

Company Registration Number 05556582

HENSON NO. 1 LIMITED

Report and Financial Statements

3 April 2010

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HENSON NO. 1 LIMITED

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2010

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HENSON NO. 1 LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R S Kirk
N A Burns
M D Killick
A R Land
T R Bettley
E Davies

SECRETARY

R G Ellis

REGISTERED OFFICE

Atlantic House
Tyndall Street
Cardiff
CF10 4PS

BANKERS

Barclays Bank Plc

AUDITORS

Deloitte LLP
Bristol

HENSON NO. 1 LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 3 April 2010. The Group's financial year is the 53 week period ended 3 April 2010. The comparative figures are for the 52 week period ended 28 March 2009.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The Group's principal activity is that of proprietor of retail stores, selling a range of clothing and related accessories for the family. The principal activity of the company is that of a holding company. The directors are not aware of any likely major changes to the Group nor the company's principal activities.

The year ended 3 April 2010 was a good year for the Group, despite the economic uncertainty that prevailed during the year. Good trading was seen throughout the period, with the golden quarter in the run up to Christmas particularly strong. The fashionability of the Group's product ranges at affordable prices and the effect of shoppers trading down in the recessionary environment helped drive sales.

Group Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') from continuing operations, adjusted to exclude restructuring costs and certain property related charges (as detailed in note 3), for the year improved to £77.2m (2009 £64.0m).

As shown in the Group's profit and loss account on page 9, Group sales for the year were £720.9m (2009 £679.1m). Group like-for-like sales decreased by 0.5% for the year (2009 decrease of 3.9%). Margin improvements, particularly during the summer months, where the hefty discounting that was required to clear stock in the prior year was not repeated, resulted in a positive 2.0% like for like margin growth (2009 decrease of 3.9%).

The Group continued with its UK new store expansion programme in the year to 3 April 2010, with 37 stores opened during the year (2009 43). Only stores that are expected to meet strict pre-investment criteria are opened and they must be cash generative. New stores have continued to trade ahead of "sign-off" expectations in the vast majority of cases and return a payback on the initial capital expenditure outlay of c1.4 years. These forecasts are comfortably ahead of the Group's financial hurdle of 24 months payback. The directors believe that there are many good opportunities to accelerate this programme further in the forthcoming year on attractive commercial terms.

At 3 April 2010 Group net debt was £577.9m (2009 £553.5m). Under the terms of the Group's financing arrangements, a substantial proportion of its interest cost, being interest cost on the Junior Mezzanine Loan and the Payment in Kind Notes ('PIK'), is only payable at the earliest of the final repayment date or the refinancing of the debt. The final repayment dates for the Junior Mezzanine Loan and PIK debt are 24 July 2016 and 23 January 2017 respectively. Accordingly the immediate cash cost of its funding is much lower than the charge shown in the profit and loss account.

Total 'Cash Paid Net Debt', being the total net debt less Junior Mezzanine and PIK debt where interest is not settled immediately, reduced to £150.3m (2009 £192.2m) as a result of the substantial pre-financing cashflow generated by the Group during the year of £43.5m and other negative non-cash movements of £1.6m. Debt cover, being the ratio of Cash Paid Net Debt to EBITDA at 3 April 2010 improved to 1.9 times (2009 3.0 times). The Group will make a further unscheduled term loan repayment of £29.7m in August 2010 from the cash generated during the year ended 3 April 2010.

Returns on investments and servicing of finance ('cash interest') for the year was £19.0m (2009 £17.5m). Interest cover, being the ratio of EBITDA to cash interest, was strong at 4.1 times (2009 3.7 times) which demonstrates that the Group is comfortably able to generate sufficient cash to service its current debt requirements.

The Group manages its operations on a divisional basis. The two main trading divisions are Peacocks and bonmarché.

Peacocks operates as a value fashion retailer of women's, men's and children's clothing and accessories. The main trading companies within the division are Peacock's Stores Limited, Peacock's (Nantgarw) Limited and Dorsman Estates Co Limited. Its main customer profile is the younger mum shopping for herself and her family. Peacocks typically targets the C2, D and E socio-economic groups, but has been increasingly successful in attracting a wider range of value conscious shoppers.

HENSON NO. 1 LIMITED

DIRECTORS' REPORT (continued)

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES (continued)

During the period under review the division continued to successfully increase both the quality and fashionability of its product range whilst maintaining its value credentials by offering affordable prices. Peacocks ability to react quickly to trends and deliver fashion at fantastic prices continues to underpin customer appeal, particularly during the time of economic uncertainty that prevailed in the financial year. In line with this approach, between 30 and 50 new womenswear lines arrived in store every week over the period, reflecting the division's commitment to providing a fresh and exciting shopping environment.

During the year the division launched the 'Pearl Lowe at Peacocks' product range, which included 5 party dresses for the Christmas festive season designed by Pearl Lowe and modelled by her daughter Daisy. As a result of the success of these products, a further range will be launched for the spring/summer season of 2010.

The division's On-Line channel has gone from strength to strength, and delivered growth of 70% in sales, partly driven by increased product ranges available on-line, including menswear and lingerie.

Peacocks has continued its growth in turnover, with total sales of £526.8m (2009 £490.4m) an increase of 7.4% for the year ended 3 April 2010 (2009 5.2%). Like-for-like sales decreased by 0.4% during the year (2009 3.0%). Like-for-like margin increased by 1.6% (2009 decline of 3.0%) as a result of margin improvements.

The division opened 30 new stores in the year to 3 April 2010 (2009 32) and will continue to pursue a programme of new store openings throughout the 2010/11 financial year. The division closed 6 stores during the year (2009 13), and at 3 April 2010 had 548 stores open (2009 524), representing trading space of 3,008,000 square feet (2009 2,837,000 square feet).

Excellent progress has also been made in the international franchise business. Very strong sales and profit performances have been driven from stores operating in Russia and the Ukraine, whilst new stores have recently been opened in Poland. The business now operates 89 worldwide franchise stores (2009 73), with plans to continue the roll-out into the 2010/11 financial year and beyond.

The directors consider that the future prospects for the business continue to be very encouraging.

bonmarché is more of a niche player, providing a pure womenswear offer of affordable clothing and accessories aimed at the older lady. The main trading company within the division is Bon Marché Limited. The division's loyalty card programme ('Bonusclub') continued to be a key driver of sales, and at the year end had over 5.1 million members (2009 4.6 million). Bonusclub members are regularly mailed with promotional offers, including discount vouchers, spend & save coupon books and exclusive product sales.

