

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K/A  
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended February 26, 1994.

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-7832

PIER 1 IMPORTS, INC.  
(Exact name of Registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

75-1729843  
(I.R.S. Employer  
Identification No.)

301 Commerce Street, Suite 600  
Fort Worth, Texas  
(Address of principal executive offices)

76102  
(Zip Code)

Registrant's telephone number, including area code: (817) 878-8000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1 par value	New York Stock Exchange
11 1/2% Sub. Debentures Due 2003	New York Stock Exchange
6 7/8% Convertible Sub. Notes Due 2002	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether Registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that  
Registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days.  
Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to  
Item 405 of Regulation S-K (Sec. 229.405 of this chapter) is not contained  
herein, and will not be contained, to the best of Registrant's knowledge, in  
definitive proxy or information statements incorporated by reference in Part  
III of this Form 10-K or any amendment to this Form 10-K.

As of May 4, 1994, there were 37,547,477 shares of Common Stock, \$1.00  
par value, outstanding, and the aggregate market value of the Common Stock of  
Registrant held by non-affiliates was approximately \$311 million.

DOCUMENTS INCORPORATED BY REFERENCE

Location in Form 10-K	Incorporated Document
Part III	Proxy Statement for 1994 Annual Meeting

Items 7 and 8 of Registrant's Annual Report on Form 10-K for the year  
ended February 26, 1994, are amended and restated as set forth below.

Item 7. Management's Discussion and Analysis of Financial Condition and  
Results of Operation.

Pier 1 Imports, Inc. is North America's largest specialty retailer of  
decorative home furnishings, gifts and related items, with stores in 47  
states, Puerto Rico and Canada, and additional international operations in

England and Mexico. Registrant reported record sales of \$685,393,000 for fiscal 1994 and net income of \$5,933,000, or \$.16 per share, after providing an after-tax special charge of \$16,507,000 in the fourth quarter for the store-closing provision and adjusting the carrying value of General Host common stock. If the special charge had not been provided, net income for the year would have totalled \$22,440,000, or \$.60 per share, compared to \$23,017,000, or \$.62 per share, last year. Stores in operation at fiscal year-end aggregated 586 after removing stores to be closed. In early fiscal 1994, Registrant sold its interest in Sunbelt to General Host.

Fiscal Years Ended February 26, 1994 and February 27, 1993

Net sales in fiscal 1994 grew \$56.2 million or 8.9% over the prior year with same-store sales growth of 4.8%. Last year net total sales grew 7.3% and same-store sales grew 3.7%. Forty-eight (48) new stores opened during the year and 17 stores closed, before giving effect to the provision for the closing of 49 stores.

Sales on Registrant's proprietary credit card were \$98.6 million (14.4% of total sales) during the 1994 fiscal year, an increase of \$38 million or 62.6% over the prior year. Credit card receivables were \$48.2 million at fiscal 1994 year-end, an increase of 45.0% over the previous year-end. Registrant actively pursues increasing the cardholder base in order to use the cardholder list as a basis for direct mail advertising and because it believes that such a base increases customer loyalty and repeat business. Sales on Registrant's credit card are encouraged through specific promotions.

Gross profit, after related buying and store occupancy costs, expressed as a percentage of net sales, declined 1.2% from 39.1% in fiscal 1993 to 37.9% in fiscal 1994. Store occupancy costs, expressed as a percentage of net sales, improved slightly due to higher sales volumes. The sales mix of furniture and decorative goods remained unchanged as a percentage of sales; however, promotional markdowns and other discounts caused reduced margins on these goods. Sales from clothing, jewelry and accessories compared to total sales declined, as did the gross profit rate due to additional promotional markdowns taken in fiscal 1994 compared with fiscal 1993.

Selling, general and administrative expenses, including advertising, increased 0.2% to 28.8% as a percentage of sales in fiscal 1994 compared to 28.6% in fiscal 1993. In total dollars, expenses for fiscal 1994 increased \$17.2 million over the prior year primarily due to 31 net new stores opened during the year (before giving effect to the provision for the closing of 49 stores), new point-of-sale register equipment installed in all stores, new selling programs introduced in stores, losses related to the earthquake in California and severe weather during fiscal 1994. Selling, general and administrative expenses also include a provision for a write-down of the carrying value of Registrant's holdings of General Host common stock. Based upon prices at year-end, the market value of General Host common stock was \$5,565,000 less than Registrant's original carrying amount. After an assessment of factors which may have contributed to this decline, Registrant estimated \$2,000,000 of this decline to be other than temporary and recorded a corresponding adjustment in the book value of General Host common stock. The remaining decline of \$3,565,000 is considered to be temporary. On April 8, 1994, General Host announced that it had written down to zero its entire investment in Sunbelt.

