	£000
<i>Authorised</i>				
'A' Ordinary shares of 10p each	150,000	15	150,000	15
'B' Ordinary shares of 1p each	860,101	9	860,101	9
	<b>1,010,101</b>	<b>24</b>	<b>1,010,101</b>	<b>24</b>
<i>Allotted, called up and fully paid</i>				
'A' Ordinary shares of 10p each	150,000	15	150,000	15
'B' Ordinary shares of 1p each	850,000	9	850,000	9
	<b>1,000,000</b>	<b>24</b>	<b>1,000,000</b>	<b>24</b>
Shares classified as liabilities	850,000	9	850,000	9
Shares classified within shareholder funds	150,000	15	150,000	15
	<b>1,000,000</b>	<b>24</b>	<b>1,000,000</b>	<b>24</b>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 17 Called up share capital (continued)

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.

There is an obligation to pay the 'B' ordinary shareholders' a dividend each year from 30 January 2010 equal to fifty percent of the net profits for the relevant year.

### 18 Reserves

Group	Share premium £000	Profit & loss account £000
At beginning of period	651	8,360
Profit for the period	-	1,357
Net contribution to Employee Benefit Trust	-	(8)
Other recognised losses in the period	-	(902)
<b>At end of period</b>	<b>651</b>	<b>8,807</b>

  

Company	Share premium £000	Profit & loss account £000
At beginning of period	651	9,146
Loss for the period	-	(1,499)
Net receipt from Employee Benefit Trust	-	(8)
<b>At end of period</b>	<b>651</b>	<b>7,639</b>

### 19 Reconciliation of movement in shareholders' funds

	Period ended 30 January 2010		Period ended 31 January 2009	
	Group £000	Company £000	Group £000	Company £000
Profit/(loss) for the period	1,357	(1,499)	1,211	(125)
Net (contribution to)/receipt from Employee Benefit Trust	(8)	(8)	15	15
Other recognised losses in the period	(902)	-	(751)	-
<b>Net addition/(deduction) to shareholders' funds</b>	<b>447</b>	<b>(1,507)</b>	<b>475</b>	<b>(110)</b>
Opening shareholders' funds	9,026	9,812	8,551	9,922
<b>Closing shareholders' funds</b>	<b>9,473</b>	<b>8,305</b>	<b>9,026</b>	<b>9,812</b>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 20 Commitments

(i) The capital commitments are as follows

	30 January 2010 £000	31 January 2009 £000
<b>Group</b>		
Contracts for capital expenditure	1,984	516

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

	30 January 2010		31 January 2009
	Land and Buildings £000	Other £000	Land and Buildings £000
			Other £000
<b>Group</b>			
Operating leases which expire			
Within one year	-	72	-
In the second to fifth years inclusive	-	706	-
Over five years	18,567	-	17,083
	<u>18,567</u>	<u>778</u>	<u>17,083</u>
			<u>880</u>

### Company

There are no operating lease commitments in the company

The company is subject to a debenture given in favour of Bank of Scotland plc to secure the group's revolving credit facility of £5 million (2009 £5 million) and guarantees totalling £10 million (2009 £13 million) in respect of term loans for TJ Hughes (Investments) Limited

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 21 Pension schemes

#### Group

##### *Defined contribution pension scheme*

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £108,000 (2009 £94,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year. Contributions amounting to £ nil (2009 £14,000) were payable to the scheme and are included in creditors.

##### *Defined benefit scheme*

The company operates a defined benefit scheme in the UK. A full actuarial valuation was carried out at 31 March 2008 and has been updated to 30 January 2010 by a qualified independent actuary. The company paid contributions of £624,400 (and PPF levy of £38,636) during the year to 30 January 2010 and has agreed to pay contributions at the rate of £55,000 per month with effect from 1 April 2009.

The information disclosed below is in respect of the whole of the plans for which the Company is either the sponsoring employer or has been allocated a share of cost under an agreed group policy throughout the periods shown.

	30 January 2010 £000	31 January 2009 £000
Present value of funded defined benefit obligations	(13,899)	(10,419)
Fair value of plan assets	15,357	12,698
	<hr/>	<hr/>
Surplus	1,458	2,279
Related deferred tax liability	(408)	(639)
	<hr/>	<hr/>
Net asset	1,050	1,640
	<hr/>	<hr/>

##### *Movements in present value of defined benefit obligation*

	30 January 2010 £000	31 January 2009 £000
At 1 February 2009	10,419	11,245
Current service cost	290	352
Interest cost	684	680
Actuarial losses/(gains)	3,207	(1,297)
Contributions by members	63	70
Benefits paid	(764)	(631)
	<hr/>	<hr/>
At 30 January 2010	13,899	10,419
	<hr/>	<hr/>

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 21 Pension schemes (continued)

#### Movements in fair value of plan assets

	30 January 2010 £000	31 January 2009 £000
At 1 February 2009	12,698	14,307
Expected return on plan assets	743	888
Actuarial gains/(losses)	1,954	(2,425)
Contributions by members	63	70
Contributions by employer	663	489
Benefits paid	(764)	(631)
	<hr/>	<hr/>
At 31 January 2010	<u>15,357</u>	<u>12,698</u>