During the year under review, the pricing architecture of the *David Emanuel* product range was reviewed and changed to being more affordable. The lower pricing was well met by customers and the range was further extended across more stores during the year.

Total retail sales for the year to 3 April 2010 were £194.2m (2009 £188.7m), an increase of 2.9% (2009 decrease of 3.8%). Like-for-like sales decreased by 0.8% during the year (2009 5.8%). However, better control of markdown meant that like-for-like margin increased by 2.9% (2009 decline of 6.1%). The division opened 7 new stores in the year to 3 April 2010 (2009 11). The division closed 3 stores during the year (2009 5) and at 3 April 2010 was trading from 387 stores (2009 383), representing space of 979,000 square feet (2009 971,000 square feet).

The subsidiaries principally affecting the profits or net assets of the Group in the accounting period are listed in note 13 to the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The retail market environment within which the Group operates remains challenging with continued strong competitive pressures from both supermarkets and mid-market retailers. The Group's strategy to manage this risk has been to build distinctive market positions where a suitable competitive advantage can be established and maintained.

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Peacocks has achieved this position by continuing its move towards selling better quality and more fashionable lines, with shorter and more flexible supply chains that enable the division to respond quickly to the latest trends, whilst maintaining its low cost operating philosophy

bonmarché, which enjoys a unique position as a value retailer targeting older ladies, has actively re-engineered both its product range and its store design to meet the demands of customers who are looking for a more contemporary and fashionable product, in addition to retaining its strong presence in classic clothing ranges for which it is renowned

The Group's brands are well-positioned in the retail market to take advantage of consumers looking for more value under the current economic climate

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of financial risks including liquidity risk, cash flow risk and credit risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's clothing divisions source an increasing amount of product directly from overseas manufacturers and therefore the Group has an exposure to foreign currency risk, principally US dollars. The Group policy is that all material exposures are hedged by using forward currency contracts. The Group does not engage in speculative currency trading and only secures the foreign currencies it requires to meet its trading liabilities.

The Group's interest rate exposure is managed by the use of fixed and floating rate borrowings. The Group has in place interest rate swaps, which offer a core level of fixed rate cover for a significant proportion of the current and projected future debt burden.

Credit risk

The Group's principal financial assets are bank balances and cash and trade and other receivables. In the current economic climate the Group is exposed to a greater degree of credit risk than in previous years.

The credit risk is primarily attributable to the Group's liquid funds and derivative financial instruments. The risk is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

With regard to trade receivables, the amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has adequate medium and long-term financing in place to support its business operations for the foreseeable future.

Liquidity risk and going concern

Routine liquidity risk is managed on a day-to-day basis by the Group's treasury function. Divisional management boards are responsible for cash generated from operating activities. Divisional bank account surpluses are swept into Group treasury accounts and overall cash management, including all significant Group payments, is managed centrally.

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term and medium-term debt finance.

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DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk and going concern (continued)

At 3 April 2010 the Group had committed borrowing facilities of £647m (2009 £600m) in respect of which all conditions precedent to the borrowing agreements have been met, £77m of which expires in January 2013, £42m in January 2014, £42m in January 2015, £55m in January 2016, £100m in July 2016, £305m in January 2017 and £26m relating to the preference shares has no expiry date. Details of these facilities are shown in note 18. These facilities continue to provide the Group with sufficient borrowing flexibility to deliver its medium-term strategic investment plans.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

After making enquiries, the directors have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

FINANCIAL INSTRUMENTS

The fair value of foreign exchange derivatives held by the Group at 3 April 2010 was an asset of £3.8m (2009 asset of £15.7m). The fair value of interest rate derivatives held by the Group at 3 April 2010 was a liability of £3.5m (2009 liability of £3.2m).

DIVIDENDS

The directors do not recommend an ordinary dividend for the year ended 3 April 2010 (2009 £nil). Dividends of £5,268,000 (2009 £1,260,000) accrued on the cumulative redeemable preference shares will not be paid until sufficient distributable reserves exist.

DIRECTORS

The current directors of the company, who served throughout the year are given on page 1.

SUPPLIER PAYMENT POLICY

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensuring that suppliers are made aware of the terms of payment and abide by these. Trade creditors of the Group at 3 April 2010 were equivalent to 33 days' purchases (2009 30 days), based on the average daily amount invoiced by suppliers during the period.

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the company made charitable donations of £5,000 (2009 £10,000), principally to local charities serving the communities in which the company operates. No political contributions were made during the year (2009 £nil).

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

HENSON NO. 1 LIMITED

DIRECTORS' REPORT (continued)

EMPLOYEE CONSULTATION

The Group's well developed 'people first' culture, with its emphasis on clear and open two-way communication, is being maintained. The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

This is achieved through regular formal and informal meetings and company magazines ('*Fan Mail*' and '*Vision*'). Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests through attendance at the company's Joint Consultative Committee (JCC) programme.

The directors are justifiably proud of the progressive corporate culture that exists throughout the Group. The Group has been reassessed and has successfully retained full accreditation of the prestigious '*Investor in People*' award.

ENVIRONMENT

The directors recognise that they have a responsibility to consider the impact of the Group's activities on the environment. Effective environmental practice makes good business sense and this sentiment underpins the Group's policy in this area.

The policy includes

- complying with all environmental legislation,
- considering the view of colleagues employed across the Group,
- challenging suppliers to improve environmental performance,
- commitments to reducing waste,
- targets to reduce usage of packaging materials,
- plans to improve energy efficiency, and
- recycling of waste materials wherever practical.

AUDITORS

In the case of each of the persons who are directors of the company at the date when this report is approved

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware, and
- each of the directors 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M D Killick
Director
12 July 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Company and of the profit or loss of the Group 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HENSON NO. 1 LIMITED**

We have audited the financial statements of Henson No 1 Limited for the year ended 3 April 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

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 3 April 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

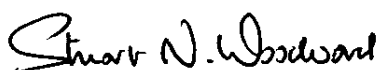
Opinion on other matter prescribed by the Companies Act 2006

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.

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.