The store-closing provision was a special charge to fiscal 1994 earnings of \$21.3 million before taxes that was established to reflect the anticipated costs to close 49 identified stores with histories of underperformance and high occupancy costs and to close the Canadian distribution center and administrative offices. Merchandise distribution to Canadian stores will be performed from U. S. distribution centers. Of the 49 stores, 15 had been planned for closing at an estimated cost of \$0.2 million prior to adoption of the store-closing program. The store closings are expected to be substantially completed during fiscal 1995, with \$19.3 million of payments and write-downs expected in fiscal 1995 and \$2.0 million expected in fiscal 1996. After-tax cash payments to complete the program are anticipated to total approximately \$10.4 million in fiscal 1994 and \$1.4 million in fiscal 1996, the funds for which will be provided from working capital and operations. Revenues in fiscal 1994 for the closed stores aggregated \$38.1 million, and Registrant anticipates that the reduction in revenues for these stores coupled with the corresponding elimination of store occupancy costs aggregating 35% of store revenues and other operating costs will improve 1995 fiscal year pre-tax earnings by approximately \$1.7 million. The components of the store-closing provision consists of lease termination

costs of \$15.9 million (net of \$3.9 million of estimated sublease revenue), fixed asset write-downs of \$2.1 million, expected interim operating losses of \$1.7 million, inventory liquidation costs of \$1.2 million, and severance and relocation costs of \$0.4 million.

Lease termination costs reflect the estimated settlements Registrant will pay landlords to terminate lease arrangements and the shortfall of sublease revenues over lease payments for stores that Registrant determined were economical to sublease. Fixed assets, consisting primarily of leasehold improvements, were written down to their estimated net realizable value. Inventory liquidation cost was determined by estimating additional markdowns to be taken to dispose of each store's inventory. Operating losses were computed on the basis of past performance of the respective stores and anticipated results for the 1995 fiscal year. Severance and relocation costs consisted almost entirely of benefits to be paid to Canadian employees as prescribed by Canadian law.

Operating income declined \$25.8 million to \$25.1 million in fiscal 1994 from \$50.9 million in the prior year, due to the special charges in fiscal 1994 and the gross profit rate decline from fiscal 1993.

During fiscal 1994, cash was utilized to reduce short-term debt, fund inventory and fixtures for new store development, expand the Pier 1 credit card program, and pay dividends to shareholders. Due to lower interest income on declining cash balances, net interest expense increased \$1.8 million in fiscal 1994 over the prior year.

Registrant's effective income tax rate for fiscal 1994 increased to 29% compared to 25.9% in fiscal 1993, primarily due to an increase in the state tax effective rate.

Registrant's equity in losses from Sunbelt was \$3.6 million in fiscal 1993. In April 1993, Registrant completed the sale of its 49.5% interest in Sunbelt. Sunbelt's results were not included in Registrant's earnings during fiscal 1994.

Net income for fiscal 1994 aggregated \$5.9 million, or \$.16 per share, compared to income of \$23.0 million, or \$.62 per share last year.

Fiscal Years Ended February 27, 1993 and February 29, 1992

During fiscal 1993, net sales grew \$42.6 million or 7.3% with same-store sales contributing 3.7% over fiscal 1992. Sales from stores opened in fiscal years 1993 and 1992 increased fiscal 1993 sales levels by 3.6% when compared to fiscal 1992. Twenty-six new stores (net 20) were opened during fiscal 1993.

Gross profit, after related buying and store occupancy costs, expressed as a percentage of net sales, increased to 39.1% during fiscal 1993 from 38.9% in fiscal 1992. The improvement was the result of store occupancy costs which, as a percentage of sales, improved due to higher sales volumes. Merchandise gross margin in fiscal 1993 remained unchanged as a percentage of sales from fiscal 1992 due to a similar merchandise mix in both years, and, although promotional sales discounts increased in fiscal 1993 from a year ago, there was a reduction in the amount of clearance markdowns and shrinkage in fiscal 1993 versus fiscal 1992.

Selling, general and administrative expenses, including advertising, improved 0.8% to 28.6% as a percentage of sales in fiscal 1993 compared to 29.4% in fiscal 1992. In total dollars, expenses for fiscal 1993 increased \$7.7 million over the prior year, principally due to 20 net new stores in operation by the end of fiscal 1993. This increase resulted in higher payroll and store-related costs as well as increased catalog and other promotional advertising. These increased costs from fiscal 1992 were partially offset by expense control, favorable medical insurance claim experience, lower Pier 1 credit card expenses, the reduction in scope of the mid-year physical inventory counts, and decreased litigation costs.

Operating income increased \$9.9 million to \$50.9 million in fiscal 1993 from \$41 million a year earlier, mainly due to revenue growth from both new store openings and existing store sales and the reductions in controllable expenses.

Net interest expense decreased \$1.4 million during fiscal 1993 from fiscal 1992 due to a decline in Registrant's debt (net of cash) position and

a slight decrease in Registrant's effective interest rate.

During fiscal 1992, Registrant recorded a one-time gain of \$5.9 million related to the sale of 50.5% of Sunbelt's common stock.

Registrant's effective income tax rate for fiscal 1993 decreased to 25.9% from 28.3% due to the benefit of lower tax rates on income from foreign subsidiaries and tax-favored investment income.

