

ALLIED CARPETS GROUP PLC

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Chief Executive:
Julian Lee
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Ray Donegan

Company activities

Allied Carpets is the UK's second largest floorcoverings retailer. Carpets, branded and own-brand, account for over 80% of turnover with beds, wood and laminate flooring and curtains being the other main product groups. The company has national coverage and trades under the Allied Carpets (200 at June 2001) and General George (23 in Scotland) names. The great majority of stores trade from out-of-town sites. Financial problems, following the discovery of accounting irregularities in 1998, were the precursor to a successful £84m takeover bid in September 1999 by Tapis Saint-Maclou of France.

Saint-Maclou was founded in 1963 by Gonzague Mulliez, a member of the entrepreneurial Mulliez family (which also controls, inter alia, Auchan, Leroy Merlin, Décathlon, Boulanger, Kiabi, Pimkie, Orsay, Philidar and 3 Suisses). At the end of 2000 Gonzague (65) handed over the reins of Saint-Maclou to Michel Vialatte. The company, which also manufactures, is France's leading carpet retailer (with 180 stores averaging 1,500m² (16,145ft²) at March 2001). It has also been present for some time in Belgium where its Ets.F.Devresse subsidiary trades as Home Market (40 outlets which may eventually be rebadged Saint-Maclou), but really embarked on empire building in 1999 when it acquired Allied Carpets in the UK and Teppich Essers in Germany. Teppich Essers trades from 39 stores under its own name and as Ihr Teppichfreund in Germany; it is also present in the Czech Republic (15 Svet Kobercu stores) and Switzerland (3 Saint-Maclou and one Essers). As of March 2001 the group was trading from 497 outlets in 6 countries from approximately 6.5 mnft². Group sales in 1999/00 have been reported as FFR5.6bn (£537.4 mn).

Strategic review

Since the takeover by Saint-Maclou, very little (including filed financial returns) has emanated from the group, in keeping with the Mulliezs' reputation for being tight-lipped about their businesses. The silence was broken, however, in January 2001 when Allied Carpets announced that it planned to open 30 new retail warehouses between 2001 and 2003 and was looking for suitable outlets with between 750 and 950 m² (8,070 - 10,225ft²) across the UK. Allied has also initiated a home consultation service (with a fleet of 70 vans) in response to an earlier launch by its main rival, Carpetright. The new management brought in by Saint-Maclou will have been looking to reduce costs and the access to the parent company's manufacturing base plus the group's extra buying power should have assisted in this. Trade speculation has it that Allied's sales probably fell in 1999/00 as a result of store closures and that the company remained loss-making. In the absence of results or performance announcements by Allied, there is no means of knowing how it fared in the most recent financial year (2000/01 to end-June).

Financial data

Year (to end-June)	Sales (£'000 ex-VAT)	% change	Operating profits (£'000)	% change	Operating margin (%)
1997/98	264,051	+3.3	10,037	-36.1	3.8
1998/99	253,873	- 3.9	(10,022)	N/A	(3.9)

Employment

Year	Employees (no)	Sales per employee (£)	Employment costs as % of sales
1997/98	2,259	116,888	16.0
1998/99	2,175	116,723	16.3

DEBENHAMS PLC

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Chairman: Peter Jarvis
Chief executive:
Belinda Earl
Managing director:
Peter Kaurland
Finance director:
Matthew Roberts
Trading director:
Michael Sharp

Auditors:
PricewaterhouseCoopers
Stockbrokers:
Cazenove & Co;

Credit Suisse First Boston
Substantial shareholders
(10/00 and 02/01):
Prudential Group -13.4%
Schroder Investment -11.5%

Company activities

Debenhams is the largest department store group in terms of number of outlets and the second largest in turnover terms (after John Lewis Partnership) with a market share of over 13% according to Verdict Research. In early 2001, it was trading from 97 stores across the UK (including one in Dublin). The group also operates from franchised stores in the Middle East (in Bahrain, Kuwait, Dubai and in Jeddah, Saudi Arabia). Other new shopping channels include online shopping (see under e-commerce) and Debenhams Direct, a mail order catalogue, with 35% of its merchandise not available in the stores, launched in a joint venture with Freemans in February 2000.

