

Furniture Village PLC

Financial Statements and Accounts

15 months ended 2 April 2000

Registered No. 2307708



DIRECTORS

J M F Padovan (Chairman) *†
J G Rose (Deputy Chairman) *†
S A Corbyn †
P A Grant *†
P J Harrison
D J G Imrie
J M L Clark

SECRETARY

G C Martin

AUDITORS

Ernst & Young
Apex Plaza
Reading
RG1 1YE

BANKERS

National Westminster Bank
Knightsbridge
186 Brompton Road
London
SW3 1XJ

REGISTERED OFFICE

316 Bath Road
Slough
Berkshire
SL1 4DX

* Member of the audit committee and remuneration committee

† Non Executive Director

CHAIRMAN'S STATEMENT

Furniture Village celebrated its tenth anniversary in August 1999. I am delighted to report another significant increase in profits. This report covers a period of 15 months to 2nd April 2000 in which profit before tax and exceptional items grew to £4.0 million of which £3.2 million arose in the 12 months to the end of December 1999 (per management accounts), an increase of 45% over the £2.2 million profit earned in the previous 12 month period.

The Board recommends the payment of our first equity dividend which is a further demonstration of our confidence in the trading position of our company.

CHANGE OF ACCOUNTING REFERENCE DATE

As the company grows, the additional difficulty arising from a financial year ending about 31st December has become an increasing problem. It lies in the middle of a period of maximum deliveries, the commencement of the January sales and is often surrounded by several days of national holiday. We have therefore decided that the financial year end will be changed to the nearest Sunday to the end of March; consequently the current accounting period covers 15 months ended 2nd April 2000.

TRADING REVIEW

Turnover for the 15 month period was £98.0 million compared with £69.4 million in the previous 12 months.

In early 1999 the market remained difficult. Approaching the middle of the year trading conditions steadied and thereafter there was some improvement. The stringent management controls introduced during the previous year enabled us to deal with the situation effectively. 2000 started well with strong activity for the quarter to 2nd April 2000. Although our like for like sales for the 15 months were down 1.8%, those of the last quarter of 1999 were up 5.7% and, for the first quarter of 2000, up 12.5%.

Our trading policies led to an increase of 2% in our gross margin compared with 1998. At 2nd April 2000 our order book amounted to £11.4 million.

Towards the end of the period we started to replace our carpet offer with a modern fashion-driven furniture offer, branded as Mettro; thus replacing a highly competitive, cost intensive product with stylish exciting furniture giving a substantially improved margin opportunity.

There has been intense marketing activity during the period with much of it based on the need to continuously maintain and increase trading volumes. At the same time we have changed the balance of our advertising to strengthen the 'Furniture Village' brand and enhance it with values that can compete on more than one level in this price-dominated market. An internet site (www.furniturevillage.co.uk) was launched immediately prior to Christmas and is now receiving over 1,000 'hits' a day: it is already contributing to our overall marketing achievement. We will continue to invest in this new channel by the introduction of on-line interactive product selection and e-commerce.

STORES

A new 14,000 sq ft store was opened in Brighton in April 1999 and in July 1999 an 18,000 sq ft store in Leeds; both are trading successfully. In addition, contracts were exchanged for six more stores, in three of which fitting-out works were underway at the period end. Watford and Exeter commenced trading in April 2000 followed by Staines in May: the other three stores - Telford, Orpington and Wednesbury should all be open and trading by mid-July.

There are several further stores being negotiated at present some of which could open by the end of this financial year.

All Furniture Village stores are now equipped with air conditioning for improved customer comfort and service.

CHAIRMAN'S STATEMENT

SYSTEMS DEVELOPMENT

At the end of 1998 we decided to introduce an IT based integrated Sales/Order/Stock Control and Management Information System. The system was selected, modified and tested at our Slough store in February 1999. Thereafter it was rolled-out to every store by October 1999.

Our sales consultants now enter customer orders at terminals on the shop floor. Whilst this is not unusual in the USA we believe we are the first Furniture Retailer in the UK to accomplish it. The system gives immediate real-time access to product and inventory information. The valuable trading information now readily available is already leading to improvements in many areas of the business.

Although the introduction of the system was extremely well executed, it was nevertheless a costly operation and much of this cost has been expensed in the period under review.

