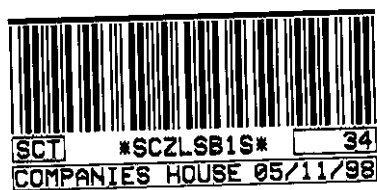


Mackays Stores (Holdings) PLC

**Directors' report and consolidated financial
statements**

17 April 1998

Registered number 54092



Directors' report and consolidated financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	4
Report of the auditors to the members of Mackays Stores (Holdings) PLC	5
Consolidated profit and loss account	6
Statement of total recognised gains and losses	7
Note of historical cost profits and losses	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Notes to the consolidated cash flow statement	11
Notes	12

Directors' report

The directors present their annual report, together with the audited consolidated financial statements of the company for the 52 weeks ended 17 April 1998.

Activities of the group

The group principally operates as a multiple retailer of clothing with branches throughout the United Kingdom.

Review of the business and future developments

The group traded satisfactorily during the year. Pre tax profits of £10,910,000 are comparable with 1997 £13,105,000 excluding exceptional items.

The directors would like to thank all members of staff for their hard work, loyalty and support during the year.

Summary of trading results

The group results for the year are set out in the profit and loss account on page 6.

Dividend

The directors authorised the payment during the year of a dividend of £396,000 on the 8% cumulative preference shares. The directors do not recommend the payment of any further dividend on either class of shares.

Purchase of own shares

On 16 April 1998 the company purchased 774,191 of its ordinary shares with a nominal value of £77,419 for an aggregate consideration of £12,060,000, inclusive of stamp duty.

Directors' report *(continued)*

Directors and directors' interests

The directors who held office at the year end and their interests in the shares of the company are noted below:

	'A' and 'B' Ordinary shares of 10p each 17 April 1998	'A' and 'B' Ordinary shares of 10p each 18 April 1997	8% cumulative preference shares of £1 each 17 April 1998	8% cumulative preference shares of £1 each 18 April 1997
<i>Interests as shareholders and beneficiaries under trusts:</i>				
PD Stevenson	-	-	-	-
JS McGeoch	17,575	21,482	24,980	24,980
LC McGeoch	870,709	1,064,259	1,237,510	1,237,510
IW McGeoch	870,709	1,064,259	1,237,510	1,237,510
JA Lawrie	-	-	-	-
JA Pow	-	-	-	-
<i>Interests in trusts from which a minor child may benefit:</i>				
LC McGeoch	1,436,572	1,755,905	2,041,750	2,041,750
IW McGeoch	1,436,572	1,755,905	2,041,750	2,041,750
<i>Non-beneficial interests as trustees:</i>				
IW McGeoch	287,244	351,095	1,640,800	1,640,800
JA Lawrie	-	-	1,232,550	1,232,550

Mr G Middlemiss was appointed a director on 13 February 1998 and resigned on 16 March 1998.

Charitable and political contributions

Charitable contributions made by the group during the year amounted to £9,632 (1997: £11,638). There were no political contributions.

Employee involvement

The group has channels of communication with employees on business development, company performance and matters of general concern.

Directors' report *(continued)*

Employment of disabled persons

The group gives full and fair consideration to applications for employment made by disabled persons, has continued whenever possible the employment of persons who became disabled while they were with the group and has ensured continuing training, career development and opportunities for the promotion of disabled persons employed by it.

Creditor payment policy

The company aims to pay suppliers in accordance with agreed terms and conditions.

The number of days purchases outstanding at 17 April 1998 was 17.

