Cotswold Outdoor Limited

Financial statements
For the year ended 31 December 2007

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Company No. 3382348

Company information

Company registration number	3382348
Registered office	Unit 11 Kemble Business Park Crudwell Malmesbury Wiltshire SN16 9SH
Directors	E P J Lathouwers J L Falkenburg P Lathouwers
Secretary	B Lenaerts
Bankers	Barclays Bank plc 40-46 High Street Maidstone Kent ME14 1TW
Solicitors	Osborne Clarke Apex Plaza Forbury Road Reading Berkshire RG1 1AX
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Hartwell House 55 - 61 Victoria Street Bristol BS1 6FT

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Chief executive statement

I am delighted to announce that despite adverse trading and weather conditions, we have delivered a very credible performance in 2007 Overall we achieved sales of £40 8m (+21% vs 2006) and an operating profit of £1 6m (+£0 15m vs 2006) As highlighted in last year's statement with the continued investment in new stores and business infrastructure profit growth will be impacted in the short term

Underlying the sales performance was an increase in Like for Like sales of +3% This performance is excellent given the effect on consumer confidence driven by the 'credit crunch' The weather pattern in 2007 once again had an adverse impact on Outdoor Retailers as the UK suffered from one of the mildest winters on record impacting sales of outer wear in Q1 and then one of the wettest summers on record which, although benefiting waterproof sales, badly affected the sale of camping equipment in Q3 However, Q4 performance in particular was extremely encouraging as the weather followed a more normal pattern

In line with our growth strategy 6 new stores were opened in 2007 The programme culminated in the opening of our superb new store in Covent Garden in December which has started trading very promisingly Planned growth continues to be organic whilst suitable opportunities to acquire complimentary retail businesses will be investigated in the light of enhancing shareholder value

It is imperative that our growth strategy is underpinned by sound business processes and infrastructure and 2007 saw us invest heavily in this area A new till system was implemented at the end of 2006 and this has been fully integrated into the business now with no issues, our website has undergone significant investment and development and remains a key focus in our multi-channel strategy, in order to better manage stocks a mezzanine floor was built in our existing warehouse and we have implemented a shift system in the warehouse to deal with increasing stock levels as the number of stores increase The team at Head office has also been strengthened to ensure that we can meet the challenges of managing a rapidly expanding company

Our staff are critical to the success of our business and without their expertise, enthusiasm and dedication we would not achieve the excellent results we have 2007 saw continued investment in training programmes which I believe are best in class and, working with our suppliers, we were able to further develop the staff's product knowledge allowing us to maintain our competitive advantage over our competitors in the critical area of customer service

2008 will see us focus again on organic growth with another ambitious store opening programme The financial backing required to deliver this programme will be supported by Lion Capital who became the majority shareholder of our parent company in January 2008 We look forward to working with Lion Capital and continuing to deliver excellent results through our ability to enhance our customers' enjoyment of the outdoor lifestyle

J L Falkenburg
Chief Executive

10/09/08

Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2007

Principal activities and business review
The principal activity of the company during the year was the retailing of outdoor pursuits clothing and equipment A summary of the business review and future strategy of the business is given in the Chief Executive Statement on page 3

Results and dividends
The profit for the year, after taxation, amounted to £558,000 Particulars of dividends paid and proposed are detailed in note 8 to the financial statements

Key performance indicators
The company defined its key performance indicators in 2006 as

- like-for-like sales growth in each of its business channels,
- company turnover growth, and
- REBITDA growth This is after adjusting for non-cash and one off costs

The are discussed further in the Chief Executive Statement

Financial risk management objectives and policies
The company uses various financial instruments these include loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations The main purpose of these financial instruments is to raise finance to fund the company's operations

The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk No transactions of a speculative nature are undertaken The directors review and agree policies for minimising each of these risks and they are summarised below

Currency risk
The company has a low level of exposure to translation and transaction foreign exchange risk Transactions with the parent company are denominated in sterling Foreign exchange differences on retranslation of foreign currency assets and liabilities are taken to the profit and loss account of the company

Liquidity risk
The company manages its financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably Short-term flexibility is achieved by a combination of overdraft facilities and short term loans

Interest rate risk
The company finances its operations through a mixture of retained profits and bank borrowings The company exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities The company does not use interest rate derivatives

Credit risk
The company's financial assets include trade debtors In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history