Registrant recorded equity in losses of Sunbelt during fiscal 1993 of \$3.6 million compared to income of \$4.5 million in fiscal 1992. During fiscal 1993, Registrant included only 49.5% of Sunbelt's earnings during an unprofitable year, compared to 100% in fiscal 1992 when Sunbelt experienced greater profits.

Net income for fiscal 1993 of \$23.0 million, or \$.62 per share, was below last year's \$26.3 million, or \$.71 per share, as a result of Sunbelt's losses in fiscal 1993 and the gain on sale of Sunbelt stock in fiscal 1992.

#### LIQUIDITY AND CAPITAL RESOURCES

The sources of liquidity during the past three years have been earnings from operations, working capital changes, long-term borrowings, and the sale of 50.5% of Sunbelt stock in fiscal 1992. Primarily, these funds were utilized to reduce short-term debt, acquire property and equipment, finance the expansion of inventories and the Pier 1 credit card program, and pay dividends.

During fiscal 1994, increases in inventory and capital expenditures were required to support the opening of 48 new stores. Financing for new store land and building costs is provided by operating leases. Registrant's new store development plan for fiscal 1995 is approximately 50 stores. Inventory and fixtures for the development plan are estimated to cost approximately \$15 million, which will be funded by operations, working capital and bank lines of credit. Cash requirements to fund the store-closing program in fiscal 1995 are estimated to aggregate \$16 million and will be funded through working capital and operations.

New store construction financing is expected to be provided by operating leases. Registrant is expanding existing lease facilities and exploring additional financing opportunities currently available in the capital markets. In connection with leases for 38 stores executed in prior years, Registrant has guaranteed the residual building values at approximately \$25 million. Minimum future operating lease commitments expected for fiscal 1995 aggregate to \$86 million, and the present value of total existing operating lease commitments is \$372 million. These commitments will be funded from operating cash flow.

Working capital requirements are currently provided by cash, short-term revolving lines of credit, including bankers' acceptances and working capital loans, in an aggregate amount of approximately \$165 million. Registrant's current ratio was 3.5 to 1 at the end of fiscal 1994 compared to 3.4 to 1 a year earlier.

In connection with the sale of 43.3% of Sunbelt common stock in a public offering in the 1992 fiscal year, Registrant agreed to guarantee Sunbelt's two bank lines of credit aggregating \$10 million in order to assure that Sunbelt would have access to funds in order to implement its aggressive store expansion and renovation plans and to continue to be a major competitor in its markets. Registrant subsequently provided Sunbelt with an additional \$2 million line of credit. With the April 1993 sale of Registrant's 49.5% interest in Sunbelt to General Host, Registrant agreed to keep the \$12 million credit facility in place until April 1994. All of the \$12 million is currently outstanding. In order for Sunbelt to meet repayment obligations under this line, Sunbelt must obtain replacement financing. To enable Sunbelt to raise these funds, Registrant has granted Sunbelt a temporary extension of the credit facility until June 30, 1994. Also, Registrant is committed to provide Sunbelt \$25 million of non-revolving store development financing through April 1996. Registrant has arranged for a bank group to provide financing by which Registrant leases from an unaffiliated third party and subleases store sites to Sunbelt. Under this leasing facility, the leases are required to be refinanced by Sunbelt from September 1994 to October 1995. If Sunbelt defaults on refinancing these store leases as the terms expire, Registrant will be required to obtain other financing. Registrant expects financing of Sunbelt's store sites to remain at the same

or similar terms and conditions as are currently in place. In addition to the above, Registrant also guarantees approximately \$4.5 million of Sunbelt store lease commitments. Registrant's line of credit and leasing commitments are collateralized by 4.2 million shares of Sunbelt's common stock.

The Board of Directors anticipates a continuation of its current cash dividends to shareholders.

In fiscal 1993, Registrant invested in preference stock of The Pier Retail Group Limited ("The Pier") located in the United Kingdom. Currently, investment in and loans to The Pier aggregate \$3.4 million, with additional debt guarantees of approximately \$4 million. The Pier is a ten-store retail operation that offers decorative home furnishings and related items in a store setting similar to that operated by Registrant.

Registrant's inventory purchases are made almost entirely in U.S. dollars. To the extent purchases are made in foreign currencies, Registrant usually enters into forward exchange contracts when they are available in order to manage its exposure to foreign currency exchange fluctuations.

Registrant believes the funds provided from operations, coupled with Registrant's cash position and available lines of credit, are more than sufficient to meet its foreseeable cash requirements.

#### Impact of Inflation and Changing Prices

Inflation has not had a significant impact on the operations of Registrant.

#### Impact of New Accounting Standards

The adoption of Financial Accounting Standards Board's Statements No. 114 and 115 is expected to have no material impact on Registrant's results of operations.