#### Expense recognised in the profit and loss account

	30 January 2010 £000	31 January 2009 £000
Current service cost	290	352
Interest on defined benefit pension plan obligation	684	680
Expected return on defined benefit pension plan assets	(743)	(888)
	<hr/>	<hr/>
Total	<u>231</u>	<u>144</u>

The expense is recognised in the following line items in the profit and loss account:

	30 January 2010 £000	31 January 2009 £000
Administrative expenses	290	352
Interest payable and similar charges	(59)	(208)
	<hr/>	<hr/>
	<u>231</u>	<u>144</u>

The total amount recognised in the statement of total recognised gains and losses in respect of actuarial gains and losses is £1,253,000 (2009 £1,128,000)

Cumulative actuarial gains/losses reported in the statement of total recognised gains and losses for accounting periods ending on or after 22 June 2002 and subsequently included by prior year adjustment under paragraph 96 of FRS 17, are £863,000 (2009 £2,116,000)

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 21 Pension schemes (continued)

The fair value of the plan assets and the return on those assets were as follows

	30 January 2010 Fair value £000	31 January 2009 Fair value £000
Equities	8,581	6,031
Government debt	5,919	5,593
Corporate bonds	787	893
Cash	70	181
	<hr/> 15,357 <hr/>	<hr/> 12,698 <hr/>
Actual return on plan assets	2,697	(1,537)
	<hr/>	<hr/>

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows

	30 January 2010 %	31 January 2009 %
Discount rate	5.60	6.70
Expected rate of return on plan assets	5.90	5.86
Future salary increases	4.10	4.00
Price inflation	3.60	3.50
Pension increase rate	3.60	3.50

In valuing the liabilities of the pension fund at 30 January 2010, mortality assumptions have been made as indicated below. If life expectancy had been changed to assume that all members of the fund lived for one year longer, the value of the reported liabilities at 30 January 2010 would have increased by £450,000 before deferred tax.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

Current pensioner aged 65: 21.2 years (male), 24.3 years (female)

Future retiree upon reaching 65: 22.2 years (male), 25.3 years (female)

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 21 Pension schemes (continued)

#### History of plans

The history of the plans for the current and prior periods is as follows

#### Balance sheet

	30 January 2010 £000	31 January 2009 £000	27 January 2008 £000	28 January 2007 £000	29 January 2006 £000
Present value of scheme liabilities	15,357	12,698	14,307	13,814	13,100
Fair value of scheme assets	(13,899)	(10,419)	(11,245)	(12,635)	(12,657)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Related deferred tax liability	(408)	(639)	(919)	(354)	(133)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit/surplus	1,050	1,640	2,143	825	310
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The Company expects to contribute approximately £660,000 to its defined benefit plans in the next financial period

#### Company

The company does not operate a pension scheme

## Notes to the financial statements

52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)

### 22 Reconciliation of operating profit to net cash inflow from operating activities

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
Operating profit	6,237	4,242
Depreciation	6,037	5,977
Amortisation charge	508	508
Increase in stocks	(3,941)	(1,570)
(Increase)/decrease in debtors	(805)	588
(Decrease)/increase in creditors	3,646	(4,092)
Pension cost less contributions	(373)	(137)
Net cash inflow from operating activities	<u>11,309</u>	<u>5,516</u>

### 23 Reconciliation of net cash flow to movement in net debt

	Period ended 30 January 2010 £000	Period ended 31 January 2009 £000
Increase/(Decrease) in cash in the period	244	(9,388)
Net repayment of capital	3,000	9,701
Capitalised loan interest	(685)	(677)
Amortisation of FRS 4 costs	(220)	(322)
Movement in net debt for the period	<u>2,339</u>	<u>(686)</u>

### 24 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	12,882	-	-	244	13,126
Debt due within one year	(2,952)	(42)	-	(7,000)	(9,994)
Debt due after one year	(15,372)	(178)	(685)	10,000	(6,235)
Total	<u>(5,442)</u>	<u>(220)</u>	<u>(685)</u>	<u>3,244</u>	<u>(3,103)</u>

## Notes to the financial statements

*52 weeks ended 30 January 2010 (2009 53 weeks ended 31 January 2009)*

### 25 Related party disclosures

The company is controlled by Silverfleet Capital Limited ("SCL") (formerly PPM Capital Limited) SCL is a fund management company, incorporated in England that manages investments on behalf of its clients SCL provides the company with non-executive management services SCL received fees for the provision of non-executive directors of £68,000 (2009 £69,000) and £61,000 (2009 £55,000) investment monitoring on behalf of its clients Of these fees £nil (2009 £69,000) is due to SCL at 30 January 2010 in respect of the services of non-executive directors and £nil (2009 £55,000) was outstanding to SCL in respect of investment monitoring fees.

At 30 January 2010 the total balance outstanding in respect of other loans held by SCL's clients was £6.4 million (2009 £5.8 million) A further £0.7 million (2009 £0.6 million) of interest accrued during the period Accrued interest of £nil (2009 £1.95m) was repaid during the period

The directors consider SCL to be the ultimate controlling party

### 26 Employee share scheme

At the balance sheet date 41,500 shares were held by the Employee Benefit Trust which had not yet vested unconditionally with employees (2009 35,000) Shareholders' funds have been reduced by £213,000 (2009 £205,000) in respect of the purchase of these shares