Year 2000

The group is fully aware of the Year 2000 problem and its implications for its computer systems and associated business issues. A formal project to address this issue has been ongoing since July 1997. A detailed plan has been completed and is in the course of being implemented to ensure the continued smooth running of the Group's operations. This work is closely supervised by senior management and progress is regularly reported to the group board. A fully resourced budget has been set aside for upgrading systems and the group aims to have all its critical systems year 2000 compliant by early 1999.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



IW McGeoch
Director

Caledonia House
Caledonia Street
Paisley
PA3 2JP

26 October 1998

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the auditors to the members of Mackays Stores (Holdings) PLC

We have audited the financial statements on pages 6 to 26.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

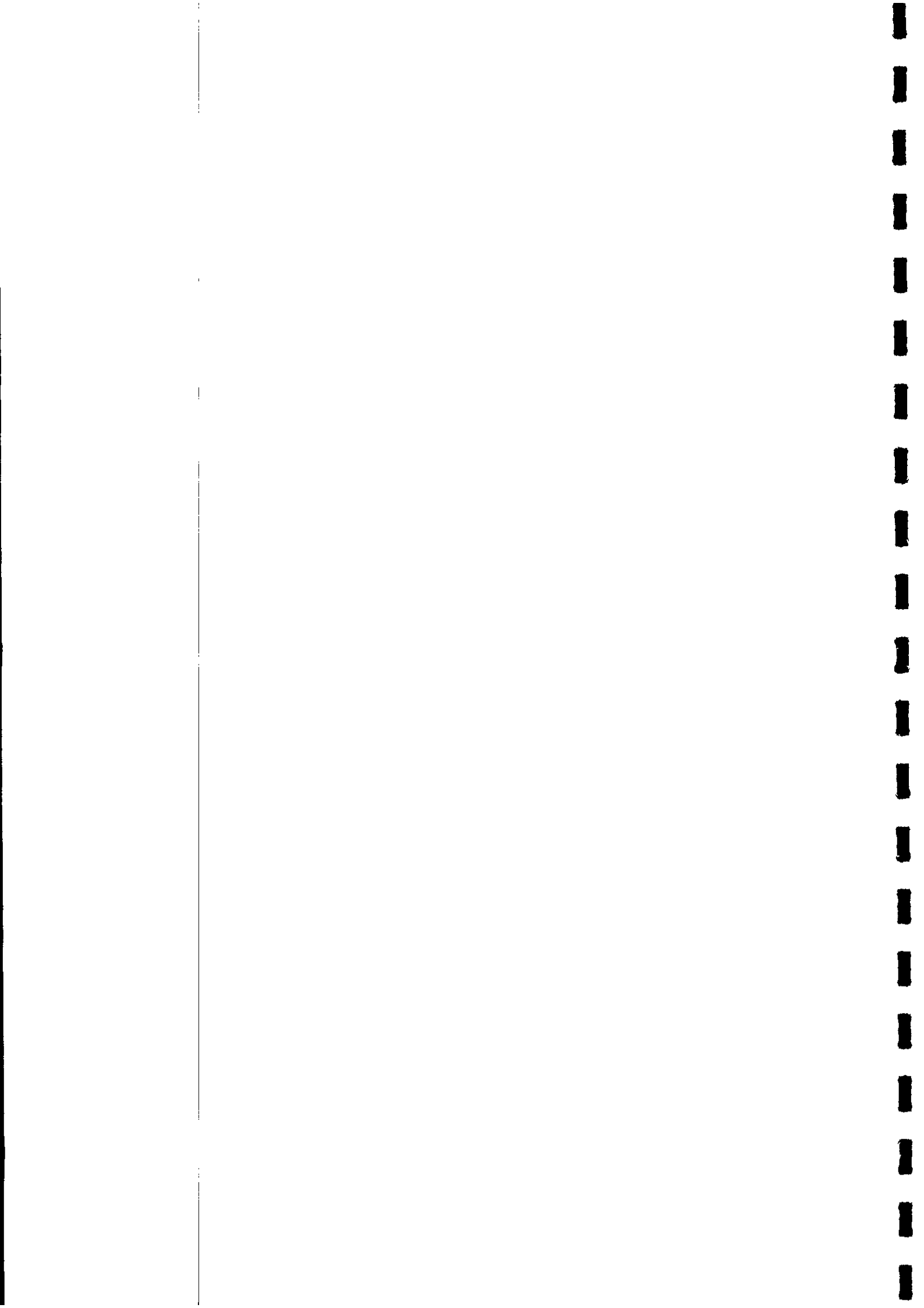
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 17 April 1998 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