#### Item 8. Financial Statements and Supplementary Data.

##### Index to Financial Statements

##### Financial Statements:

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- Report of Independent Accountants
- Consolidated Statement of Operations for the  
Years ended February 26, 1994, February 27, 1993  
and February 29, 1992
- Consolidated Balance Sheet at February 26, 1994 and  
February 27, 1993
- Consolidated Statement of Cash Flows for the years  
ended February 26, 1994, February 27, 1993 and  
February 29, 1992
- Consolidated Statement of Stockholders' Equity for the  
years ended February 26, 1994, February 27, 1993 and  
February 29, 1992
- Notes To Consolidated Financial Statements

##### Financial Statement Schedules

- For the years Ended February 26, 1994, February 27, 1993  
and February 29, 1992
- II Amounts Receivable From Related Parties and Underwriters,  
Promoters and Employees Other Than Related Parties
- V Property, Plant and Equipment
- VI Accumulated Depreciation and Amortization of Property  
Plant and Equipment
- VIII Valuation and Qualifying Accounts and Reserves
- IX Short-Term Borrowings
- X Supplementary Income Statement Information

All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Pier 1 Imports, Inc.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders and Board of Directors of Pier 1 Imports, Inc.

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Pier 1 Imports, Inc. and its subsidiaries at February 26, 1994 and February 27, 1993, and the results of their operations and their cash flows for each of the three years in the period ended February 26, 1994, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ Price Waterhouse  
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Fort Worth, Texas  
 April 14, 1994

CONSOLIDATED STATEMENT OF OPERATIONS  
 (in thousands except per share amounts)

	Year Ended		
	----- 1994 -----	----- 1993 -----	----- 1992 -----
Net sales	\$685,393	\$629,235	\$586,659
Operating costs and expenses			
Cost of sales (including buying and store occupancy)	425,801	383,053	358,216
Selling, general and administrative expenses	197,444	180,218	172,478
Depreciation and amortization	15,771	15,097	15,006
Store-closing provision	21,250	--	--
	----- 660,266 -----	----- 578,368 -----	----- 545,700 -----
Operating income	25,127	50,867	40,959
Gain on sale of subsidiary stock	--	--	5,886
Interest income	4,406	4,445	594
Interest expense	(21,177)	(19,401)	(16,906)
	-----	-----	-----
Income before income taxes and equity in net income (loss) of subsidiary	8,356	35,911	30,533
Provision for income taxes	2,423	9,309	8,656
	-----	-----	-----
Income before equity in net income (loss) of subsidiary	5,933	26,602	21,877
Equity in net income (loss) of subsidiary	--	(3,585)	4,456
	-----	-----	-----
Net income	5,933	23,017	26,333
Cumulative dividends on preferred stock	--	--	11
	-----	-----	-----
Net income available to common stockholders	\$ 5,933 =====	\$ 23,017 =====	\$ 26,322 =====
Net income per common share	\$.16 =====	\$.62 =====	\$.71 =====

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET  
 (in thousands)

	1994	1993
	-----	-----
ASSETS		
Current assets:		
Cash, including temporary investments of \$7,466 and \$66,823, respectively	\$ 17,123	\$ 73,585
Accounts receivable, net of allowance for doubtful accounts of \$2,072 and \$2,404, respectively	51,722	34,920
Inventories	219,646	189,593
Other current assets	32,901	20,038
	-----	-----
Total current assets	321,392	318,136
Properties, net	111,510	108,011
Other assets	30,400	34,350
	-----	-----
	\$463,302	\$460,497
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 2,639	\$ 33,139
Accounts payable and accrued liabilities	89,772	59,791
	-----	-----
Total current liabilities	92,411	92,930
Long-term debt	145,231	147,246
Deferred income taxes	3,407	514
Other non-current liabilities	21,160	19,313
Stockholders' equity:		
Common stock, \$1.00 par, 100,000,000 shares author- ized, 37,617,000 and 37,607,000 outstanding, respectively	37,617	37,607
Paid-in capital	92,670	93,184
Retained earnings	76,597	74,413
Cumulative translation adjustments	(964)	(433)
Less--98,000 and 263,000 common shares in treasury, at cost, respectively	(884)	(2,599)
Less--subscriptions receivable and unearned compensation	(1,369)	(1,678)
Less--unrealized loss on marketable equity securities	(2,574)	--
	-----	-----
	201,093	200,494
Commitments and contingent liabilities		
	-----	-----
	\$463,302	\$460,497
	=====	=====

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS  
(in thousands)

	Year Ended		
	-----	-----	-----
	1994	1993	1992
	-----	-----	-----
Cash flow from operating activities:			
Net income	\$ 5,933	\$23,017	\$26,333
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation and amortization	15,771	15,097	15,006
Deferred taxes and other	(3,006)	(764)	4,475
Equity in undistributed losses (earnings) of subsidiary	--	3,585	(4,456)
Gain on sale of subsidiary stock	--	--	(5,886)
Store-closing provision and other	23,250	--	--
Change in cash from:			
Inventories	(30,053)	(8,201)	761
Accounts receivable and other current assets	(17,550)	(3,670)	1,054
Accounts payable and accrued expenses	10,103	446	7,557
Other assets, liabilities, and other, net	1,077	1,011	(13)
Net cash provided by operating activities	-----	-----	-----
	5,525	30,521	44,831
	-----	-----	-----
Cash flow from investing activities:			