Directors

The directors who served the company during the year were as follows

E P J Lathouwers
J L Falkenburg
C Olbrechts (resigned 14 January 2008)
P De Waha (resigned 30 May 2007)
F L P Leflot (resigned 30 April 2008)
P Lathouwers

Directors' responsibilities

The directors are responsible for preparing 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to 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 these 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 UK 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 company will continue in business

The directors are responsible for keeping proper accounting records that 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 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

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the 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

Employee involvement

During the year, the policy of providing employees with information about the company has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the company's performance Regular meetings are held between local management and employees to allow a free flow of information and ideas

Environment

The company recognises its responsibilities towards the management of the impact of the business on the environment Our customers' outdoor activities using the products we sell demand that we adopt a proactive stance to the sustainability of the environment for all outdoor users

The Board continues to review of all the major areas where positive action can be taken to reduce the impact of the company's activities on the environment The review includes the actions required to achieve carbon neutrality and our plans for achieving that aim Included in the review are energy, transport, waste and packaging We aim to continue to make substantial progress over the course of the year

Paper and other waste recycling is already undertaken at our stores and Head Office Our staff are encouraged to participate in recycling and to provide ideas where the company could reduce any potential impacts on the environment

Auditor

Grant Thornton UK LLP do not intend to offer themselves for reappointment as auditors Special notice pursuant to sections 379 and 391A of the Companies Act 1985 having been given, a resolution to appoint Pricewaterhouse Coopers LLP as auditors in accordance with section 385 will be proposed at the Annual General Meeting

BY ORDER OF THE BOARD

B Lenaerts
Secretary

10/09/08

Report of the independent auditor to the member of Cotswold Outdoor Limited

We have audited the financial statements of Cotswold Outdoor Limited for the year ended 31 December 2007 which comprise the principal accounting policies, profit and loss account, balance sheet, cash flow statement and notes 1 to 26 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's member, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to it in an auditor's 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 member as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements The information given in the Report of the Directors includes that specific information presented in the Chief Executive Statement that is cross referred from the Report of the Directors

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Financial Statements, and consider whether it is consistent with the audited financial statements This other information comprises only the Chief Executive Statement and the Report of the Directors We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Report of the independent auditor to the member of Cotswold Outdoor Limited (continued)

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
BRISTOL

10 . 09 . 08

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable United Kingdom accounting standards The accounting policies are unchanged from the previous period

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EC and in accordance with Section 228 of the Companies Act 1985, is not required to produce, and has not published, consolidated accounts

Turnover

The turnover shown in the profit and loss account represents amounts receivable for goods provided during the period, exclusive of Value Added Tax Sales transactions are recognised at the point in time that goods are provided to customers

Goodwill

Purchased Goodwill is amortised on a straight-line basis over its estimated useful economic life of 20 years

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Leasehold Improvements	-	over the period of the lease
Fixtures & Fittings	-	20 - 50% straight line
Motor Vehicles	-	25% straight line
Computer Equipment	-	33 3% straight line

Stocks

Stocks are stated at the lower of weighted average cost and net realisable value

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Retirement benefits

Defined contribution pension scheme

The company operates one stakeholder pension scheme for the benefit of the employees and two defined contribution pension schemes for the benefit of managers and directors The assets of the schemes are administered by trustees in funds independent from those of the company

Share based payments
FRS 20 'Share-Based Payment (IFRS 2)' requires the recognition of equity-settled share-based payments at fair value at the date of the grant During the year the company issued share based awards to certain kev employees

Deferred taxation
Deferred tax is recognised in respect of all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date All exchange differences are dealt with through the profit and loss account

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities Financial liabilities are presented as such in the balance sheet Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account Finance costs are calculated so as to produce a constant rate of return on the outstanding liability

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument Dividends and distributions relating to equity instruments are debited direct to equity

Profit and loss account

	Note	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Turnover	1	**40,808**	33,753
Cost of sales		**(33,319)**	(26,777)
Gross profit		**7,489**	6,976
Other operating charges	2	**(5,990)**	(5,615)
Other operating income		**74**	65
Operating profit	3	**1,573**	1,426
Interest receivable		**6**	9
Interest payable and similar charges	6	**(448)**	(39)
Profit on ordinary activities before taxation		**1,131**	1,396
Tax on profit on ordinary activities	7	**(573)**	(486)
Profit for the financial year	22	558	910