2 November 1998



Consolidated profit and loss account
for the 52 weeks ended 17 April 1998

	<i>Note</i>	1998 £000	1997 £000
Sales	2	132,600	139,804
Cost of sales		(110,000)	(114,127)
		<hr/>	<hr/>
Gross profit		22,600	25,677
Administrative expenses:			
Recurring	4	(16,618)	(16,023)
Exceptional	4	-	(7,745)
		<hr/>	<hr/>
		(16,618)	(23,768)
Other operating income	3	4,196	3,827
		<hr/>	<hr/>
Operating profit	4	10,178	5,736
Gain on sale of leasehold	7	850	-
		<hr/>	<hr/>
		11,028	5,736
Interest (net)	8	(118)	(376)
		<hr/>	<hr/>
Profit for the financial year before taxation		10,910	5,360
Tax on profit on ordinary activities	9	(3,483)	(2,308)
		<hr/>	<hr/>
Profit for the financial year		7,427	3,052
Dividend paid	10	(396)	(396)
		<hr/>	<hr/>
Transferred to reserves		7,031	2,656
		<hr/> <hr/>	<hr/> <hr/>

A statement of movements on reserves is given in note 18.

As permitted by section 230 of the Companies Act 1985 a profit and loss account for the company alone is not presented. The amount of the profit for the financial year dealt with in the financial statements of the company is £8,844,000 (1997: £603,000).

Statement of total recognised gains and losses
for the 52 weeks ended 17 April 1998

	1998 £000	1997 £000
Profit for the financial year	7,427	3,052
Currency translation difference on consolidation of foreign subsidiary undertakings	(2)	(55)
Total recognised gains and losses relating to the year	7,425	2,997


Note of historical cost profits and losses
for the 52 weeks ended 17 April 1998

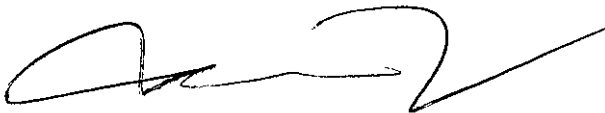
	1998 £000	1997 £000
Reported profit on ordinary activities before taxation	10,910	5,360
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	104	101
Historical cost profit on ordinary activities before taxation	11,014	5,461
Historical cost profit for the year retained after taxation and dividends	7,135	2,757

Consolidated balance sheet
at 17 April 1998

	<i>Note</i>	1998 £000	1997 £000
Fixed assets			
Tangible assets	<i>11</i>	52,035	52,742
Current assets			
Stocks	<i>13</i>	20,583	25,157
Debtors	<i>14</i>	3,253	3,273
Cash at bank and in hand		-	3,154
		23,836	31,584
Prepayments and accrued income	<i>16</i>	819	1,182
Creditors: amounts falling due within one year	<i>15</i>	(22,713)	(26,459)
Net current assets		1,942	6,307
Total assets less current liabilities		53,977	59,049
Deferred income	<i>17</i>	(565)	(606)
Net assets		53,412	58,443
Capital and reserves			
Called up share capital	<i>18</i>	5,298	5,376
Capital redemption reserve	<i>19</i>	147	69
Capital reserve	<i>19</i>	195	195
Revaluation reserve	<i>19</i>	1,591	1,695
Revenue reserve	<i>19</i>	46,181	51,108
Total shareholders' funds	<i>22</i>	53,412	58,443
Equity interests		48,462	53,493
Non-equity interests		4,950	4,950
		53,412	58,443

These financial statements were approved by the board of directors on *26 October 1998* and were signed on its behalf by:


PD Stevenson
Chairman


IW McGeoch
Director

Company balance sheet
at 17 April 1998

	Note	1998 £000	1997 £000
Fixed assets			
Tangible assets	11	16,635	15,912
Investments	12	6,459	6,613
		<hr/> 23,094 <hr/>	<hr/> 22,525 <hr/>
Current assets			
Debtors: amounts due from subsidiary undertaking		758	-
corporation tax recoverable		1,128	-
		<hr/> 1,886 <hr/>	<hr/> - <hr/>
Cash at bank and in hand		-	16
		<hr/> 1,886 <hr/>	<hr/> 16 <hr/>
Creditors: amounts falling due within one year			
Bank overdraft		(3,625)	(269)
Advance corporation tax		(3,000)	(317)
Accruals		(114)	(27)
Due to subsidiary undertakings		-	(74)
		<hr/> (6,739) <hr/>	<hr/> (687) <hr/>
Net current liabilities		<hr/> (4,853) <hr/>	<hr/> (671) <hr/>
Total assets less current liabilities		<hr/> 18,241 <hr/>	<hr/> 21,854 <hr/>
Provisions for liabilities and charges	16	(12)	(13)
		<hr/>	<hr/>
Net assets		<hr/> 18,229 <hr/>	<hr/> 21,841 <hr/>
Capital and reserves			
Called up share capital	18	5,298	5,376
Capital redemption reserve	19	147	69
Revaluation reserve	19	614	625
Revenue reserve	19	12,170	15,771
		<hr/>	<hr/>
Total shareholders' funds		<hr/> 18,229 <hr/>	<hr/> 21,841 <hr/>
Equity interests		<hr/> 13,279 <hr/>	<hr/> 16,891 <hr/>
Non-equity interests		4,950	4,950
		<hr/> 18,229 <hr/>	<hr/> 21,841 <hr/>

These financial statements were approved by the board of directors on 26 October 1998 and were signed on its behalf by:


PD Stevenson
Chairman


IW McGeoch
Director

Consolidated cash flow statement
for the 52 weeks ended 17 April 1998

	Note	1998 £000	1997 £000
Cash flow from operating activities	(a)	17,719	8,495
Returns on investments and servicing of finance			
Interest received		608	434
Interest paid		(730)	(847)
Dividends paid		(396)	(396)
		(518)	(809)
Taxation		(3,697)	(2,886)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(4,438)	(3,296)
Receipts from disposals of leasehold and tangible fixed assets		1,174	332
		(3,264)	(2,964)
Acquisition and disposals			
Purchase of interest in joint venture		-	(198)
		-	(198)
Cash inflow before financing		10,240	1,638
Financing			
Purchase of own shares		(12,060)	-
(Decrease)/increase in cash in the year	(b)	(1,820)	1,638

Notes to the consolidated cash flow statement
for the 52 weeks ended 17 April 1998

(a) Reconciliation of operating profit to operating cash flows

	1998 £000	1997 £000
Operating profit	10,178	5,736
Depreciation	4,486	4,423
Loss on sale of tangible fixed assets	-	42
Decrease/(increase) in stocks	4,574	(2,527)
(Increase)/decrease in debtors	(24)	364
(Decrease)/increase in creditors	(1,454)	301
Amortisation of deferred income	(41)	(42)
Provision against investment	-	198
	<hr/>	<hr/>
Net cash inflow from operating activities	17,719	8,495
	<hr/> <hr/>	<hr/> <hr/>

(b) Movement in net debt

	At 17 April 1998 £000	Cash flow £000	At 18 April 1997 £000
Cash at bank and in hand	-	(3,154)	3,154
Bank borrowings	(7,733)	1,334	(9,067)
	<hr/>	<hr/>	<hr/>
	(7,733)	(1,820)	(5,913)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

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

Consolidation

The group financial statements reflect the financial statements of the company and its subsidiary undertakings (note 11).

Transactions of UK companies in foreign currencies

Transactions denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the transaction date.

Balances denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date.

Realised exchange gains or losses on settled trading transactions, and unrealised gains or losses on unsettled short term monetary trading items resulting from restatement to closing rates of exchange, are dealt with through the profit and loss account. Exchange gains or losses arising from financing arrangements are treated as finance costs in the profit and loss account.

Translation of foreign subsidiary undertakings

Differences arising in the group's consolidated financial statements from the translation at closing rates of its net investment in foreign subsidiary undertakings are recorded as movements on the group's reserves.

Average rates of exchange are used to translate the profit and loss accounts of foreign subsidiary undertakings. Differences arising between the translation of these figures at the average and the closing rates of exchange are recorded as movements on the group's reserves.