Capital expenditures	(24,617)	(12,619)	(6,169)
Proceeds from disposition of properties	791	159	14,076
Other investments	(2,353)	--	--
Net cash (used in)/provided by investing activities	(26,179)	(12,460)	7,907
Cash flow from financing activities:			
Cash dividends	(3,560)	(2,409)	(11)
Proceeds from issuance of long-term debt	--	72,353	24,344
Repayments of long-term debt	--	(35,362)	(59,738)
Net (payments)/borrowings under line of credit agreements	(33,000)	9,983	(46,000)
Proceeds from subsidiary stock sale	--	--	18,072
Proceeds from sales of capital stock, treasury stock, and other	752	1,958	3,144
Net cash (used in)/provided by financing activities	(35,808)	46,523	(60,189)
Change in cash	(56,462)	64,584	(7,451)
Cash at beginning of year	73,585	9,001	16,452
Cash at end of year	\$17,123	\$73,585	\$ 9,001

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY  
FOR THE THREE YEARS ENDED FEBRUARY 26, 1994 (in thousands)

	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Cumulative Translation Adjustments	Treasury Stock	Subscriptions Receivable and Unearned Compensation	Unrealized Loss on Marketable Equity Securities	Total Stockholders' Equity
Balance March 2, 1991	\$1,500	\$36,156	\$86,916	\$41,133	\$1,064	(\$6,831)	(\$3,688)	\$ --	\$156,250
Purchase of treasury stock	--	--	--	--	--	(2,187)	893	--	(1,294)
Restricted stock grant and amortization	--	--	(37)	--	--	(255)	535	--	243
Adjust to Sunbelt fiscal year-end date	--	--	--	(1,177)	--	--	--	--	(1,177)
Exercise of stock options and other	--	(2)	(1,363)	(160)	--	4,722	--	--	3,197
Currency translation adjustments	--	--	--	--	(494)	--	--	--	(494)
Cash dividends on preferred stock	--	--	--	(11)	--	--	--	--	(11)
Three percent stock dividend	--	1,071	9,098	(10,169)	--	--	--	--	--
Retirement of preferred stock	(1,500)	--	(2,311)	(2,105)	--	--	--	--	(5,916)
Net income	--	--	--	26,333	--	--	--	--	26,333
Balance February 29, 1992	--	37,225	92,303	53,844	570	(4,551)	(2,260)	--	177,131
Purchase of treasury stock	--	--	--	--	--	(1,226)	--	--	(1,226)
Restricted stock grant and amortization	--	--	(18)	--	--	(511)	582	--	53
Exercise of stock options and other	--	382	899	(39)	--	3,689	--	--	4,931
Currency translation adjustments	--	--	--	--	(1,003)	--	--	--	(1,003)
Cash dividends (\$.07 per common share)	--	--	--	(2,409)	--	--	--	--	(2,409)
Net income	--	--	--	23,017	--	--	--	--	23,017
Balance February 27, 1993	--	37,607	93,184	74,413	(433)	(2,599)	(1,678)	--	200,494
Purchase of treasury stock	--	--	--	--	--	(1,545)	--	--	(1,545)
Restricted stock grant and amortization	--	--	(62)	--	--	9	309	--	256
Exercise of stock options and other	--	10	(452)	(189)	--	3,251	--	--	2,620
Currency translation adjustments	--	--	--	--	(531)	--	--	--	(531)
Unrealized loss on marketable equity securities	--	--	--	--	--	--	--	(2,574)	(2,574)
Cash dividends (\$.10 per common share)	--	--	--	(3,560)	--	--	--	--	(3,560)
Net income	--	--	--	5,933	--	--	--	--	5,933
Balance February 26, 1994	\$ --	\$37,617	\$92,670	\$76,597	(\$ 964)	(\$ 884)	(\$1,369)	(\$2,574)	\$201,093

<FN>  
The accompanying notes are an integral part of these financial statements.  
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Statement of significant accounting policies

Basis of consolidation - The consolidated financial statements of Pier 1 Imports, Inc. and its consolidated subsidiaries include the accounts of all subsidiary companies. Material intercompany transactions and balances have been eliminated.

Fiscal periods - Registrant utilizes 5-4-4 quarterly accounting periods with the fiscal year of 52 weeks ending on the Saturday nearest the last day of February. Fiscal 1994 ended February 26, 1994, fiscal 1993 ended February 27, 1993, and fiscal 1992 ended February 29, 1992.

Cash and cash equivalents - Registrant considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents. The effect of foreign currency exchange rate changes on cash is not material.

Marketable equity securities - Registrant records marketable equity securities at the lower of cost or market. Unrealized gains and losses on non-current marketable equity securities and related income tax effects are accumulated and included as a separate component of stockholders' equity. Adjustments for any impairments in the value (based on market conditions) that are deemed to be other than temporary are included as a loss in the current year's operations. In fiscal 1994, General Host Corporation ("General Host") common stock was Registrant's only non-current marketable equity security. The General Host investment was originally recorded at \$17,945,000; this amount was determined as the average quoted market price of General Host common stock during the 30-day period immediately preceding the sale to General Host of Registrant's ownership interest in 4.2 million shares of the common stock of Sunbelt Nursery Group, Inc. ("Sunbelt"). In 1994, this carrying amount was reduced by \$2,000,000 by a provision for an other than temporary decline in the market value of this common stock. As of February 26, 1994, the quoted market price of the General Host common stock aggregated \$12,380,000, which resulted in an unrealized loss of \$3,565,000 that is recorded, net of tax, as a component of Registrant's stockholders' equity.