Stuart Woodward (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

13 July 2010

HENSON NO. 1 LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT**
Year ended 3 April 2010

	Note	2010 £'000	2009 £'000
TURNOVER	2, 3	720,910	679,081
Cost of sales	3	(583,020)	(556,528)
GROSS PROFIT	3	137,890	122,553
Other operating expenses	3	(110,139)	(114,805)
OPERATING PROFIT		27,751	7,748
Adjusted EBITDA	3	77,196	64,020
Depreciation and amortisation	3	(46,996)	(47,588)
Restructuring costs and property related charges	3	(2,449)	(8,684)
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES	3	27,751	7,748
Finance charges (net)	4	(84,429)	(73,726)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(56,678)	(65,978)
Tax on loss on ordinary activities	8	(2,614)	6,438
LOSS FOR THE FINANCIAL YEAR	22	(59,292)	(59,540)

All activities derive from continuing operations

HENSON NO. 1 LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 3 April 2010

	Note	2010 £'000	2009 £'000
Loss for the financial year		(59,292)	(59,540)
Actuarial (loss)/gain relating to the pension scheme	27	(8,880)	185
UK deferred tax attributable to actuarial (loss)/gain		2,486	(52)
Total losses recognised for the financial year		(65,686)	(59,407)

HENSON NO. 1 LIMITED

CONSOLIDATED BALANCE SHEET
At 3 April 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Goodwill	11	263,154	279,818
Tangible fixed assets	12	122,409	130,256
Investments	13	4	4
		<u>385,567</u>	<u>410,078</u>
CURRENT ASSETS			
Stocks	14	85,080	75,588
Debtors	15	41,756	33,990
Cash at bank and in hand		47,572	20,304
		<u>174,408</u>	<u>129,882</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	(168,783)	(120,197)
NET CURRENT ASSETS		<u>5,625</u>	<u>9,685</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>391,192</u>	<u>419,763</u>
CREDITORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	(575,043)	(543,325)
PROVISIONS FOR LIABILITIES	19	(87)	(82)
NET LIABILITIES EXCLUDING PENSION (LIABILITY)/ASSET		<u>(183,938)</u>	<u>(123,644)</u>
PENSION (LIABILITY)/ASSET	27	(3,182)	2,210
NET LIABILITIES INCLUDING PENSION (LIABILITY)/ASSET		<u>(187,120)</u>	<u>(121,434)</u>
CAPITAL AND RESERVES			
Called up share capital	20	426	426
Share premium account	21	26,791	26,791
Own shares	21	(550)	(550)
Merger reserve	21	22,289	22,289
Capital redemption reserve	21	71	71
Profit and loss account	21	(236,147)	(170,461)
SHAREHOLDERS' DEFICIT	22	<u>(187,120)</u>	<u>(121,434)</u>

These financial statements of Henson No 1 Limited, registered number 05556582, were approved by the Board of Directors and authorised for issue on 12 July 2010

Signed on behalf of the Board of Directors



M D Killick
Director

HENSON NO. 1 LIMITED**COMPANY BALANCE SHEET**
At 3 April 2010

	Note	2010		2009	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Investments	13		52,857		52,857
CURRENT ASSETS					
Debtors	15	7,133		7,062	
Cash at bank and in hand		32		-	
		<u>7,165</u>		<u>7,062</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	16	<u>(10,573)</u>		<u>(10,417)</u>	
NET CURRENT LIABILITIES			<u>(3,408)</u>		<u>(3,355)</u>
NET ASSETS			<u>49,449</u>		<u>49,502</u>
CAPITAL AND RESERVES					
Called up share capital	20		426		426
Share premium account	21		26,791		26,791
Merger reserve	21		22,289		22,289
Capital redemption reserve	21		71		71
Profit and loss account	21		(128)		(75)
SHAREHOLDERS' FUNDS			<u>49,449</u>		<u>49,502</u>

These financial statements of Henson No 1 Limited, registered number 05556582, were approved by the Board of Directors and authorised for issue on 12 July 2010

Signed on behalf of the Board of Directors



M D Killick
Director

HENSON NO. 1 LIMITED**CONSOLIDATED CASH FLOW STATEMENT****Year ended 3 April 2010**

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	23	85,711	43,125
Returns on investments and servicing of finance	24	(19,045)	(17,528)
Taxation		40	2,335
Capital expenditure and financial investment	24	(23,206)	(29,782)
Cash inflow/(outflow) before management of liquid resources and financing		<u>43,500</u>	<u>(1,850)</u>
Management of liquid resources	24	-	3
Financing	24	(16,232)	13,352
Increase in cash in the year	25	<u>27,268</u>	<u>11,505</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

1 ACCOUNTING POLICIES

The Group's financial year is the 53 week period ended 3 April 2010. The comparative figures are for the 52 week period ended 28 March 2009. The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted, which have been applied consistently throughout the current and the prior financial years, are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 March each year. The results of subsidiaries acquired are consolidated for the accounting periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Going concern

The directors have considered the use of the going concern basis in the preparation of the financial statements in light of the current financial position of the Group and its forecast cash flows, and have concluded that it is appropriate at the date of approving the financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business Review on pages 2 and 3. The directors' report on pages 2 to 6 describes the financial position of the Group, its cash flows, liquidity position and borrowing facilities, the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

As highlighted in note 18 to the financial statements, the Group meets its day to day working capital requirements through the Revolving Capital Facility ('RCF') which remains committed until 24 January 2013. The current economic conditions create uncertainty particularly over (a) the level of demand for the Group's products, and (b) the exchange rate between sterling and the US dollar and thus the consequence for the cost of the Group's stock purchases. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

The Group meets its medium to long term requirements through the Term A, Term B, Term C and Senior Mezzanine loans, which remain committed until 24 January 2013, 24 January 2014, 24 January 2015 and 24 January 2016 respectively. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance show that the Group should be able to meet all scheduled term loan repayments and comply with the covenants attached to these loans.

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of approving the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight-line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. The cost of fixed assets represents their purchase cost, together with any incidental costs of acquisition.

Depreciation is provided to write off the cost, less estimated residual value, of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land and buildings	50 years
Land and buildings, long leasehold	up to a maximum of 50 years
Fixtures, fittings and equipment	8 years
Short leasehold	the shorter of 10 years or the life of the lease
Motor vehicles	4 years

Residual value is calculated on prices prevailing at the date of acquisition.

Assets in the course of construction are not depreciated.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment. Income from fixed asset investments is recognised on a receivable basis.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on purchase price. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolescence, markdown and shrinkage.

Taxation

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax is measured on a non-discounted basis.

Provisions

In accordance with FRS 12, provision is made for expected dilapidation costs on properties and for onerous leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

1. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents amounts receivable from the supply of goods and services to customers provided in the normal course of business, net of trade discounts, returns, VAT and other sales related taxes. Sales of goods are recognised when the significant risks and rewards of ownership have been passed to the buyer. For the majority of sales, this is at the point of sale, however, for wholesale sales this is at the point of delivery. Royalty income is recognised in line with sales reported by the Group's franchise partners.