Debenham's UK stores are located in traditional city or town centres and, increasingly, as anchors in in-or out-of-town shopping centres. Some 90% of sales are in just three product areas-clothing, homewares (including household textiles, kitchenware etc) and cosmetics. 50% of sales are accounted for by exclusive own brands, while concessions (including Alexon, Royal Doulton, Dorma, Morgan and County Casuals) are responsible for a further 25% rather less than the 30% in 1998 when Debenhams was demerged from the Burton Group (now Arcadia). The company's wedding list service chains 20% of the wedding list market. The store's core customers are 35-55 years old and two thirds of shoppers are women. The Debenhams storecard has approaching 2.5 million users and accounts for over 35% of sales. In September 2000, the man given much of the credit for Debenham's recent success, Terry Green, left to become chief executive of Bhs and was replaced by Belinda Earl, formerly trading director.

Financial data

(year-end August)	Sales (£mn ex-VAT)		Operating profit (£mn)		Pre-tax profit (£mn)	
	1998/99	1999/2000	1998/99	1999/2000	1998/99	1999/2000
	1,378.8	1,397.9	145.2	136.3	138.8	129.6

In the first half of 2000/01 to end-February sales were 11.9% higher than in the previous year, with a 6.9% like-for-like increase and accelerating into the third and fourth quarters when sales in the next 21 weeks were 14.7% ahead with 8.7% like-for-like growth. Boosted by new openings, therefore, the company is on track to achieve 2000/01 sales approaching £1,600mn, having returned to strong sales advances.

Store data

	Number of outlets		Sales area ('000 ft ²)		Sales per ft ² (£)	
	1998/99	1999/2000	1998/99	1999/2000	1998/99	1999/2000
	90	94	6,785	7,125	209	196

By mid-2001 Debenhams was operating from 96 stores with 7.1mnft² of sales space.

Employment

There was an average of 21,629 employees in 1999/2000, of which 7,449 were full time and 14,180 part time.

Strategic review

Debenhams has performed well in a difficult middle market in recent years. It has a rolling store modernisation programme and plans to raise the UK store total to 104 by 2005, with new openings scheduled for Leith (2001), Basingstoke (2002), Redditch, East Kilbride, Inverness (all 2003); Wigan, the Metro Centre plus a re-site in York (all 2004) and Doncaster in 2005. On the international front plans are in hand to open a further seven franchised stores by 2002-in Doha (Qatar), Riyadh, Budapest, Reykjavik (Iceland), Stockholm, Kuala Lumpur and Sharjah. In the UK stores there will be a drive to extend customer choice with a wider selection of own and designer/international brands in all departments and through the recently introduced Media and Entertainment divisions. In 2000 Debenhams re-entered the audio-visual market, after a break of some years, including an own brand range, Lecson. Home shopping now forms a small but increasingly important part of the business, with the third catalogue launched in Spring 2001 plus related initiatives in e-commerce (see below). In the meantime Debenham's overall sales growth is unlikely to maintain its elevated momentum of 2000 and the first part of 2001 as the retail market cools and becomes ever-more competitive. Nevertheless, the expanding store network and an attractive store environment should stand Debenhams in good stead within that market place for growing sales at above average rates in the medium term.

e-commerce

www.debenhams.com has won several accolades including Retail Week's 'Customer Initiative of the Year 2000' award. The online website offers 4,400 product lines, including fashion, covering most of the home shopping catalogue. Larger stores are being fitted out with kiosks where customers can browse the website and catalogue before ordering. Debenhams has also joined the yahoo.co.uk shopping platform.