BALANCE SHEET

The company once again finished the period with a strong balance sheet and low gearing, which was again achieved by record retained profits and vigorous management control.

MANAGEMENT AND STAFF

We know the management and staff respond extremely well even in difficult conditions. This was exemplified by the exceptional teamwork that went into the introduction of the new computer system against a background of difficult trading conditions. It gives me great pleasure to thank them all and to congratulate them on the results.

Helena Mountford joined us as Financial Director in early 1998 to further strengthen the group administration and lead the implementation of a new management information system. Helena accomplished these objectives very efficiently and now feels ready to face fresh challenges in a new environment. She accordingly left us in May and with her go our very best wishes and thanks for all she has contributed to Furniture Village.

We are pleased to report that Jack Clark has accepted the position of Financial and Commercial Director and has joined the Board today. His considerable experience includes being Financial Director of Selfridges and, subsequently, Deputy Managing Director and Financial Director of the Clothing Division of Sears Plc.

CURRENT TRADING

Sales and profits in the first two months of 2000/01 have been at satisfactory levels and in line with budgets. The company has both grown its business and improved its processes in the past year and I have great confidence that the future will be every bit as successful.

J M F Padovan
Chairman

14 June, 2000

DIRECTORS' REPORT

The directors present their report and financial statements for the fifteen months ended 2 April 2000.

RESULTS AND DIVIDENDS

The profit for the 15 month period, after taxation and before dividends, amounted to £2,875,000 (1998: 12 months: £1,493,000).

The directors recommend the payment of an ordinary dividend of £1 per share (£644,000). Preference dividends of £277,000 (1998: £168,000) were paid in the period.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be the sale of quality furnishings in the retail market.

Turnover in the 15 month period was £98.0 million compared to £69.4 million in the 12 months of 1998 and profits before tax increased from £2.2 million to £4.0 million. Two new stores were opened during 1999 and a further concession was opened in Selfridges in Manchester at the end of the period bringing the number of trading outlets to twenty two.

FUTURE DEVELOPMENTS

Six new stores will open in the first half of 2000/01 with further expansion opportunities being investigated.

DIRECTORS AND THEIR INTERESTS

The current directors who are listed on page 2 all served throughout the period covered by this report except Mr J M L Clark who was appointed to the board as Financial and Commercial Director on 14 June 2000.

The directors at 2 April 2000 and their interests in the share capital of the company were as follows:

	2 April 2000		27 December 1998	
	Shares of £1 each		Shares of £1 each	
	"A"	"B"	"A"	"B"
	Ordinary	Ordinary	Ordinary	Ordinary
J M F Padovan (Chairman)	-	3,400	-	3,400
J G Rose (Deputy Chairman)	-	-	-	-
P J Harrison	60,000	-	60,000	-
D J G Imrie	60,000	-	60,000	-
P A Grant	-	12,000	-	12,000
S A Corbyn	-	-	-	-
H M Mountford (resigned 25 May 2000)	-	-	-	-

No director held any beneficial interest in the preference shares of the company at 27 December 1998, at date of appointment, or at 2 April 2000. H M Mountford had a conditional option to acquire 3,400 "B" ordinary shares at £5 per share which has since lapsed.

CHANGE IN ACCOUNTING REFERENCE DATE

The company has changed its accounting reference date to 31 March (or the nearest Sunday thereto) for the purposes of this financial reporting period onwards.

DIRECTORS' REPORT

DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, providing that all trading terms and conditions have been complied with.

At 2 April 2000 the company had an average of 32 days purchases outstanding in trade creditors.

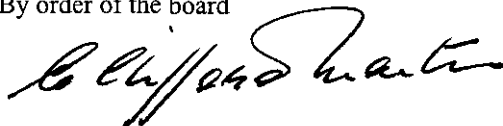
YEAR 2000

The group carried out an extensive programme in preparation for possible Year 2000 related problems, both as regards its own internal systems and those of its principal suppliers. No problems have emerged to date and the board believes that it has the necessary resources to deal successfully with any further problems or issues which might arise.

AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE AUDITORS
to the members of Furniture Village PLC

We have audited the accounts on pages 9 to 23, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 12.

Respective responsibilities of directors and auditors

As described on page 7 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, by the Auditing Practices Board, and by our profession's ethical guidance.