Pension costs

The Group operates a number of pension schemes for its employees including a money purchase scheme and a defined benefit scheme. These schemes are administered by trustees and their funds are held independently of the company's finances.

For defined benefit schemes, the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. All exchange differences are taken to the profit and loss account in the year in which they arise.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the accounting period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the accounting period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter accounting period is used.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

1. ACCOUNTING POLICIES (continued)

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) as at the date of grant. The fair value determined at the grant date of the equity-settled share-based payment is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of an appropriate pricing model such as Black-Scholes. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the accounting period.

Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency or similar currencies as the hedged item and must also reduce the risk of foreign currency exchange movements on the Group's operations.

Gains and losses arising on these contracts are deferred and recognised in the profit and loss account, or as adjustments to the carrying amount of fixed assets, only when the hedged transaction has itself been reflected in the Group's financial statements.

For an interest rate swap to be treated as a hedge, the instrument must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a fixed rate to a variable rate or vice versa. Interest differentials under these swaps are recognised by adjusting net interest payable over the accounting periods of the contracts.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

Cumulative redeemable preference shares

Cumulative redeemable preference shares are recorded at the proceeds received, net of direct issue costs.

In accordance with FRS 25 Financial Instruments: Presentation, these preference shares are classified as debt.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

2. TURNOVER

Turnover originated in the United Kingdom and the Isle of Man. The destination of goods and services was the United Kingdom, Guernsey and the Isle of Man, Turkey, the Arabian Gulf, Russia, the Ukraine, Cyprus, Slovakia, Malta, Greece, Romania, Gibraltar and Poland. A geographical analysis of the Group's turnover has been excluded from these financial statements as, in the opinion of the directors, disclosure would be seriously prejudicial to the interests of the Group. Turnover comprises retail and wholesale sales, less returns, and is shown exclusive of value added tax and discounts given.

3. COST OF SALES, GROSS PROFIT, OTHER OPERATING INCOME AND OTHER OPERATING EXPENSES (NET)

	2010 £'000	2009 £'000
Turnover	720,910	679,081
Cost of sales	(583,020)	(556,528)
Gross profit	137,890	122,553
Distribution costs	(31,450)	(32,585)
Administrative costs	(78,689)	(82,220)
Operating profit	27,751	7,748

The commentary in the business review refers to adjusted results as the directors believe that this provides a better indication of the underlying position of the existing Group. Details of how these results are derived are set out below.

	2010 £'000	2009 £'000
Operating profit	27,751	7,748
Add back		
Goodwill amortisation (see note 11)	16,664	16,664
Depreciation (see note 12)	30,332	30,924
Unadjusted EBITDA	74,747	55,336
Adjusted for		
Corporate restructuring costs	141	7,030
Property related charges	2,308	1,654
Adjusted EBITDA	77,196	64,020

Corporate restructuring costs include £141k of staff restructuring costs. In 2009 it included corporate finance costs of £4,627,000, £1,577,000 from the disposal and write-off of fixed and current assets associated with the closure during the year of 9 concession stores following the liquidation of Woolworths plc and £826,000 of other restructuring costs. Property related charges include an adjustment to lease incentives to reflect the impact of a reassessment in the year of the accounting treatment of lease incentives.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

4. FINANCE CHARGES (NET)

	2010 £'000	2009 £'000
Interest payable and similar charges		
Bank loans, other loans and overdrafts	77,780	71,229
Finance leases	126	127
Amortisation of finance costs of debt issue	1,674	1,675
Cumulative preference share dividends	5,268	1,260
Unwinding of discounts on provisions	3	4
	<u>84,851</u>	<u>74,295</u>
Interest receivable on overnight deposits	(212)	(389)
Net finance income on pension arrangements	(210)	(180)
	<u>84,429</u>	<u>73,726</u>

In accordance with the terms of its financing agreements only £19,247,000 (2009 £18,097,000) of the Group's interest payable of £84,851,000 (2009 £74,295,000) is paid in cash immediately. The balance, relating to interest payable on the Junior Mezzanine loan and Payment in Kind notes, is not payable until 24 July 2016 and 23 January 2017 respectively.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2010 £'000	2009 £'000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and amounts written off tangible fixed assets		
- owned	29,538	30,130
- held under finance leases	794	794
Impairment of tangible fixed assets		
- owned	1,447	992
Loss on disposal of fixed assets	249	1,100
Amortisation of goodwill	16,664	16,664
Operating lease rentals		
- land and buildings	95,634	90,680
- other	2,853	4,598
Auditors' remuneration - services as auditors		
- statutory audit	96	93
- other services as auditors	5	2
Auditors' remuneration - other services to the Group		
- tax services	-	38
- other services	2	16
	<u>2</u>	<u>16</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

6. STAFF COSTS

The average monthly number of employees for the Group (including executive directors) was

	2010	2009
	No.	No.
Stores	11,861	11,404
Distribution	917	942
Administration	575	572
	<u>13,353</u>	<u>12,918</u>

Their aggregate remuneration comprised

	£'000	£'000
Wages and salaries	123,153	117,120
Social security costs	7,776	7,424
Other pension costs (see note 27)	2,587	2,622
	<u>133,516</u>	<u>127,166</u>

The company does not have any employees

7. DIRECTORS' REMUNERATION AND TRANSACTIONS

Directors' remuneration

Directors' remuneration was paid in respect of the directors of the Company and Group as follows

	2010	2009
	£'000	£'000
Emoluments	<u>4,015</u>	<u>2,423</u>

The aggregate remuneration attributable to the highest paid director was £1,867,000 (2009 £1,185,000)

The highest paid director is a member of the Company's defined benefit pension scheme and had accrued entitlements of £11,000 per annum (2009 £11,000 per annum) under the scheme at the end of the year

The number of directors who are members of a defined benefit pension scheme is four (2009 five)

Directors' transactions

No transactions took place with the directors during the current or the prior financial years