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	2007 £000	2006 £000
Fixed assets			
Intangible assets	9	**1,095**	1,210
Tangible assets	10	**6,781**	4,347
Investments	11	**–**	–
		7,876	5,557
Current assets			
Stocks	12	**7,909**	6,189
Debtors	13	**1,645**	1,235
Cash at bank and in hand		**1,021**	799
		10,575	8,223
Creditors: amounts falling due within one year	15	**11,660**	6,997
Net current (liabilities)/assets		**(1,085)**	1,226
Total assets less current liabilities		**6,791**	6,783
Creditors. amounts falling due after more than one year	16	**2**	12
		6,789	6,771
Capital and reserves			
Called-up equity share capital	21	**3,626**	3,626
Profit and loss account	22	**3,163**	3,145
Shareholder's funds	23	**6,789**	6,771

These financial statements were approved by the directors and authorised for issue on 10/09/08 and are signed on their behalf by

J L Falkenburg

Cash flow statement

	Note	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Net cash inflow from operating activities	24	**1,994**	2,507
Returns on investments and servicing of finance			
Interest received		**6**	9
Interest paid		**(220)**	(27)
Interest element of hire purchase		**(11)**	(12)
Net cash outflow from returns on investments and servicing of finance		**(225)**	(30)
Taxation		**(647)**	(632)
Capital expenditure			
Payments to acquire tangible fixed assets		**(3,420)**	(2,110)
Receipts from sale of fixed assets		**-**	6
Net cash outflow from capital expenditure		**(3,420)**	(2,104)
Equity dividends paid		**(450)**	(450)
Cash outflow before financing		**(2,748)**	(709)
Financing			
Increase in bank loans		**3,012**	1,100
Capital element of hire purchase agreements		**(42)**	(7)
Net cash inflow from financing		**2,970**	1,093
Increase in cash	24	**222**	384

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
United Kingdom	**40,602**	33,411
Overseas	**206**	342
	40,808	33,753

2 Other operating charges

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Administrative expenses	**5,990**	5,615

3 Operating profit

Operating profit is stated after charging

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Amortisation	**115**	115
Depreciation of owned fixed assets	**970**	707
Depreciation of assets held under hire purchase agreements	**30**	54
Loss on disposal of fixed assets	**4**	7
Share based payments	**60**	-
Auditor's remuneration		
Audit fees	**31**	29
Taxation fees	**4**	3
Operating lease costs		
Land and buildings	**2,624**	1,978

4 Particulars of employees

The average number of staff employed by the company during the financial year amounted to

	Year ended 31 Dec 2007 No	Year ended 31 Dec 2006 No
Selling and distribution	548	406
Administration	73	53
	621	459

The aggregate payroll costs of the above were

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Wages and salaries	6,077	5,293
Social security costs	465	392
Share based payments	60	-
Other pension costs	73	68
	6,675	5,753

In respect of the defined contribution scheme, there was an outstanding contribution balance of £37,410 at 31 December 2007 (31 December 2006 £11,507)

5 Directors

Remuneration in respect of directors was as follows

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Emoluments receivable	228	455
Share based payments	33	-
Value of company pension contributions to money purchase schemes	96	25
	357	480

Emoluments of highest paid director

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Total emoluments (excluding pension contributions)	192	387
Share based payments	33	-
Value of company pension contributions to money purchase schemes	96	25
	321	412

5 Directors (continued)

During the year no director exercised options under a share option scheme (2006 nil)

The number of directors who accrued benefits under company pension schemes was as follows

	Year ended 31 Dec 2007 No	Year ended 31 Dec 2006 No
Money purchase schemes	**1**	1

6 Interest payable and similar charges

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Interest payable on bank borrowing	**102**	24
Finance charges payable under hire purchase agreements	**11**	12
Interest payable to group undertakings	**335**	–
Other similar charges	**–**	3
	448	39

7 Taxation on ordinary activities

(a) Analysis of charge in the year

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	**590**	552
Over provision in prior year	**(44)**	-
Total current tax	**546**	552
Deferred tax		
Origination and reversal of timing differences	**27**	(66)
Tax on profit on ordinary activities	**573**	486

7 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Profit on ordinary activities before taxation	**1,131**	1,396
Profit on ordinary activities by rate of tax	**339**	419
Expenses not deductible for tax purposes	**268**	85
Depreciation in excess of capital allowances for the period	**(25)**	47
Short term timing differences	**8**	1
Adjustments to tax charge in respect of previous periods	**(44)**	-
Total current tax (note 7(a))	**546**	552