Translation of foreign currencies - Assets and liabilities are translated to U.S. dollars at fiscal year-end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. Translation adjustments are accumulated in a separate component of stockholders' equity.

Registrant hedges certain commitments denominated in foreign currency through the purchase of forward contracts. The forward contracts are purchased only to cover specific commitments to buy merchandise for resale; any gains or losses on such contracts are included in the cost of the merchandise purchased. At February 26, 1994, Registrant had approximately \$5.7 million of forward exchange contracts outstanding with an immaterial fair value and with maturities ranging from one to nine months.

Registrant enters into foreign exchange forward contracts only with major financial institutions and continually monitors its positions with, and the credit quality of, these counterparties to its off-balance sheet financial instruments. Registrant does not expect non-performance by any of the counterparties, and any losses incurred in the event of non-performance would not be material.

Inventories - Inventories are comprised primarily of finished merchandise and are stated at the lower of average cost or market; cost is determined principally on the first-in, first-out method.

Properties, maintenance and repairs - Buildings, equipment, furniture

and fixtures, and leasehold interests and improvements are carried at cost less accumulated depreciation. Depreciation is based on the straight-line method over estimated useful lives or lease terms, if shorter.

Expenditures for maintenance, repairs and renewals which do not materially prolong the useful lives of the assets are charged to expense as incurred. In the case of disposals, assets and the related depreciation are removed from the accounts and the net amount, less proceeds from disposal, is credited or charged to income.

Deferred costs - Certain costs associated with the acquisition of new proprietary credit card accounts are capitalized and amortized over the average life of an account. Preopening costs associated with new stores are capitalized and expensed over one year.

Advertising costs - All advertising costs are expensed the first time the advertising takes place.

Income taxes - Income tax expense for fiscal 1994 and 1993 is based on the liability method under Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). See Note 9 for further description. SFAS 109 was issued in February 1992 and was adopted by Registrant in the fourth quarter retroactively to the beginning of the 1993 fiscal year. The adoption had no effect on Registrant's financial position or results of operations. Deferred federal income taxes, net of applicable foreign tax credits, are not provided on the undistributed earnings of foreign subsidiaries to the extent Registrant intends to permanently reinvest such earnings abroad. At February 26, 1994, such undistributed earnings aggregated \$9.9 million.

Earnings per share - Earnings per share during a period are computed on the weighted average number of common shares plus common stock equivalents outstanding and were 37,648,000, 37,359,000 and 37,023,000 for fiscal 1994, 1993 and 1992, respectively. Computation of weighted average shares outstanding for fiscal 1994, 1993 and 1992 includes common stock equivalents of 443,000, 595,000 and 590,000, respectively. The computation of weighted average number of shares for each year gives retroactive effect to the 2% stock dividend distributed May 15, 1991 and the 3% stock dividend distributed November 19, 1991. Fully diluted earnings per share is based on the assumed conversion of all of the 6-7/8% Convertible Subordinated Notes into common stock, whereby interest expense and debt issue costs, net of tax, on the 6-7/8% Convertible Subordinated Notes is added back to net earnings. Fully diluted earnings per share resulted in less than 3% dilution of primary earnings per share for each of the three fiscal years ended February 26, 1994 and all periods presented with the exception of the first and second quarters of fiscal years 1994 and 1993.

Note 2 - Proprietary credit card information

Registrant's Preferred Customer Card is managed and administered by an unrelated third party. Credit card account origination costs of \$976,000, \$480,000 and \$528,000 were deferred during fiscal years 1994, 1993 and 1992, respectively. Registrant is amortizing these costs over 36 months, which Registrant believes is the approximate average active life of an account. The credit cards have no expiration date and no annual fee for the use of the card. At February 26, 1994 and February 27, 1993, deferred costs, net of amortization, totalled \$1,135,000 and \$759,000, respectively.

Concentrations of credit risk with respect to customer receivables are limited due to the large number of customers comprising Registrant's base and their dispersion across many different geographic areas of the country.