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

8. TAX ON LOSS ON ORDINARY ACTIVITIES	2010 £'000	2009 £'000
Current taxation		
United Kingdom corporation tax	-	-
Adjustments in respect of prior years	(4)	166
Total current taxation	<u>(4)</u>	<u>166</u>
Deferred tax		
Origination and reversal of timing differences (see note 15)	2,230	(6,929)
Movement in deferred tax liability associated with pension scheme asset	388	325
Total deferred tax	<u>2,618</u>	<u>(6,604)</u>
Tax charge / (credit) on loss on ordinary activities	<u>2,614</u>	<u>(6,438)</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	£'000	£'000
Loss on ordinary activities before tax	<u>(56,678)</u>	<u>(65,978)</u>
	£'000	£'000
Tax on Group loss on ordinary activities at standard UK corporation tax rate of 28%	(15,870)	(18,473)
Effects of		
Expenses not deductible for tax purposes	14,037	9,099
Origination and reversal of timing differences	1,833	9,374
Adjustments in respect of prior years	(4)	166
Group current tax (credit) / charge for accounting year	<u>(4)</u>	<u>166</u>

The Group earns its profits primarily in the UK

The Group's planned level of capital investment is expected to remain at similar levels of investment. Therefore, it expects to be able to claim capital allowances in excess of depreciation in future years, at a similar level to the current period.

9. LOSS ATTRIBUTABLE TO THE COMPANY

The loss for the financial accounting period dealt with in the financial statements of the parent company was £53,000 (2009 loss of £62,000). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company.

HENSON NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

10. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Group introduced a share option scheme for certain employees of three of its subsidiary undertakings The Peacock Group Plc, Peacock's Stores Limited and Bon Marché Limited Options are exercisable at £nil The options are capable of exercise on an exit event (more information is contained within the plan rules) If the options remain unexercised after a period of ten years from the date of grant, the options expire Options are forfeited if the employee leaves the company before the options vest or are exercised

Details of the share options outstanding during the year are as follows

	2010	2010	2009	2009
	Number of	Weighted	Number of	Weighted
	share	average	share	average
	options	exercise	options	exercise
		price		price
		(£)		(£)
Outstanding at the beginning of year	203,938	-	320,474	-
Forfeited during the year	-	-	(116,536)	-
Outstanding at the end of the year	203,938	-	203,938	-
Exercisable at the end of the year	203,938	-	203,938	-

No share options were exercised during the year The options outstanding at 3 April 2010 had a weighted average exercise price of £nil, and a weighted average remaining contractual life of 7 years

No charge arose in the year (2009 £nil)

11. GOODWILL

	£'000
Cost	
At 29 March 2009 and 3 April 2010	333,282
Amortisation	
At 29 March 2009	53,464
Charge for the year	16,664
At 3 April 2010	70,128
Net book value	
At 3 April 2010	263,154
At 28 March 2009	279,818

HENSON NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 3 April 2010**

12. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £'000	Land and buildings, long leasehold £'000	Fixtures, fittings and equipment £'000	Short leasehold £'000	Motor vehicles £'000	Assets in course of construction £'000	Total £'000
Cost							
At 29 March 2009	47	5,380	319,323	22,542	2,925	910	351,127
Additions	-	-	1,953	-	195	22,066	24,214
Disposals	-	-	(850)	-	(217)	-	(1,067)
Transfers	-	-	18,089	2,399	6	(20,494)	-
At 3 April 2010	47	5,380	338,515	24,941	2,909	2,482	374,274
Depreciation							
At 29 March 2009	2	1,371	205,618	11,149	2,731	-	220,871
Charge	-	214	28,120	1,866	132	-	30,332
Impairment losses	-	-	1,447	-	-	-	1,447
Disposals	-	-	(568)	-	(217)	-	(785)
At 3 April 2010	2	1,585	234,617	13,015	2,646	-	251,865
Net book value							
At 3 April 2010	45	3,795	103,898	11,926	263	2,482	122,409
At 28 March 2009	45	4,009	113,705	11,393	194	910	130,256

Included within fixtures, fittings and equipment are assets held under finance leases with a net book value of £1,942,000 (2009 £1,965,000)

The cost of land not depreciated in freehold is £45,000 (2009 £45,000)

13. FIXED ASSET INVESTMENTS

(i) Subsidiary undertakings

	Company £'000
At 28 March 2009 and 3 April 2010	52,857

HENSON NO 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

13. FIXED ASSET INVESTMENTS (continued)

The parent company and the Group have investments in the following subsidiary undertakings, associates and other investments which principally affected the profits or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

	Country of incorporation or principal business address	Principal activity	
Henson No 2A Limited +	Cayman Islands	Intermediate holding company	100%
Henson No 2B Limited	Cayman Islands	Intermediate holding company	100%
Henson No 3 Limited	United Kingdom	Intermediate holding company	100%
Henson No 4 Limited	United Kingdom	Intermediate holding company	100%
The Peacock Group Plc	United Kingdom	Intermediate holding company	100%
Peacock's Stores Limited	United Kingdom	Proprietors of retail stores selling a range of clothing	100%
Bon Marché Limited	United Kingdom	Proprietors of retail stores selling a range of clothing for women aged 45 and over	100%
Peacocks (Nantgarw) Limited	United Kingdom	Warehousing and distribution of goods	100%
Dorsman Estates Co Limited	United Kingdom	Property holding	100%

+ held directly by Henson No 1 Limited

(ii) Other investments

	Group £'000	Group 2010 £'000	Group 2009 £'000
Cost			
At 28 March 2009 and 3 April 2010	4		
Investments represent unlisted debentures			
14. STOCKS			
Goods for resale	85,080	85,080	75,588

There is no material difference between the balance sheet value of stocks and their replacement cost.

HENSON NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

15. DEBTORS

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Trade debtors	6,756	-	5,123	-
Deferred tax asset	1,409	-	3,639	-
Other debtors	2,669	73	1,123	97
Prepayments and accrued income	30,922	-	24,105	-
Amounts owed by group undertakings	-	7,060	-	6,965
	<u>41,756</u>	<u>7,133</u>	<u>33,990</u>	<u>7,062</u>

Deferred taxation

Group	2010 £'000	2009 £'000
Timing differences on capital allowances	738	4,877
Other timing differences	671	(1,238)
	<u>1,409</u>	<u>3,639</u>

Deferred taxation in respect of the Group's defined benefit pension scheme is disclosed in note 27

A potential deferred tax asset of £2,575,000 existed in 2009, which was not recognised at the balance sheet date as in the opinion of the directors it did not satisfy the recognition criteria of FRS19

16. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Bank loans (note 18)	66,941	-	42,562	-
Amounts owed to group undertakings	-	10,573	-	10,417
Obligations under finance leases and hire purchase contracts (note 18)	646	-	739	-
Trade creditors	47,361	-	34,380	-
Other taxation and social security	4,308	-	-	-
Other creditors	2,188	-	2,015	-
Accruals and deferred income	47,339	-	40,501	-
	<u>168,783</u>	<u>10,573</u>	<u>120,197</u>	<u>10,417</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

17 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group	2010 £'000	2009 £'000
Bank loans (note 18)	228,794	254,867
Other loans (note 18)	301,473	253,237
Cumulative redeemable preference shares (note 18)	26,448	19,970
Obligations under finance leases and hire purchase contracts (note 18)	1,075	1,181
Accruals and deferred income	17,203	12,810
Other creditors – accrued dividend on preference shares	50	1,260
	<u>575,043</u>	<u>543,325</u>

18. BORROWINGS

Borrowings are repayable as follows

Group	2010 £'000	2009 £'000
Bank loans		
Between one and two years	9,555	7,319
Between two and five years	64,019	63,398
After five years	155,220	184,150
	<u>228,794</u>	<u>254,867</u>
Within one year	66,941	42,562
	<u>295,735</u>	<u>297,429</u>

	2010 Group £'000	2010 Company £'000	2009 Group £'000	2009 Company £'000
Other loans				
After five years	<u>301,473</u>	<u>-</u>	<u>253,237</u>	<u>-</u>

Group	2010 £'000	2009 £'000
Finance leases		
Between one and two years	464	522
Between two and five years	611	659
	<u>1,075</u>	<u>1,181</u>
Within one year	646	739
	<u>1,721</u>	<u>1,920</u>

Bank loans are secured by fixed and floating charges over the assets of the Group

Obligations under finance leases are secured on the related assets

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

18 BORROWINGS (continued)

Bank loans are further analysed below

	2010 £'000	2009 £'000
Group		
Bank loans		
Senior Term Debt - Facility A	31,324	38,725
Senior Term Debt - Facility B	40,863	41,272
Senior Term Debt - Facility C	40,798	41,223
Revolving Capital Loan ('RCF')	29,006	35,378
Senior Mezzanine Debt	54,118	53,966
Junior Mezzanine Debt	99,626	86,865
	<u>295,735</u>	<u>297,429</u>

Borrowings under the Senior Term Debt, the Revolving Capital Loan, the Senior Mezzanine Debt and the Junior Mezzanine Debt are at prevailing floating rates of interest based upon short-term inter-bank rates (GBP LIBOR). Margins over GBP LIBOR applying to the Senior Debt Facility A, Facility B and Facility C are fixed at 3.50%, 4.00% and 4.50% respectively. The margin over GBP LIBOR applying to the RCF loan is 3.50%. The margins applying to the Senior Mezzanine Debt and the Junior Mezzanine Debt are fixed at 10.25% and 12.00% respectively.

The repayment dates for debt due after five years is detailed below

	Date	£'000
Senior Mezzanine Debt	24 January 2016	55,000
Junior Mezzanine Debt	24 July 2016	100,538

The above amounts exclude the impact of related debt issue costs

Other loans are further analysed below

		2010		2009
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Other loans				
Payment in Kind ('PIK') notes	301,473	-	253,237	-

The PIK debt interest accrued is fixed at 17.18% of the outstanding principal amount at each interest period. The repayment date of the PIK is 23 January 2017.

The cumulative redeemable preference shares carry an entitlement to dividends at a rate of 23p per share per annum. The dividend accrues from day-to-day and is payable half yearly in equal amounts on 31 March and 30 September every year provided sufficient distributable reserves are available. The shares may be redeemed at £1 per share at any time from the time of issue at the option of the company. Holders of the redeemable preference shares have the right on a winding-up to receive, in priority to any other class of shares, the sum of £1 per share together with any arrears of dividend.

HENSON NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

19. PROVISIONS FOR LIABILITIES

Group	Property related provisions £'000	Onerous leases £'000	Total £'000
At 29 March 2009	50	32	82
Profit and loss account	-	17	17
Utilised in year	-	(15)	(15)
Adjustment arising from discounting	-	3	3
At 3 April 2010	50	37	87

Property related provision

This provision relates to expected dilapidation costs on property leases

Onerous leases

This provision relates to the residual lease commitments on two vacant Millets properties and is released as and when the lease payments become due

20. CALLED UP SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised		
60,000,000 Ordinary Class 'A' shares of £0.01 each	600	600
30,000,000 Convertible Class 'B' shares of £0.01 each	300	300
200,000 Ordinary Class 'C' shares of £0.01 each	2	2
	902	902
	£'000	£'000
Called up, allotted and fully paid		
18,920,674 Ordinary Class 'A' shares of £0.01 each	189	189
23,523,810 Convertible Class 'B' shares of £0.01 each	235	235
133,600 Ordinary Class 'C' shares of £0.01 each	2	2
	426	426

Upon a sale, initial public offering or recapitalisation of the company (or, if relevant, its subsidiaries), which results in the repayment in full of the PIK notes issued by Henson No 2B Limited, redemption of any preference shares issued by Henson No 2A Limited and distribution (through payment of dividend, return of capital or receipt of proceeds of sale or otherwise) to the Class 'B' shareholders of an aggregate preferential distribution entitlement of £23,523,810, and with all further proceeds being distributed to the shareholders of the company in accordance with the articles or as otherwise agreed between Class 'A' shareholders and the Class 'B' shareholders, all of the Class 'B' shares either (i) at the election of shareholders holding the majority of the Class 'B' shares may be converted or (ii) if the Class 'A' shareholders will cease to hold more than 25% of the fully diluted share capital of the company (assuming each Class 'B' share is a Class 'A' share) by reason of sale, initial public offering or recapitalisation will be converted to Class 'A' shares on the basis of one Class 'A' share for one Class 'B' share

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

20. CALLED UP SHARE CAPITAL (continued)

Subject to board approval, any profits available for distribution, which the company may determine to distribute in respect of any financial year, shall be distributed as follows