8 Dividends

Dividends on shares classed as equity

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Paid during the year		
Dividends on equity shares	**300**	450
Approved at the year-end (recognised as a liability)		
Dividends on equity shares	**300**	150

During the period, a dividend of £300,000 (0 08p per share) was paid and a further dividend of £300,000 was accrued at the year end In the prior year a dividend of £300,000 (0 08p per share), was paid after 6 months, a further two payments of £150,000 (0 04p per share) were made after 9 months and at the year end

9 Intangible fixed assets

	Goodwill £000
Cost	
At 1 January 2007 and 31 December 2007	5,347
Amortisation	
At 1 January 2007	4,137
Charge for the year	115
At 31 December 2007	4,252
Net book value	
At 31 December 2007	**1,095**
At 31 December 2006	1,210

10 Tangible fixed assets

	Leasehold improvements £000	Assets in the course of construction £000	Fixtures & Fittings £000	Motor Vehicles £000	Computer equipment £000	Total £000
Cost						
At 1 Jan 2007	3,652	–	3,222	86	1,693	8,653
Additions	2,204	267	798	–	169	3,438
Disposals	–	–	–	–	(4)	(4)
At 31 Dec 2007	5,856	267	4,020	86	1,858	12,087
Depreciation						
At 1 Jan 2007	907	–	2,050	29	1,320	4,306
Charge for the year	329	–	461	29	181	1,000
At 31 Dec 2007	1,236	–	2,511	58	1,501	5,306
Net book value						
At 31 Dec 2007	**4,620**	**267**	**1,509**	**28**	**357**	**6,781**
At 31 Dec 2006	2,745	–	1,172	57	373	4,347

The depreciation charged to the financial statements in the year in respect of assets held under hire purchase agreements amounted to £30,000 (2006 - £54,000)

11 Investments

	Shares in group undertakings £000
Cost	
At 1 January 2007 and 31 December 2007	1,342
Amounts written off	
At 1 January 2007 and 31 December 2007	1,342
Net book value	
At 31 December 2007	-
At 31 December 2006	-

At 31 December 2007 the company held more than 20% of the allotted share capital of the following undertakings

	Country of registration	Class of share capital held	Proportion held	Nature of business	Capital and reserves £000	Profit for the year £000
Cotswold Camping Limited	England	Ordinary	100%	Dormant	–	–
AS Adventure (UK) Limited	England	Ordinary	100%	Dormant	(26)	–

12 Stocks

	2007 £000	2006 £000
Goods for resale	7,895	6,176
Non-trading stock	14	13
	7,909	6,189

13 Debtors

	2007 £000	2006 £000
Trade debtors	331	282
Amounts owed by group undertakings	27	28
Other debtors	412	47
Prepayments and accrued income	805	781
Deferred taxation (note 14)	70	97
	1,645	1,235

14 Deferred taxation

The deferred tax included in the Balance sheet is as follows

	Period to £000	Period to £000
Included in debtors (note 13)	**70**	97

The movement in the deferred taxation account during the year was

	Period to £000	Period to £000
Balance brought forward	**97**	31
Profit and loss account movement arising during the year	**(27)**	66
Balance carried forward	**70**	97

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of

	2007 £000	2006 £000
Excess of depreciation over taxation allowances	**53**	97
Share based payments	**17**	-
	70	97

15 Creditors: amounts falling due within one year

	2007 £000	2006 £000
Bank and other loans	**4,112**	1,100
Trade creditors	**4,213**	3,007
Amounts owed to group undertakings	**780**	148
Corporation tax	**180**	280
Other taxation and social security	**722**	880
Amounts due under hire purchase agreements	**11**	43
Other creditors	**533**	485
Accruals and deferred income	**1,109**	1,054
	11,660	6,997

Amounts due under finance leases and hire purchase agreements are secured on the assets to which they relate The bank and other loans are unsecured

16 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Amounts due under hire purchase agreements	**2**	12

17 Commitments under hire purchase agreements

Future commitments under hire purchase agreements net of future finance lease charges are as follows

	2007	2006
	£000	£000
Amounts payable within 1 year	11	43
Amounts payable between 1 and 2 years	2	11
Amounts payable between 3 and 5 years	-	1
	13	55