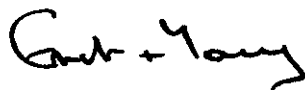
Basis of opinion

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 accounts. 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 2 April 2000 and of its profit for the fifteen months then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor
Reading

14 June 2000.

Furniture Village PLC

PROFIT AND LOSS ACCOUNT for the 15 month period ended 2 April 2000

	Notes	15 months ended 2 April 2000 £'000	12 months ended 27 December 1998 £'000
TURNOVER	2	97,961	69,442
Cost of sales		(60,631)	(44,811)
GROSS PROFIT		37,330	24,631
Distribution costs		(16,241)	(10,951)
Administrative expenses		(16,754)	(10,985)
PROFIT BEFORE COST OF NEW STORE OPENINGS		4,335	2,695
New store pre-trading costs		(178)	(356)
PROFIT BEFORE INTEREST AND TAX	3	4,157	2,339
Interest receivable		222	112
Interest payable	6	(364)	(276)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,015	2,175
Tax on profit on ordinary activities	7	(1,140)	(682)
PROFIT FOR THE FINANCIAL YEAR		2,875	1,493
Ordinary dividends on equity shares	8	(644)	-
Preference dividends on non-equity shares	8	(277)	(168)
PROFIT RETAINED FOR THE FINANCIAL YEAR	19	1,954	1,325

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit for the 15 month period ended 2 April 2000.

Furniture Village PLC

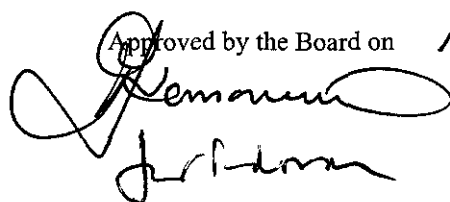
BALANCE SHEET

at 2 April 2000

	Notes	2 April 2000 £'000	27 December 1998 £'000
FIXED ASSETS			
Tangible assets	9	13,938	11,004
CURRENT ASSETS			
Stocks	11	7,064	5,359
Debtors	12	6,156	4,453
Cash at bank and in hand	20(c)	3,961	2,619
		17,181	12,431
CREDITORS: amounts falling due within one year	13	(19,316)	(13,246)
NET CURRENT LIABILITIES		(2,135)	(815)
TOTAL ASSETS LESS CURRENT LIABILITIES		11,803	10,189
CREDITORS: amounts falling due after more than one year	14	(791)	(1,131)
		11,012	9,058
CAPITAL AND RESERVES			
Called up share capital (including non-equity capital)	18	3,794	3,794
Share premium account	19	247	247
Profit and loss account	19	6,971	5,017
SHAREHOLDERS' FUNDS (including non-equity interest)	19	11,012	9,058

Approved by the Board on

14 June 2000



)Directors

)

Furniture Village PLC

STATEMENT OF CASH FLOWS for the 15 month period ended 2 April 2000

		<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	20(a)	6,986	4,306
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	20(b)	(261)	(225)
TAXATION	20(b)	(1,012)	(485)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	20(b)	(4,513)	(2,457)
FINANCING	20(b)	142	500
INCREASE IN CASH		<u>1,342</u>	<u>1,639</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
Increase in cash		1,342	1,639
Cash used to repay bank loan		750	500
Cash from new loan issued		(1,000)	-
Initial obligation under new finance lease (see note 16)		-	(196)
Cash used to repay finance leases		71	-
MOVEMENT IN NET DEBT		<u>1,163</u>	<u>1,943</u>
NET DEBT AT 28 DECEMBER 1998	20(c)	923	(1,020)
NET DEBT AT 2 APRIL 2000	20(c)	<u>2,086</u>	<u>923</u>

NOTES TO THE FINANCIAL STATEMENTS
for the 15 month period ended 2 April 2000

1 ACCOUNTING POLICIES

Accounting convention

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

Turnover

Sales are recognised when goods are delivered and accepted by customers.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Short leasehold property	-	over the lease term
Fixtures, fittings and equipment	-	over 4-10 years
Motor vehicles	-	over 3-5 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis and net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all material timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Pension costs

The company contributes to personal pension schemes of eligible employees. Eligibility is defined by length of service. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

New stores pre-trading costs

The costs associated with the pre-trading period of new stores are written off in the year in which they are incurred.

Rent free periods and reverse premiums

During the course of opening new stores operating leases are negotiated which may include rent free periods and/or reverse premiums.