- (1) firstly, to each holder of Class 'B' shares in respect of each Class 'B' share of which it is the holder, an amount equal to its pro rata share of the aggregate preferential distribution entitlement of £23,523,810 (to the extent outstanding following distributions (if any) in prior financial periods),
- (2) secondly, to each holder of Class 'A' shares (other than those Class 'A' shares arising upon the exercise of warrants or a conversion of Class 'B' shares or which are otherwise held by a Class 'B' shareholder (or its affiliate) in respect of each Class 'A' share of which it is a holder, an amount equal to its pro rata share of the aggregate preferential distribution entitlement of £23,300,000 (as it may be reduced for any special bonuses to Class 'A' shareholders and to the extent outstanding following payment of special bonus or distributions (if any) in prior financial periods), and
- (3) thirdly, any surplus profits available for distribution are distributed *pari passu* amongst the shareholders of Class 'A' and Class 'B' shares according to the number of Class 'A' shares held or deemed to be held. The Class 'B' shares are deemed to hold the same number of shares as their Class 'B' shares would convert into at the time of distribution in accordance with the conversion rate applicable

Holders of Class 'C' shares do not have the right to receive any dividend or other distribution

On a return of capital on liquidation or otherwise, surplus assets of the company after payment of its liabilities remaining after payment of its liabilities are to be applied in the following order of priority

- (1) firstly, to each holder of Class 'B' shares in respect of each Class 'B' share of which it is the holder, an amount equal to its pro rata share of the aggregate preferential distribution entitlement of £23,523,810 (to the extent not previously distributed),
- (2) secondly, to each holder of Class 'A' shares (other than those Class 'A' shares arising upon the exercise of warrants or a conversion of Class 'B' shares or which are otherwise held by a Class 'B' shareholder (or its affiliate)) in respect of each Class 'A' share of which it is a holder, an amount equal to its pro rata share of the aggregate preferential distribution entitlement of £23,300,000 (as it may be reduced for any special bonuses to Class 'A' shareholders and to the extent not previously distributed),
- (3) thirdly, to each holder of Class 'C' shares an amount equal to his or her pro rata share of the Class 'C' Exit Value (determined as an amount between 0% and 5% of the surplus assets of the company following the payment of the aggregate preferential distribution entitlement on the Class 'B' and Class 'A' shares) if any such amounts are payable, and
- (4) finally, any surplus assets available for distribution are distributed *pari passu* amongst the shareholders of Class 'A' and Class 'B' shares according to the number of Class 'A' shares held or deemed to be held. The Class 'B' shares are deemed to hold the same number of shares as their Class 'B' shares would convert into with the conversion rate applicable

The shareholders of Class 'A' and Class 'B' shares are entitled to vote at a general meeting of the company. On the show of hands every member entitled to vote present in person shall have one vote and on a poll every member shall have

- (1) in the case of a holder of Class 'A' shares, one vote for each Class 'A' share held, and
- (2) in the case of a holder of Class 'B' shares, one vote for each Class 'A' share held assuming the conversion into Class 'A' shares of all Class 'B' shares then in issue and outstanding

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

20. CALLED UP SHARE CAPITAL (continued)

For as long as the initial investors and their affiliates hold 50% or more of the Class 'B' shares, no holder of Class 'B' shares, other than the initial investors and their affiliates, are entitled to cast more than 24.9% of the votes attaching to the Class 'B' shares, whether at a general meeting of the company or any class meeting of the holders of Class 'B' shares

The shareholders of Class 'C' shares do not have the right to vote at a general meeting of the company

In all other respects the shares rank *pari passu*

21. RESERVES

Group	Share capital £'000	Share premium account £'000	Own shares £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 29 March 2009	426	26,791	(550)	22,289	71	(170,461)	(121,434)
Loss for financial year	-	-	-	-	-	(59,292)	(59,292)
Other losses	-	-	-	-	-	(6,394)	(6,394)
At 3 April 2010	426	26,791	(550)	22,289	71	(236,147)	(187,120)

Pension reserve

	2010 £'000	2009 £'000
Profit and loss reserve excluding pension (liability)/asset	(232,965)	(172,671)
Amount relating to defined benefit pension scheme (liability)/asset, net of related deferred tax	(3,182)	2,210
Profit and loss reserve	(236,147)	(170,461)

Company	Share capital £'000	Share premium account £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 29 March 2009	426	26,791	22,289	71	(75)	49,502
Loss for the financial year	-	-	-	-	(53)	(53)
At 3 April 2010	426	26,791	22,289	71	(128)	49,449

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 April 2010

22. RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' DEFICIT

	2010	2009
Group	£'000	£'000
Loss for the financial year	(59,292)	(59,540)
Other recognised (losses)/gains relating to the year (net)	(6,394)	133
	<u>(65,686)</u>	<u>(59,407)</u>
Net increase in shareholders' deficit	(65,686)	(59,407)
Opening shareholders' deficit	(121,434)	(62,027)
	<u>(187,120)</u>	<u>(121,434)</u>
Closing shareholders' deficit	<u>(187,120)</u>	<u>(121,434)</u>

23. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2010	2009
	£'000	£'000
Operating profit	27,751	7,748
Depreciation, amortisation and impairment losses	48,443	48,580
Loss on disposal of tangible fixed assets	249	1,100
(Increase)/decrease in stocks	(9,492)	1,253
(Increase)/decrease in debtors	(10,028)	1,149
Increase/(decrease) in creditors	29,966	(15,559)
Increase/(decrease) in provisions	2	(51)
Adjustment for additional pension contribution	(1,180)	(1,095)
	<u>85,711</u>	<u>43,125</u>
Net cash inflow from operating activities	<u>85,711</u>	<u>43,125</u>

HENSON NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS
Year ended 3 April 2010

24. ANALYSIS OF CASH FLOWS	2010 £'000	2009 £'000
Returns on investments and servicing of finance		
Interest received	202	569
Interest paid	(19,247)	(18,097)
Net cash outflow	(19,045)	(17,528)
	£'000	£'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(23,241)	(30,242)
Sale of tangible fixed assets	35	460
Net cash outflow	(23,206)	(29,782)
	£'000	£'000
Management of liquid resources		
Cash withdrawn on short-term deposit	-	3
	£'000	£'000
Financing		
Issue of cumulative redeemable preference shares	-	20,000
Repayment of term loan finance	(8,709)	(17,238)
(Repayment)/drawdown of RCF finance	(6,665)	11,500
Deal costs incurred	-	(30)
Capital element of finance lease rental payments	(856)	(879)
Cancellation of shares	(2)	(1)
Net cash (outflow)/inflow	(16,232)	13,352