Stock

Stock is valued at the lower of cost and estimated net realisable value. Cost is computed by deducting the appropriate composite trading margin from selling price.

Deferred tax

Deferred tax is provided on timing differences which are anticipated to increase or decrease taxation liabilities in the foreseeable future.

Notes (continued)

Accounting policies (continued)

Depreciation

With the exception of land and assets in the course of construction, fixed tangible assets are depreciated as follows:

- Freehold properties evenly over 50 years.
- Leasehold properties evenly over the term of their respective leases or 50 years whichever is the shorter period; the portion of leasehold premiums applicable to rent evenly over the period to the first rent review.
- All other fixed tangible assets evenly over their estimated useful lives at annual rates ranging as follows:

Plant and machinery, fixtures, fittings and equipment	10% - 33%
Motor vehicles	25%

Deferred income

Inducements to enter into lease agreements in respect of property are treated as deferred income and are credited to profit evenly over the remaining term of the lease.

Goodwill

Goodwill reflected in the cost of acquiring subsidiary undertakings is written off against reserves in the year of acquisition.

Finance leases and hire purchase

Assets held under finance leases and hire purchase contracts are recorded as fixed assets and are depreciated over their estimated useful lives or the lease term if shorter. Obligations under such arrangements, net of finance charges, are included in creditors.

Finance charges are allocated to profit so as to produce a constant periodic rate of charge on the remaining balance of the obligation.

Operating leases

Rentals under operating leases are charged to profit as they fall due under the terms of the agreements.

Pensions

Contributions are charged to the profit and loss account in accordance with actuarial recommendations so as to spread the cost of pensions over the employees' expected service lives with the group.

Notes (continued)

2 Sales

The group's principal subsidiary undertakings operate as multiple retailers of clothing and household textiles in the United Kingdom. Sales from these activities, net of Value Added Tax, were £132,600,000 (1997: £139,804,000).

3 Other operating income

	1998 £000	1997 £000
Property rentals and similar income	1,697	1,510
Discounts received	2,346	2,360
Loss on sale of fixed tangible assets	-	(42)
Other income/(expense)	153	(1)
	<u>4,196</u>	<u>3,827</u>

4 Operating profit

	1998 £000	1997 £000
<i>Operating profit is stated after charging</i>		
Special payments to group pension scheme	-	6,120
Depreciation of fixed tangible assets	4,486	4,423
Special emoluments to a director	-	1,625
Auditors' remuneration:		
- audit	49	45
- other services	66	62
Hire of equipment	3	1
Pension paid to a director	1	1
	<u> </u>	<u> </u>

Notes (continued)

5 Directors' emoluments

	1998 £000	1997 £000
Directors' emoluments	1,354	2,309

The highest paid director received emoluments of £616,011 (1997: £1,797,352). The relevant director in the 1998 year is a member of the group's defined benefit pension scheme under which the accrued pension to which he would have been entitled from normal retirement age had he retired at the year end was £3,163 per annum (1997: nil) and his accrued lump sum was £3,559 (1997: nil).

The services of the chairman, Mr Peter Stevenson, are provided by The Stevenson Partnership Limited. Payments to The Stevenson Partnership Limited amounted to £80,000 (1997: £80,000).

Five of the directors (1997: five) are members of the group's defined benefits pension scheme.

6 Employees and remuneration

The average number of persons (including directors) employed by the group during the year was as follows:

	Number of employees	
	1998	1997
Retailing	2,848	2,850

The aggregate employment costs of these persons were as follows:

	1998 £000	1997 £000
Wages and salaries	22,327	22,606
Social security costs	1,362	1,468
Other pension costs	675	6,534
	24,364	30,608

Pensions

Mackays Stores Limited operates a funded defined benefit pension scheme for group employees. The assets of the scheme are held separately from those of the group in funds administered by trustees independently of the group. The contributions are determined by an independent qualified actuary using the projected unit method. The most recent actuarial valuation was at 30 April 1997. The assumption which has the most significant effect on the results of the valuation is the excess of the rate of return on investments over the rate of increase in pensionable salary, which was assumed to be 2% per annum.