Net credit card charges on Registrant's proprietary credit card accounts are netted against selling, general and administrative expenses. A summary of Registrant's credit card results for each of the three fiscal years ended February 26, 1994 follows (in thousands):

	1994	1993	1992
	-----	-----	-----
Costs:			
Processing fees	\$ 6,114	\$ 5,049	\$ 4,875
Bad debt expense	2,195	1,855	2,702
	-----	-----	-----
	8,309	6,904	7,577
	-----	-----	-----

Income:			
Finance charges	6,087	4,998	4,751
Insurance and other income	238	165	185
	-----	-----	-----
	6,325	5,163	4,936
	-----	-----	-----
Net credit card costs	\$ 1,984	\$ 1,741	\$ 2,641
	=====	=====	=====
Pier 1 Preferred Card sales	\$98,625	\$60,661	\$48,998
	=====	=====	=====
Net cost as a percent of credit sales	2.0%	2.9%	5.4%
	=====	=====	=====

#### Note 3 - Properties

Properties are summarized as follows at February 26, 1994 and February 27, 1993 (in thousands):

	1994	1993
	-----	-----
Land	\$ 7,205	\$ 7,204
Buildings	33,063	32,688
Equipment, furniture and fixtures	90,505	85,413
Leasehold interests and improvements	79,022	71,545
Construction in progress	190	214
	-----	-----
	209,985	197,064
Less accumulated depreciation and amortization	98,475	89,053
	-----	-----
Properties, net	\$111,510	\$108,011
	=====	=====

#### Note 4 - Accounts payable and accrued liabilities/Other non-current liabilities

The following is a summary of accounts payable and accrued liabilities and other non-current liabilities at February 26, 1994 and February 27, 1993 (in thousands):

	1994	1993
	-----	-----
Trade accounts payable	\$27,937	\$23,603
Accrued payroll and fringes	16,933	17,637
Accrued taxes, other than income	2,913	2,412
Accrued interest	3,397	3,560
Accrued real property tax	4,697	3,830
Store-closing provision	21,250	--
Other accrued liabilities and expenses	12,645	8,749
	-----	-----
Accounts payable & accrued liabilities	\$89,772	\$59,791
	=====	=====
Accrued average rent	\$15,034	\$13,531
Other non-current liabilities	6,126	5,782
	-----	-----
Other non-current liabilities	\$21,160	\$19,313
	=====	=====

#### Note 5 - Store-closing provision and other

The store-closing provision of \$21.3 million and the \$2.0 million adjustment to the carrying value of General Host common stock were special charges in fiscal 1994. The store-closing provision reflects the anticipated costs associated with closing certain underperforming stores. This provision includes estimated costs related to leases, fixed assets, relocation, inventory liquidation and losses from operations during the interim period before closings. The adjustment to the carrying value of General Host common stock is management's estimate of the portion of the decline in the market value that is other than temporary.

#### Note 6 - Current and long-term debt

Registrant has various lines of credit available which aggregate approximately \$165 million. At year-end, approximately \$41 million had been committed under various outstanding letters of credit issued primarily in conjunction with overseas merchandise procurements, leaving \$124 million of

available lines of credit. The lines may be used for borrowings through working capital loans, bankers' acceptances or letters of credit. The weighted average interest rate on short-term borrowings outstanding during the year was 4.0%.

Long-term debt is summarized as follows (in thousands):

	1994	1993
	-----	-----
11-1/2% subordinated debentures, net of original issue discount of \$2,812 and \$3,179, respectively	\$ 22,188	\$ 21,821
Industrial revenue bonds	25,000	25,000
11% senior notes	25,000	25,000
6-7/8% convertible subordinated notes	75,000	75,000
Capital lease obligations	475	564
Other	207	--
	-----	-----
	147,870	147,385
Less - portion due within one year	2,639	139
	-----	-----
	\$145,231	\$147,246
	=====	=====

In July 1983, Registrant issued \$25 million of 11-1/2% subordinated debentures. Interest is payable on January 15 and July 15. Mandatory annual \$2.5 million sinking fund payments will commence in July 1994 and will continue until they mature in July 2003. The debentures are callable at any time at par plus accrued interest.

In fiscal 1987, Registrant entered into industrial revenue development bond loan agreements aggregating \$25 million which mature in the year 2026. Proceeds were used to construct three warehouse distribution facilities. These bonds are 7-day lower floater put bonds and interest rates float with the market rate for tax-exempt paper. Interest is payable monthly.

In May 1991, Registrant issued \$25 million of 11% senior notes due June 1, 2001. Annual principal reductions in the amount of \$5 million are due beginning June 1, 1997. Interest is payable each June 1 and December 1.

In April 1992, Registrant issued \$75 million of 6-7/8% Convertible Subordinated Notes. These notes are convertible into shares of common stock of Registrant at \$12.00 per share at any time at or prior to maturity which is April 1, 2002. The notes may be redeemed by Registrant at any time on or after April 1, 1995 in whole or in part, but redemption prior to the year 2000 would be at a premium. Interest on the notes is payable each April 1 and October 1.

As of February 26, 1994, the fair value of long-term debt was \$155.0 million compared to its recorded value of \$147.9 million. The fair value of long-term debt was estimated based on the quoted market values for the same or similar debt issues, or rates currently available for debt with similar terms. There are no other significant assets or liabilities with a fair value different from the recorded value.

