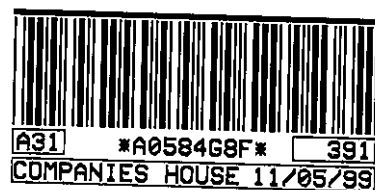


Bodgers

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JANUARY 1999



BODGERS OF ILFORD LIMITED

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BODGERS OF ILFORD LIMITED**COMPANY INFORMATION****COMPANY NUMBER: 176283****DIRECTORS**

B H Dreesmann
S Corrigan
P J Lea
D Ordman
S O'Doherty

SECRETARY

M Syed

REGISTERED OFFICE

472-488 Brixton Road
Brixton
London
SW9 8EH

AUDITORS

The Hart Partnership
Registered Auditors & Chartered Accountants
34-40 High Street
Wanstead
London
E11 2RJ

BANKERS

National Westminster Bank plc
5 Sydenham Road
Croydon
Surrey
CR0 2EX

BODGERS OF ILFORD LIMITED

REPORT OF THE DIRECTORS

The Directors submit their Report and the Financial Statements for the year ended 31 January 1999.

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 of the profit or loss of the Company 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;
- ensure that all appropriate accounting standards have been followed;
- prepare the 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 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 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.

Results and Dividends

Turnover increased by 0.5 % to £6,123,794 (1998 - £6,092,800) and a profit of £429,154 (1998 - £347,156) was achieved, including a rates rebate in respect of prior years of £47,796 (1998 - £nil), against which a tax provision of £127,816 (1998 - £114,785) has been made.

The Directors do not recommend the payment of a final dividend for the year. Interim dividends of £350,000 (1998 - £200,000) have been paid, leaving a deficit of £48,662 (1998 - surplus of £32,371) to be deducted from retained profits.

Review of the Business and Future Developments

The principal activity of the Company during the year continued to be that of a Department Store.

The Directors are confident that continued focus on the key management policies will continue to strengthen the financial position of the Company during the year.

Fixed Assets

Details of movements in tangible fixed assets are shown in note 8 to the Financial Statements.

BODGERS OF ILFORD LIMITED
REPORT OF THE DIRECTORS (continued)

Directors and their Interests

The Directors of the Company who served during the year are as follows:

B H Dreesmann (Chairman)
S Corrigan
P J Lea
D Ordman
S O'Doherty

The Directors have no disclosable interests in the share capital of the Company or any other group company.

Year 2000

The directors have considered the risks and uncertainties associated with the Year 2000 issue. A review is currently being undertaken on the company's hardware, software and of its major suppliers. The key software systems have been upgraded in recent years (or will be in 1999) and are expected to be Year 2000 compliant. The review is incomplete and consequently the Board are unable to quantify the financial effect of the Year 2000, though initial findings indicate that the impact on the company is unlikely to be material.

Approved by the Board and signed on their behalf



M Syed
Secretary

9 April 1999

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

BODGERS OF ILFORD LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective Responsibilities of Directors and Auditors

As described on page 2, the Company's Directors are responsible for the preparation of the 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 Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 January 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

The Hart Partnership

34-40 High Street
Wanstead
London E11 2RJ

**THE HART PARTNERSHIP
CHARTERED ACCOUNTANTS
and REGISTERED AUDITORS**

9 April 1999

BODGERS OF ILFORD LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 JANUARY 1999

	Notes	<u>1999</u> £	<u>1998</u> £
TURNOVER	2	6,123,794	6,092,800
Cost of Sales		(3,866,131)	(3,882,211)
GROSS PROFIT		2,257,663	2,210,589
Distribution Costs		80,210	67,076
Administrative Expenses		1,819,332	1,820,055
		(1,899,542)	(1,887,131)
OPERATING PROFIT	3	358,121	323,458
Rates Rebate	4	47,796	-
Rental Income		23,200	21,200
Interest Receivable	5	37	2,498
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		429,154	347,156
Tax on Profit on Ordinary Activities	7	(127,816)	(114,785)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		301,338	232,371
Dividends		(350,000)	(200,000)
Retained (Loss)/Profit for the Year		(48,662)	32,371
Retained Profit Brought Forward		613,120	580,749
RETAINED PROFIT CARRIED FORWARD		<u>£564,458</u>	<u>£613,120</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 JANUARY 1999


RETAINED (LOSS)/PROFIT FOR THE YEAR	<u>£(48,662)</u>	<u>£32,371</u>
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The Notes on pages 9 to 14 form part of these Financial Statements.

BODGERS OF ILFORD LIMITED**BALANCE SHEET**
AS AT 31 JANUARY 1999

	Notes	<u>1999</u> £	<u>1998</u> £
FIXED ASSETS			
Tangible Assets	8	72,340	87,820
CURRENT ASSETS			
Stock	9	772,016	725,706
Debtors	10	85,603	98,220
Cash at Bank and in Hand		588,892	625,729
CREDITORS: DUE WITHIN ONE YEAR	11	1,446,511 (904,393)	1,449,655 (874,355)
NET CURRENT ASSETS		542,118	575,300
TOTAL NET ASSETS		<u>£614,458</u>	<u>£663,120</u>
CAPITAL AND RESERVES			
Called Up Share Capital	12	50,000	50,000
Profit and Loss Account		564,458	613,120
SHAREHOLDERS' FUNDS (all equity)	13	<u>£614,458</u>	<u>£663,120</u>

Approved by the Board on 9 April 1999 and signed on its behalf.