The actuarial valuation at 30 April 1997 showed that the market value of the scheme's assets was £18,891,000 and that the actuarial value of those assets represented 101% of the benefits that had accrued to members at the valuation date, after allowing for expected future increases in salaries.

The pension charge for the year represents the contributions paid to the scheme having regard to the advice of the independent qualified actuary.

Notes (continued)

7 Gain on sale of leasehold

Subsequent to the year end an additional £1 million has been received in respect of this sale. That amount is not reflected in these accounts as its receipt was conditional at the year end. Further amounts may become receivable under the terms of the sale and purchase agreement.

8 Interest

	1998 £000	1997 £000
Interest payable on bank overdrafts	(726)	(811)
	—	—
Interest receivable on short term deposits	608	435
	—	—
	(118)	(376)
	==	==

9 Tax

	1998 £000	1997 £000
Corporation tax		
Charge for the year at 31% (1997: 33%)	(3,101)	(3,797)
Prior year adjustments	(19)	76
	—	—
	(3,120)	(3,721)
Deferred tax		
(Charge)/release for the year	(371)	1,394
Prior year adjustments	8	19
	—	—
	(363)	1,413
Overseas tax	—	—
	(3,483)	(2,308)
	==	==

The group normally experiences effective rates of tax that are higher than the rate of corporation tax, due to costs, mainly depreciation, on those items of capital expenditure which are ineligible for tax allowances. However the 1998 effective tax rate is lower than in previous years. This is because the group made a significant capital gain during the year which is not taxable because of the availability of either rollover relief or unutilised capital losses.

Notes (continued)

10 Dividends

	1998 £000	1997 £000
Ordinary shares	-	-
8% cumulative preference shares	(396)	(396)
	<u>(396)</u>	<u>(396)</u>
	<u><u>(396)</u></u>	<u><u>(396)</u></u>

11 Tangible fixed assets

Group	Land and buildings		Fixtures, fittings and equipment	Total
	Freehold £000	Leasehold £000	£000	£000
<i>Cost or valuation</i>				
At beginning of year	37,831	14,328	35,377	87,536
Additions	1,459	460	2,228	4,147
Disposals	-	(157)	(3,974)	(4,131)
Foreign exchange adjustment	-	(27)	(22)	(49)
	<u>39,290</u>	<u>14,604</u>	<u>33,609</u>	<u>87,503</u>
At end of year	39,290	14,604	33,609	87,503
<i>Depreciation</i>				
At beginning of year	(3,437)	(5,415)	(25,942)	(34,794)
Charge for year	(630)	(701)	(3,155)	(4,486)
Disposals	-	140	3,668	3,808
Foreign exchange adjustment	-	2	2	4
	<u>(4,067)</u>	<u>(5,974)</u>	<u>(25,427)</u>	<u>(35,468)</u>
At end of year	(4,067)	(5,974)	(25,427)	(35,468)
<i>Net book value</i>				
At 17 April 1998	<u>35,223</u>	<u>8,630</u>	<u>8,182</u>	<u>52,035</u>
At 18 April 1997	<u>34,394</u>	<u>8,913</u>	<u>9,435</u>	<u>52,742</u>

Notes (continued)

Tangible fixed assets (continued)

Company	Land and buildings		Total
	Freehold	Leasehold	
	£000	£000	£000
Cost or valuation			
At beginning of year	16,954	-	16,954
Additions	982	-	982
Group transfer	-	4,000	4,000
Disposals	-	(4,000)	(4,000)
	<hr/>	<hr/>	<hr/>
At end of year	17,936	-	17,936
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	(1,042)	-	(1,042)
Charge for year	(259)	-	(259)
	<hr/>	<hr/>	<hr/>
At end of year	(1,301)	-	(1,301)
	<hr/>	<hr/>	<hr/>
Net book value			
At 17 April 1998	16,635	-	16,635
	<hr/>	<hr/>	<hr/>
At 18 April 1997	15,912	-	15,912
	<hr/>	<hr/>	<hr/>

The net book amount of freehold land and buildings includes the following amounts based on professional open market valuations carried out as at 30 April 1990. Equivalent figures based on original cost are also shown:

Group	1998		1997	
	Valuation £000	Cost £000	Valuation £000	Cost £000
Valuation/cost	17,855	12,383	17,855	12,383
Depreciation	(2,150)	(3,219)	(1,866)	(3,089)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount	15,705	9,164	15,989	9,294
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

Tangible fixed assets (continued)

	1998		1997	
	Valuation £000	Cost £000	Valuation £000	Cost £000
Company				
Valuation/cost	3,006	1,871	3,006	1,871
Depreciation	(315)	(236)	(268)	(201)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount	2,691	1,635	2,738	1,670
	<hr/>	<hr/>	<hr/>	<hr/>
	1998		1997	
	Group £000	Company £000	Group £000	Company £000
The book value of land included in freehold land and buildings amounts to	10,453	5,283	10,453	5,283
	<hr/>	<hr/>	<hr/>	<hr/>
The net book amount of leasehold land and buildings comprises:				
Long leasehold	898		932	
Short leasehold	7,754		7,981	
	<hr/>		<hr/>	
	8,652		8,913	
	<hr/>		<hr/>	

Notes (continued)

12 Fixed asset investments - company

	1998 £000	1997 £000
<i>Shares in subsidiary undertakings</i>		
Mackays Stores Limited (valuation)	5,002	5,002
William McIlroy Swindon Limited (cost)	1,413	1,413
Mackays Polska SP. zo.o. (cost less provision)	44	198
	<hr/> 6,459 <hr/>	<hr/> 6,613 <hr/>

The company holds the entire issued preference and ordinary shares of Mackays Stores Limited, a company registered in Scotland and engaged in retailing.

The company holds the entire issued share capital of William McIlroy Swindon Limited, a company registered in England and engaged in retailing.

The company holds the entire issued share capital of Mackays Polska SP. zo.o., a company registered in Poland and engaged in retailing.

The investment in Mackays Stores Limited is stated at valuation by the directors on 20 November 1986.

Other group companies

Held by the company at £Nil book value:

	Country of registration	Holding (ordinary shares)	Nature of business
Apparel Affiliates Inc.	United States of America	100%	Trade marks

Held by Mackays Stores Limited:

Mackays Stores (Far East) Limited	Hong Kong	100%	Textile merchandising, buying services and related activities
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Notes (continued)

13 Stocks

	1998 £000	Group 1997 £000
Finished goods and goods for resale	20,583	25,157
	<u> </u>	<u> </u>

14 Debtors

	1998 £000	Group 1997 £000
Amounts due within one year:		
Trade debtors	124	292
Other debtors	134	185
Prepayments and accrued income	2,995	2,796
	<u> </u>	<u> </u>
	3,253	3,273
	<u> </u>	<u> </u>

15 Creditors: amounts falling due within one year

	1998 £000	Group 1997 £000
Bank borrowings (including bills of exchange)	7,733	9,067
Trade creditors	3,789	3,562
Advance corporation tax	3,000	-
Corporation tax	-	3,621
Other tax and social security	1,394	2,177
Other creditors and accruals	6,797	8,032
	<u> </u>	<u> </u>
	22,713	26,459
	<u> </u>	<u> </u>

Notes (continued)

16 Prepayments and accrued income / provisions for liabilities and charges

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Deferred tax relief/(tax):				
At beginning of year	1,182	(231)	(13)	(16)
Movement for year (note 8)	(363)	1,413	1	3
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	819	1,182	(12)	(13)
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts provided:				
Excess capital allowances	(748)	(894)	(15)	(16)
Other timing differences	1,567	2,076	3	3
	<hr/>	<hr/>	<hr/>	<hr/>
	819	1,182	(12)	(13)
	<hr/>	<hr/>	<hr/>	<hr/>

Disposal of the freehold properties at the valuation incorporated in the financial statements would not, in aggregate, give rise to any tax charge as capital losses estimated to arise on disposal of some properties would offset capital gains arising on others and in addition there are unutilised capital losses potentially available within the group.

The unprovided liability in respect of capital gains rolled over amounts to £1,548,000 (1997: £972,000). There are no other unprovided potential liabilities.