Rent free periods and net reverse premiums are amortised from the date of trading on a straight line basis over the period to the next open market rent review.

Leasing commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases are included as liabilities in the balance sheet.

The interest element of the rental obligations are charged in the profit and loss account over the periods of the leases and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS

for the 15 month period ended 2 April 2000

2 TURNOVER

Turnover, which is stated net of value added tax, represents the value of goods delivered and invoiced to customers. All turnover relates to household furniture retailing within the United Kingdom.

3 PROFIT BEFORE INTEREST AND TAX

	<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
This is stated after charging:		
Auditors' remuneration		
- as auditors	25	18
- as advisors	18	49
Depreciation of owned assets	1,561	1,246
Depreciation of assets held under finance leases	19	-
Operating lease rentals - property	6,469	4,166
- other	83	-
	<u> </u>	<u> </u>

4 DIRECTORS EMOLUMENTS

	<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
Emoluments	806	512
	<u> </u>	<u> </u>
Company contributions paid to pension schemes	13	9
	<u> </u>	<u> </u>

The amounts in respect of the highest paid director were emoluments of £251,000 (1998: £155,000) and company contributions paid to pension schemes of £4,000 (1998: £3,000).

During the period consultancy fees amounting to £26,250 (1998: £21,000) were paid to Beatzone Limited, a company in which the Deputy Chairman has an interest.

In addition £37,500 was payable to a fellow group company in respect of the services of two of the company's directors (1998: £20,000).

In all the above, the current year figures relate to a 15 month period whilst the 1998 comparative is for a 12 month period.

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS for the 15 month period ended 2 April 2000

5 STAFF COSTS

	<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
Wages and salaries	9,313	6,295
Social security costs	978	649
Pension costs	194	110
	<u>10,485</u>	<u>7,054</u>

The average monthly number of employees during the period:

	<i>15 months ended 2 April 2000 No.</i>	<i>12 months ended 27 December 1998 No.</i>
Office and management	42	34
Retailing and distribution	268	208
	<u>310</u>	<u>242</u>

6 INTEREST PAYABLE

	<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
Bank loan and overdrafts	184	163
Interest on loan from holding company	-	22
Other interest	7	2
Finance charges payable under finance leases	18	-
Interest re Primback case (VAT)	155	89
	<u>364</u>	<u>276</u>

NOTES TO THE FINANCIAL STATEMENTS
for the 15 month period ended 2 April 2000

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
UK corporation tax	1,219	740
Deferred taxation (note 17)	-	-
	<u>1,219</u>	<u>740</u>
Corporation tax over provided in previous years	(79)	(58)
	<u>1,140</u>	<u>682</u>

8 DIVIDENDS

	<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
Dividends proposed on equity ordinary shares	644	-
Dividends paid on non-equity preference shares	277	168
	<u>921</u>	<u>168</u>

NOTES TO THE FINANCIAL STATEMENTS
for the 15 month period ended 2 April 2000

9 TANGIBLE FIXED ASSETS

	Short leasehold property £'000	Fixtures, fittings equipment and vehicles £'000	Total £'000
Cost:			
At 28 December 1998	10,363	3,460	13,823
Additions	3,876	642	4,518
Disposals	-	(69)	(69)
At 2 April 2000	14,239	4,033	18,272
Depreciation:			
At 28 December 1998	1,495	1,324	2,819
Provided during the year	937	643	1,580
Disposals	-	(65)	(65)
At 2 April 2000	2,432	1,902	4,334
Net book value:			
At 2 April 2000	11,807	2,131	13,938
At 28 December 1998	8,868	2,136	11,004

The net book value of fixtures, fittings and equipment above includes an amount of £146,000 (1998: £196,000) in respect of assets held under finance leases.

10 INVESTMENT

The company owns 100% of the share capital of London Bedding Company Limited, a dormant subsidiary which is registered in England and Wales. The aggregate capital and reserves of the company at 27 December 1998 and 2 April 2000 was £2.