 B H Dreesmann
 Director

BODGERS OF ILFORD LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 1999

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Net Cash Inflow From Operating Activities	439,350	376,976
Return On Investments And Servicing Of Finance	37	2,498
Taxation Paid	(109,622)	(74,942)
Capital Expenditure	(16,602)	(43,945)
Equity Dividends Paid	(350,000)	(200,000)
(Decrease)/Increase in Cash	<u>£(36,837)</u>	<u>£60,587</u>

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 1999

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM
OPERATING ACTIVITIES

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
Operating Profit	358,121	323,458
Rental Income	23,200	21,200
Rates Rebate	47,796	-
Depreciation Charge	32,082	43,199
Increase in Stocks	(46,310)	(12,050)
Decrease/(Increase) in Debtors	15,857	(25,913)
Increase in Creditors	39,542	5,528
Movement in Group Company Balances	(30,938)	21,554
Net Cash Inflow from Operating Activities	<u>£439,350</u>	<u>£376,976</u>

BODGERS OF ILFORD LIMITEDNOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JANUARY 1999 (continued)

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
<u>RETURN ON INVESTMENTS AND SERVICING OF FINANCE</u>		
Interest Received	<u>£37</u>	<u>£2,498</u>

ANALYSIS OF CHANGES IN NET DEBT

	<u>At Start</u>	<u>Cash Flow</u>	<u>Other</u>	<u>At End</u>
	<u>Of Year</u>		<u>Changes</u>	<u>Of Year</u>
Bank and Cash in Hand	<u>625,729</u>	<u>(36,837)</u>	<u>-</u>	<u>588,892</u>
Debt due within 1 year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt due after 1 year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>£625,729</u>	<u>£(36,837)</u>	<u>£Nil</u>	<u>£588,892</u>

BODGERS OF ILFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY 1999

1. ACCOUNTING POLICIES

a) Accounting Convention

The Financial Statements have been prepared under the historical cost convention and include the results of the Company's operations which are described in the Directors' Report, and are continuing. Applicable accounting standards have been complied with or disclosed in case of any departure therefrom.

b) Turnover

Turnover represents the invoiced amount of goods sold and services provided to customers, excluding value added tax.

c) Tangible Fixed Assets and Depreciation

Tangible Fixed Assets are stated at Cost less Depreciation.

Depreciation is calculated to write off the cost of Tangible Fixed Assets by equal annual instalments over their estimated useful lives as follows:

Fixtures and Fittings	- 15%
Equipment	- 15%
Motor Vehicles	- 20%
Computers	- 25%

Fixtures and Fittings over 15 years old and Equipment over 10 years old are eliminated from fixed assets.

d) Stock

Stock is valued at retail price and reduced by appropriate margins to the lower of estimated cost and net realisable value.

e) Deferred Taxation

Provision is made for Deferred Taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the Directors consider that a liability to taxation is unlikely to crystallise.

f) Lease Assets

Where asset acquisitions are financed by hire purchase or leasing agreements ("finance leases") the assets are included in the balance sheet at cost less depreciation in accordance with the Company's accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account on a straight-line basis. Rentals payable under operating leases are charged to the profit and loss account as incurred.

BODGERS OF ILFORD LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 JANUARY 1999

1. ACCOUNTING POLICIES (continued)

g) Pensions

The Company is part of a group pension scheme. This scheme is a defined contributions pension scheme and the costs incurred by the Company are charged to the profit and loss account.

2. PRIOR YEAR ADJUSTMENT

In prior years, earnings from concessions trading within the Store have been disclosed net as Other Operating Income. In order to be consistent with other Department Store Groups, this accounting policy has been changed such that the trading from concessions is now classified within Turnover, Cost of Sales and Gross Profit.

The 1998 results have been re-stated to reflect this change by:

		<u>1998</u>	<u>1999</u>
• Increasing Turnover	:	£1,068,098	£929,033
• Increasing Cost of Sales	:	£841,994	£743,147
• Increasing Gross Profit	:	£226,104	£185,886
• Reducing Operating Income	:	£226,104	£185,886

This change has no impact on the reported profits for 1998.