18 Share-based payments

Equity-settled share-based payments

On 14 September 2007, A S Lathouwers nv introduced a share option scheme for certain key employees of Cotswold Outdoor Limited Options are exercisable at a price equal to the valuation of the A S Lathouwers n v 's shares on the date of grant The options vest in the period to 1 January 2011

If the options remain unexercised after a period of 10 years from the date of grant, the options expire

The fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows

Vesting period	3 3 years
Maturity	10 years
Share price at the date of grant	£43 03
Volatility	22%

The company recognised total expenses of £60,212 (2006 - £nil) related to equity-settled share-based payment transactions during the year

19 Leasing commitments

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

	2007		2006	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£000	£000	£000	£000
Operating leases which expire				
Within 1 year	-	16	12	8
Within 2 to 5 years	58	46	58	75
After more than 5 years	3,688	47	2,515	-
	3,746	109	2,585	83

20 Related party transactions

During the year, the company entered into transactions with its immediate parent undertaking, A S Lathouwers nv, which is incorporated in Belgium. The company incurred management charges from A S Lathouwers nv of £40,536 (2006 £271,230) The company paid dividends to A S Lathouwers nv of £300,000 (2006 £450,000), with a further dividend of £300,000 declared before the year end (2006 £150,000) The amount owed to A S Lathouwers nv at the balance sheet date was £780,000 (2006 £147,786) The company entered into a loan arrangement with A S Lathouwers during the year The balance on this loan outstanding at the year end was £3,006,735

21 Share capital

Authorised share capital

	2007	2006
	£000	£000
384,035,000 Ordinary shares of £0 01 each	**3,840**	3,840

Allotted, called up and fully paid

	2007		2006	
	No	£000	No	£000
Ordinary shares of £0 01 each	**362,569,578**	**3,626**	362,569,578	3,626

22 Reserves

	Profit and loss account
	£000
At 1 January 2007	**3,145**
Profit for the year	**558**
Share based payments	**60**
Equity dividends	**(600)**
At 31 December 2007	**3,163**

23 Reconciliation of movements in shareholder's funds

	2007	2006
	£000	£000
Profit for the financial year	**558**	910
Share based payments	**60**	-
Equity dividends	**(600)**	(600)
Net addition to shareholder's funds	**18**	310
Opening shareholder's funds	**6,771**	6,461
Closing shareholder's funds	**6,789**	6,771

24 Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	Year ended 31 Dec 2007 £000	Year ended 31 Dec 2006 £000
Operating profit	1,573	1,426
Amortisation	115	115
Depreciation	1,000	761
Loss on disposal of fixed assets	4	7
Share based payments	60	-
Increase in stocks	(1,720)	(1,274)
Increase in debtors	(437)	(109)
Increase in creditors	1,399	1,632
Decrease in provisions	-	(51)
Net cash inflow from operating activities	1,994	2,507

Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
Increase in cash in the period	222	384
Net cash inflow from bank loans	(3,012)	(1,100)
Cash flow in respect of hire purchase	42	(14)
Change in net debt	(2,748)	(730)
Net debt at 1 January 2007	(356)	374
Net debt at 31 December 2007	(3,104)	(356)

Analysis of changes in net debt

	At 1 Jan 2007 £000	Cash flows £000	At 31 Dec 2007 £000
Net cash			
Cash in hand and at bank	799	222	1,021
Debt			
Debt due within 1 year	(1,100)	(3,012)	(4,112)
Hire purchase agreements	(55)	42	(13)
	(1,155)	(2,970)	(4,125)
Net debt	(356)	(2,748)	(3,104)

25 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £480,000 (2006 - £294,000)

26 Ultimate parent company

A S Lathouwers nv, which is a joint venture between S D M nv and Retail Partners bv, is this company's controlling related party by virtue of its 100% shareholding of the issued share capital of the company Retail Partners bv is ultimately controlled by Mitiska nv, which has a 51% holding in that company The ultimate controlling related party of S D M nv is Emiel Lathouwers

The largest group of undertakings for which group accounts have been drawn up is that headed by Mitiska nv which is incorporated in Belgium and the smallest such group of undertakings, including this company, is that headed by A S Lathouwers nv which is incorporated in Belgium Copies of the group accounts can be obtained at Mitiska nv, Industrielaan, 1740 Ternat, Brussels, Belgium.

On 15 January 2008 Mitiska nv disposed of its interest in Retail Partners bv