11 STOCKS

	2 April 2000 £'000	27 December 1998 £'000
Goods for resale	7,064	5,359

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS for the 15 month period ended 2 April 2000

12 DEBTORS

	<i>2 April 2000 £'000</i>	<i>27 December 1998 £'000</i>
Trade debtors	351	164
Other debtors	1,139	175
Prepayments and accrued income	4,666	4,114
	<u>6,156</u>	<u>4,453</u>

13 CREDITORS: amounts falling due within one year

	<i>2 April 2000 £'000</i>	<i>27 December 1998 £'000</i>
Current instalment due on bank loan (note 15)	1,000	500
Obligations under finance leases (note 16)	84	65
Deposits on goods not yet delivered	3,817	1,795
Trade creditors	5,374	5,857
Corporation tax	810	682
Other taxes and social security costs	2,788	2,208
Proposed equity dividend	644	-
Other creditors and accruals	4,799	2,139
	<u>19,316</u>	<u>13,246</u>

Included in Other taxes and social security costs is £1,937,000 (1998: £1,544,000) relating to the Primback case which refers to VAT.

14 CREDITORS: amounts falling due after more than one year

	<i>2 April 2000 £'000</i>	<i>27 December 1998 £'000</i>
Bank loans (note 15)	750	1,000
Obligations under finance leases (note 16)	41	131
	<u>791</u>	<u>1,131</u>

15 BANK LOANS

	<i>2 April 2000 £'000</i>	<i>27 December 1998 £'000</i>
Within one year	1,000	500
Between 1 and 2 years	750	500
Between 2 and 5 years	-	500
	<u>1,750</u>	<u>1,500</u>

NOTES TO THE FINANCIAL STATEMENTS

for the 15 month period ended 2 April 2000

The loan is secured by a fixed and floating charge over the company's assets and is repayable by quarterly instalments.

16 OBLIGATIONS UNDER FINANCE LEASES

The maturity of these amounts is as follows:

	<i>2 April 2000 £'000</i>	<i>27 December 1998 £'000</i>
Amounts payable		
Within one year	96	74
In two to five years	45	149
	<u>141</u>	<u>223</u>
Less: finance charges allocated to future periods	16	27
	<u>125</u>	<u>196</u>
Finance leases are analysed as follows:		
Current obligations (note 13)	84	65
Non current obligations (note 14)	41	131
	<u>125</u>	<u>196</u>

17 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	<i>Potential Liability 2000 £'000</i>	<i>Provided 2000 £'000</i>	<i>Potential Liability 1998 £'000</i>	<i>Provided 1998 £'000</i>
Capital allowances in advance of depreciation	830	-	684	-
Short term timing differences	(22)	-	(10)	-
Capital gains held over	785	-	785	-
	<u>1,593</u>	<u>-</u>	<u>1,459</u>	<u>-</u>

No provision has been made in respect of the corporation tax due on the capital gain as the directors intend to hold over the gain into future capital expenditure on qualifying wasting assets.

Furniture Village PLC

NOTES TO THE FINANCIAL STATEMENTS for the 15 month period ended 2 April 2000

18 SHARE CAPITAL

	2 April 2000 £'000	27 December 1998 £'000
<i>Authorised:</i>		
Equity Interest		
"A" Ordinary shares of £1 each	150	150
"B" Ordinary shares of £1 each	550	550
	<u>700</u>	<u>700</u>
Non Equity Interest		
Cumulative preference shares of £1 each (on which a total dividend of £96,000 is payable)	1,400	1,400
7.2% Cumulative Redeemable preference shares of £1 each	3,000	3,000
	<u>5,100</u>	<u>5,100</u>
<i>Allotted, called up and fully paid:</i>		
Equity Interest		
"A" Ordinary shares of £1 each	150	150
"B" Ordinary shares of £1 each	494	494
	<u>644</u>	<u>644</u>
Non Equity Interest		
Cumulative preference shares of £1 each (on which a total dividend of £96,000 is payable)	1,400	1,400
7.2% Cumulative Redeemable preference shares of £1 each	1,750	1,750
	<u>3,794</u>	<u>3,794</u>

All of the ordinary shares rank *pari passu*. The Cumulative Redeemable preference shares are to be redeemed by 31 December 2003. Dividends on preference shares are payable quarterly in arrears.