	<u>1999</u>	<u>1998</u>
	<u>£</u>	<u>£</u>
3. <u>OPERATING PROFIT</u>		
This is stated after charging:		
Depreciation of Owned Fixed Assets	32,082	43,199
Directors' Remuneration	90,922	75,716
Directors' Pension Contributions (all Directors)	6,619	5,805
Operating Lease Rentals - Equipment	1,450	1,880
- Premises	45,491	42,171
Auditors' Remuneration - Audit Fee	4,700	4,420
- Other Services	12,820	12,342
	<u> </u>	<u> </u>

4. RATES REBATE

Rates Rebate in respect of the period
1 April 1995 to 31 March 1998

Interest supplement thereon

44,291	-
3,505	-
<u>£47,796</u>	<u>£Nil</u>

BODGERS OF ILFORD LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 JANUARY 1999**

	<u>1999</u> £	<u>1998</u> £
5. <u>INTEREST RECEIVABLE</u>		
Bank Interest Receivable	<u>£37</u>	<u>£2,498</u>
6. <u>STAFF COSTS (including Directors)</u>		
Staff Costs during the year (including Directors' Remuneration) amounted to:		
Salaries and Wages	973,107	911,214
Social Security Costs	63,854	59,942
Other Pension Costs	9,921	10,336
	<u>£1,046,882</u>	<u>£981,492</u>
The average number of employees during the year was:	<u>Number</u>	<u>Number</u>
Sales, Distribution and Other	71	70
Administration	12	11
	<u>83</u>	<u>81</u>
7. <u>TAX ON PROFIT ON ORDINARY ACTIVITIES</u>		
Based on the results for the year:		
Corporation Tax at 31% (1998 – 33%)	133,646	114,751
Prior year's (over)/under provision	(5,830)	34
	<u>£127,816</u>	<u>£114,785</u>

BODGERS OF ILFORD LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 JANUARY 1999****8. TANGIBLE FIXED ASSETS**

	<u>Equipment</u>	<u>Fixtures & Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>COST</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
At 1 February 1998	118,331	648,113	15,211	781,655
Additions	9,890	6,712	-	16,602
Disposals	(8,730)	(22,746)	-	(31,476)
At 31 January 1999	119,491	632,079	15,211	766,781
 <u>DEPRECIATION</u>				
At 1 February 1998	91,403	587,221	15,211	693,835
Charge for year	10,901	21,181	-	32,082
On Disposals	(8,730)	(22,746)	-	(31,476)
At 31 January 1999	93,574	585,656	15,211	694,441
 <u>NET BOOK VALUE</u>				
At 31 January 1999	£25,917	£46,423	£Nil	£72,340
At 31 January 1998	£26,928	£60,892	£Nil	£87,820

The disposals arise from the elimination of:

Fixtures and Fittings - over 15 years old
 Equipment - over 10 years old

	<u>1999</u> <u>£</u>	<u>1998</u> <u>£</u>
9. <u>STOCK</u>		
Goods for Resale	<u>£772,016</u>	<u>£725,706</u>
 10. <u>DEBTORS</u>		
Trade Debtors	38,133	50,747
Group Companies	11,572	8,332
Other Debtors	2,905	2,608
Prepayments	32,993	36,533
	<u>£85,603</u>	<u>£98,220</u>

BODGERS OF ILFORD LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31 JANUARY 1999**

	<u>1999</u> £	<u>1998</u> £
11. <u>CREDITORS: DUE WITHIN ONE YEAR</u>		
Trade Creditors	441,761	453,291
Corporation Tax	132,945	114,751
Other Taxes and Social Security Costs	177,137	142,295
Group Companies	30,138	57,836
Other Creditors	3,286	3,212
Accruals	119,126	102,970
	<u>£904,393</u>	<u>£874,355</u>
12. <u>CALLED UP SHARE CAPITAL</u>		
Authorised, Allotted and Fully Paid 50,000 Ordinary Shares of £1 each	<u>£50,000</u>	<u>£50,000</u>
13. <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</u>		
Profit for the Year After Taxation	301,338	232,371
Dividends	<u>(350,000)</u>	<u>(200,000)</u>
Net Movement in Shareholders' Funds	(48,662)	32,371
Opening Shareholders' Funds	663,120	630,749
Closing Shareholders' Funds	<u>£614,458</u>	<u>£663,120</u>

BODGERS OF ILFORD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 JANUARY 1999

14. ULTIMATE HOLDING COMPANY

The Company is a wholly owned subsidiary of Morleys Stores Limited, a company incorporated in Great Britain, which, in the opinion of the Directors, is the company's ultimate holding company. During the year, Morleys Stores Limited levied a Management Charge on the Company of £85,000 (1998 - £81,000).

15. FINANCIAL COMMITMENTS

a) Operational Commitments

The Company has the following operational commitments in the year to 31 January 2000:

	<u>1999</u>	<u>1998</u>
	£	£
On Leases which expire within two years:		
- Equipment	450	-
- Premises	37,500	-
On Leases which expire in two to five years:		
- Equipment	-	450
- Premises	-	45,500
	<u>£37,950</u>	<u>£45,950</u>

b) Capital Commitments

The Company had no capital commitments at 31 January 1999 (1998 - £Nil).

16. CONTINGENT LIABILITIES

The Company had no contingent liabilities at 31 January 1999 (1998 - £Nil) other than in respect of a cross guarantee in the form of a charge over the Company's assets, to the favour of the Group's principal Bankers, covering all borrowings and overdrafts by the Group from that Bank.