17 Deferred income

	Group	
	1998 £000	1997 £000
Balance remaining of inducements to enter into lease agreements in respect of property:		
At beginning of year	606	648
Credited to profit and loss account for year	(41)	(42)
	<hr/>	<hr/>
At end of year	565	606
	<hr/>	<hr/>

Notes (continued)

18 Share capital

			1998 £	1997 £
<i>Authorised</i>				
'A' ordinary shares of 10p each			413,350	413,350
'B' ordinary shares of 10p each			86,470	86,470
8% cumulative preference shares of £1 each			4,950,000	4,950,000
			<u>5,449,820</u>	<u>5,449,820</u>
			<u>5,449,820</u>	<u>5,449,820</u>
	1998 Number	1997 Number	1998 £	1997 £
<i>Allotted, issued and fully paid</i>				
'A' ordinary shares of 10p each	2,908,321	3,554,810	290,832	355,481
'B' ordinary shares of 10p each	574,488	702,190	57,449	70,219
8% cumulative preference shares of £1 each	4,950,000	4,950,000	4,950,000	4,950,000
	<u>4,950,000</u>	<u>4,950,000</u>	<u>5,298,281</u>	<u>5,375,700</u>
			<u>5,298,281</u>	<u>5,375,700</u>
<i>Made up of:</i>				
Equity interests			348,281	425,700
Non-equity interests			4,950,000	4,950,000
			<u>5,298,281</u>	<u>5,375,700</u>
			<u>5,298,281</u>	<u>5,375,700</u>

The 'A' ordinary shares and 'B' ordinary shares rank pari passu.

During the year the company purchased from shareholders 774,191 ordinary shares at a price of £15.50 per share.

Notes (continued)

19 Reserves

	Capital redemption £000	Capital £000	Revaluation £000	Revenue £000
Group				
At beginning of year	69	195	1,695	51,108
Translation loss on consolidation of foreign subsidiary undertaking	-	-	-	(2)
Depreciation relating to revaluation surplus	-	-	(104)	104
Retained profit for year	-	-	-	7,031
Purchase of own shares (includes expenses)	78	-	-	(12,060)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	147	195	1,591	46,181
	<hr/>	<hr/>	<hr/>	<hr/>
		Capital redemption £000	Revaluation £000	Revenue £000
Company				
At beginning of year		69	625	15,771
Depreciation relating to revaluation surplus		-	(11)	11
Retained profit for year		-	-	8,448
Purchase of own shares		78	-	(12,060)
		<hr/>	<hr/>	<hr/>
At end of year		147	614	12,170
		<hr/>	<hr/>	<hr/>

Notes (continued)

20 Commitments

The group commitments were as follows:

	Group		Company	
	1998 £000	1997 £000	1998 £000	1997 £000
Capital:				
Contracted but not provided	358	293	-	-
	<u>358</u>	<u>293</u>	<u>-</u>	<u>-</u>

The rental charges incurred by the group under non-cancellable operating leases were:

	Group	
	1998 £000	1997 £000
Land and buildings	10,926	10,729
Other	23	56
	<u>10,949</u>	<u>10,785</u>

In 1998/99 these charges are estimated to amount to:

	Group	
	1998 £000	1997 £000
Land and buildings	11,087	11,132
Other	12	21
	<u>11,100</u>	<u>11,153</u>

21 Contingent liabilities

The company, in common with other group companies, has entered into cross guarantees in respect of bank advances to the group.

Notes (continued)

22 Reconciliation of movements in shareholders' funds

	1998 £000	1997 £000
Profit for the financial year	7,427	3,052
Dividends	(396)	(396)
	<hr/>	<hr/>
Purchase of own shares	7,031 (12,060)	2,656 -
Other recognised gains and losses relating to the financial year	(2)	(55)
	<hr/>	<hr/>
Net (decrease)/increase in shareholders' funds	(5,031)	2,601
Opening shareholders' funds	58,443	55,842
	<hr/>	<hr/>
Closing shareholders' funds	53,412	58,443
	<hr/> <hr/>	<hr/> <hr/>