NOTES TO THE FINANCIAL STATEMENTS
for the 15 month period ended 2 April 2000

19 RECONCILIATION OF SHAREHOLDERS FUNDS AND MOVEMENT ON RESERVES

	Share Capital £'000	Share Premium £'000	Profit & Loss Account £'000	Total £'000
At 1 January 1998	3,028	13	3,692	6,733
Retained profit for the year	-	-	1,325	1,325
Issue of shares	766	234	-	1,000
At 27 December 1998	3,794	247	5,017	9,058
Retained profit for the period	-	-	1,954	1,954
At 2 April 2000	3,794	247	6,971	11,012

20 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of operating profit to net cash inflow from operating activities

	15 months ended 2 April 2000 £'000	12 months ended 27 December 1998 £'000
Profit before interest and taxation	4,157	2,339
Depreciation	1,580	1,246
Profit on disposal of fixed assets	(20)	(122)
(Increase)/decrease in stocks	(1,705)	511
Increase in debtors	(1,703)	(1,100)
Increase in creditors	4,677	1,432
Net cash inflow from operating activities	6,986	4,306

b) Analysis of cash flows for headings netted in the statement of cash flows

Returns on investments and services of finance:

	15 months ended 2 April 2000 £'000	12 months ended 27 December 1998 £'000
Interest received	222	112
Interest paid	(188)	(169)
Preference dividend paid	(277)	(168)
Interest element on finance lease rental payments	(18)	-
	(261)	(225)

NOTES TO THE FINANCIAL STATEMENTS
for the 15 month period ended 2 April 2000

20 NOTES TO THE STATEMENT OF CASHFLOWS (CONTINUED)

b) Analysis of cash flows for headings netted in the statement of cash flows (continued)

	<i>15 months ended 2 April 2000 £'000</i>	<i>12 months ended 27 December 1998 £'000</i>
Taxation:		
Corporation tax paid	(1,012)	(485)

Capital expenditure and financial investment:

Receipts from disposal of property in prior year	-	1,150
Receipts from sale of tangible fixed assets	28	344
Payments to acquire tangible fixed assets	(4,541)	(3,951)
	(4,513)	(2,457)

Financing:

Issue of shares capital	-	1,000
Repayment of bank loan	(750)	(500)
Issue of bank loan	1,000	-
Capital element of finance lease rental payments	(108)	-
	142	500

c) Analysis of changes in net debt

	<i>At 28 December 1998 £000</i>	<i>Cash Flow £'000</i>	<i>At 2 April 2000 £'000</i>
Cash at bank and in hand	2,619	1,342	3,961
Debt due within one year	(565)	(519)	(1,084)
Debt due after one year	(1,131)	340	(791)
	923	1,163	2,086

NOTES TO THE FINANCIAL STATEMENTS
for the 15 month period ended 2 April 2000

21 CAPITAL COMMITMENTS

Future capital expenditure not otherwise included in these financial statements

	2 April 2000 £'000	27 December 1998 £'000
Authorised by the directors and contracted for	1,746	1,078

22 OTHER FINANCIAL COMMITMENTS

In respect of leases the following annual commitments existed at 2 April 2000 in respect of non-cancellable operating leases:

	Land & Buildings 2 April 2000	Land & Buildings 27 December 1998	Other 2 April 2000	Other 27 December 1998
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	-	-	104	-
In over five years	6,550	4,671	-	-
	6,550	4,671	104	-

23 RELATED PARTIES

During the year the company purchased goods in the normal course of business from Peter Guild Ltd, a fellow subsidiary, for £585,000 (1998: £464,000). The price charged was the normal market price in the case of each individual purchase. Peter Guild ceased to be a fellow subsidiary on 30 September 1999.

Payments were made to Cadogan Estates Limited, a fellow subsidiary, totalling £41,000 (1998: £31,000) relating to rent guarantees for some of the stores.

As part of their employment the directors and senior employees can purchase goods from the company at a discount. The amount of goods purchased are not considered to be material either to the company or to the individuals.

In these cases of the purchases from Peter Guild and payments made to Cadogan Estates Limited the current year figures relate to a 15 month period whilst the 1998 comparative is for a 12 month period.

NOTES TO THE FINANCIAL STATEMENTS
for the 15 month period ended 2 April 2000

24 PARENT UNDERTAKING

The holding company for all operational purposes is Cadogan Group Limited and the ultimate holding company is Cadogan Settled Estates Limited, both of which are registered in England and Wales.

The ultimate ownership of Cadogan Settled Estates Limited is vested in the eighth Earl Cadogan's 6 December 1961 Settlement.

Group accounts are prepared by Cadogan Settled Estates Limited and Cadogan Group Limited and can be obtained from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.