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

25. ANALYSIS AND RECONCILIATION OF NET DEBT

Group	29 March 2009 £'000	Cash flow £'000	New finance leases £'000	Deferred interest £'000	Other non-cash changes £'000	3 April 2010 £'000
Cash at bank and in hand	20,304	27,268	-	-	-	47,572
	<u>20,304</u>	<u>27,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,572</u>
Debt due within one year	(42,562)	13,791	-	-	(38,170)	(66,941)
Due after one year	(529,334)	1,583	-	(65,510)	36,496	(556,765)
Finance leases	(1,920)	856	(657)	-	-	(1,721)
	<u>(573,816)</u>	<u>16,230</u>	<u>(657)</u>	<u>(65,510)</u>	<u>(1,674)</u>	<u>(625,427)</u>
Net debt	<u>(553,512)</u>	<u>43,498</u>	<u>(657)</u>	<u>(65,510)</u>	<u>(1,674)</u>	<u>(577,855)</u>
					2010 £'000	2009 £'000
Increase in cash in the accounting period					27,268	11,505
Decrease in short-term investments					-	(3)
Cash outflow / (inflow) from decrease / (increase) in debt and lease financing					<u>16,230</u>	<u>(13,353)</u>
Change in net debt resulting from cash flows					43,498	(1,851)
New finance leases					(657)	(672)
Deferred interest					(60,242)	(52,127)
Preference shares dividend not paid					(5,268)	(1,260)
Other non-cash changes					<u>(1,674)</u>	<u>(2,285)</u>
Movement in net debt in the year					(24,343)	(58,195)
Net debt at prior period end					<u>(553,512)</u>	<u>(495,317)</u>
Net debt at period end					<u>(577,855)</u>	<u>(553,512)</u>

HENSON NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

26 FINANCIAL COMMITMENTS

Capital commitments are as follows

	2010		2009	
	Group £'000	Company £'000	Group £'000	Company £'000
Contracted but not provided for – other	<u>3,112</u>	<u>-</u>	<u>2,297</u>	<u>-</u>

Annual commitments under non-cancellable operating leases were as follows

	2010		2009	
Group	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date				
- within one year	3,938	1,765	1,653	664
- between two and five years	29,341	1,226	24,854	2,842
- after five years	<u>59,725</u>	<u>-</u>	<u>60,508</u>	<u>-</u>
	<u>93,004</u>	<u>2,991</u>	<u>87,015</u>	<u>3,506</u>

Company

The company has no commitments under non-cancellable operating leases

27 PENSION ARRANGEMENTS

The Group operates a defined benefit pension scheme in the UK, which since 2002 has been closed to new entrants. A full actuarial valuation was carried out at 1 September 2007 and updated to 3 April 2010 by a qualified actuary. The major assumptions used for the actuarial valuation were:

	2010	2009
Discount rate	5.6% pa	6.5% pa
Salary growth	5.0% pa	4.2% pa
Pension increases – pre 2005	3.4% pa	2.7% pa
Pension increases – post 2005	2.3% pa	2.5% pa
Price inflation	3.5% pa	2.7% pa

Mortality assumptions for the updated defined benefit scheme valuations at 3 April 2010 and 28 March 2009 were based on PA92 tables with a medium cohort effect for all members and have been adjusted for the member's year of birth.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

27. PENSION ARRANGEMENTS (continued)

The assumed life expectations on retirement at age 65 are

	2010 years	2009 years
Retiring today		
Males	87.1	87.0
Females	90.0	90.0
Retiring in 20 years		
Males	88.2	88.1
Females	91.0	90.9

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were

Components	At 3 April 2010		At 28 March 2009	
	Expected return	Fair value £'000	Expected return	Fair value £'000
Equities	7.5% pa	6,630	8.0% pa	5,400
Bonds	5.0% pa	1,430	5.0% pa	1,040
Target return fund	6.5% pa	25,420	6.5% pa	18,210
Other	3.5% pa	1,510	4.0% pa	2,040
Total		<u>34,990</u>		<u>26,690</u>
Reconciliation of balance sheet				
			2010 £'000	2009 £'000
Total market value of assets			34,990	26,690
Present value of scheme liabilities			(39,410)	(23,620)
Pension (deficit)/surplus			(4,420)	3,070
Related deferred tax asset/(liability)			1,238	(860)
FRS 17 defined benefit (liability)/asset			<u>(3,182)</u>	<u>2,210</u>

The estimated amounts of contributions expected to be paid to the scheme during the current financial year is £1.25m

Analysis of the amount charged to operating profit	2010 £'000	2009 £'000
Current service cost	<u>1,070</u>	<u>1,280</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

27. PENSION ARRANGEMENTS (continued)

Analysis of the amount charged to net finance charges

	2010 £'000	2009 £'000
Expected return on pension scheme assets	(1,750)	(1,910)
Interest on pension scheme liabilities	1,540	1,730
	<u>(210)</u>	<u>(180)</u>

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Actual return less expected return on the scheme assets	4,810	(6,260)	(1,400)	(1,170)	3,150
% of scheme assets	13.7	(23.5)	(4.8)	(4.3)	1.3
Experience gains on the scheme liabilities	-	-	2,760	(90)	105
% of scheme liabilities	-	-	10.0	(0.3)	0.5
Changes in the assumptions underlying the present value of the scheme liabilities	(13,690)	6,445	2,170	700	(3,150)
% of scheme liabilities	(34.7)	27.3	7.9	2.3	(11.3)
Total	<u>(8,880)</u>	<u>185</u>	<u>3,530</u>	<u>(560)</u>	<u>105</u>
% of scheme liabilities	(22.5)	0.8	12.8	0.5	(10.4)

Analysis of the movement in scheme deficit during the year

	2010 £'000	2009 £'000
Surplus at beginning of year	3,070	1,610
Current service cost	(1,070)	(1,280)
Contributions paid	2,250	2,375
Actuarial (loss)/gain	(8,880)	185
Other financial credits	210	180
(Deficit)/surplus at end of year	<u>(4,420)</u>	<u>3,070</u>

The Group also operates a number of defined contribution schemes for which the pension cost charge for the accounting period amounted to £1,517,000 (2009 £1,342,000). As at 3 April 2010 £nil (2009 £54,000) contributions due in respect of the current period had not been paid over to the schemes.

HENSON NO. 1 LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 3 April 2010

28. CONTINGENT LIABILITIES

The company has given unlimited guarantees for the bank facilities provided to Group undertakings by their principal bankers. The liabilities under these guarantees at 3 April 2010 amounted to £619,606,077 (2009 £594,513,016)

29. RELATED PARTY TRANSACTIONS

The Group has taken advantage of the exemption in FRS 8 'Related Party Transactions' not to disclose transactions with other Group companies

30. CONTROLLING PARTY

In the opinion of directors, there is no ultimate controlling party