Registrant has an interest rate hedging agreement on \$100 million of notional principal with a commercial bank, maturing August 5, 1995, for the purpose of limiting Registrant's exposure to interest rate fluctuations on its \$25 million of industrial revenue bonds as well as approximately \$75 million of store operating lease agreements with rental payments linked to LIBOR. This agreement was designated as a hedge contract and, therefore, the differential to be paid or received is recognized over the life of the agreement. Registrant pays 6.25% under the agreement and, since inception, has received an average of 4.01%. Registrant's weighted average interest rate, including the effect of hedging activities, was 10.0%, 9.4% and 9.1% for the 1994, 1993 and 1992 fiscal years, respectively. The weighted average interest rate, excluding the effects of hedging activities, would have been 8.3%, 7.7% and 7.9% for the 1994, 1993 and 1992 fiscal years, respectively.

The fair value of this hedging agreement is \$2.2 million at February 26, 1994, and represents the estimated amount, which was obtained from counterparties, that Registrant would pay to terminate the agreement at February 26, 1994. Registrant regularly monitors its position with, and the credit quality of, the financial institution that is counterpart to this financial instrument, and it does not anticipate nonperformance by the

counterparty.

Long-term debt matures as follows (in thousands):

1995	\$ 2,639
1996	2,940
1997	2,566
1998	7,537
1999	7,500
Thereafter	124,688
	-----
	\$147,870
	=====

Registrant's loan agreements require that Registrant maintain certain financial ratios and limit specific payments and equity distributions including cash dividends, loans to shareholders and purchases of treasury stock. At year-end, the most restrictive of the agreements limits the aggregate of such payments to \$10 million.

#### Note 7 - Employee benefit plans

In 1986, Registrant adopted a qualified, defined contribution employee retirement plan. Except for the initial enrollment period, all full- and part-time personnel who are at least 21 years old and who have been employed for six months are eligible to participate in the plan. Employees contributing from 1% to 5% of their compensation receive Registrant contributions of up to 3%. Registrant contributions to the plan were \$1,114,000, \$915,000 and \$714,000 in fiscal 1994, 1993 and 1992, respectively.

In addition, a non-qualified retirement savings plan is available for the purpose of providing deferred compensation for certain employees whose benefits under the qualified plan are limited under Section 401(k) of the Internal Revenue Code.

Registrant maintains a Supplemental Executive Retirement Plan for certain of its executive officers. The plan provides that upon retirement, disability, death or other termination of employment a participant will receive annual benefits. Retirement benefits under the plan vest for each participant at the rate of 10% per year over 10 years of service. Registrant's accrued contributions to the plan were \$765,000, \$554,000 and \$443,000 in fiscal 1994, 1993 and 1992, respectively.

#### Note 8 - Matters concerning stockholders' equity

Stock purchase plan - Substantially all employees and directors are eligible to participate in the Pier 1 Imports, Inc. Stock Purchase Plan under which Registrant's common stock is purchased on behalf of employees at market prices through regular payroll deductions. Each employee participant may contribute up to 10% of the eligible portions of annual compensation and directors may contribute a maximum equal to their monthly directors' fees. Registrant contributes from 10% to 100% of the participants' contributions, depending upon length of participation and date of entry into the plan. Approximately 268,000 shares were allocated to Stock Purchase Plan participants during fiscal 1994, all of which were purchased on the open market. Registrant contributions to the Plan were \$867,000, \$841,000 and \$830,000 in fiscal years 1994, 1993 and 1992, respectively.

Restricted stock grant plans - In 1993 and 1992, Registrant issued 17,414 shares and 19,157 shares, respectively, of its common stock to key officers pursuant to a Management Restricted Stock Plan which provides for the issuance of up to 250,000 shares. The shares of restricted stock were awarded in conjunction with granting of stock options to those officers, with the number of shares awarded representing 25% of the number of stock options granted. The restricted stock will vest at the times and to the extent that 25% of such stock options have been exercised and the option shares have been held for two years.

In 1991 Registrant issued 292,825 shares of its common stock to key officers pursuant to a Restricted Stock Grant Plan which provides for issuance of up to 500,000 shares. These shares vest and the cost of these shares will be expensed over a ten-year period of continued employment. Unvested shares are returned to the plan if employment is terminated for any reason.

Stock option plans - In June 1989, Registrant adopted two stock option plans, the 1989 Employee Stock Option Plan and the 1989 Non-Employee Director Stock Option Plan. Options have been granted at the fair market value of shares on date of grant and may be granted to qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code or as non-qualified options. Registrant may grant options covering up to 1,500,000 and 150,000 shares of Registrant's common stock under the 1989 Employee Stock Option Plan and the 1989 Non-Employee Director Stock Option Plan, respectively.

In 1990, the 1980 Stock Option Plan expired subject to outstanding granted options covering 589,871 shares at fiscal year-end 1994.

A summary of stock option transactions related to the plans, adjusted for stock dividends, during the years ended February 26, 1994 and February 27, 1993, is as follows:

	Shares	Option Prices
	-----	-----
Outstanding at February 29, 1992	1,405,980	\$3.16 - 12.30
Options granted	96,649	6.75 - 11.13
Options exercised	(428,755)	3.20 - 12.30
Options cancelled or expired	(157,376)	4.28 - 10.59
	-----	-----
Outstanding at February 27, 1993	916,498	3.16 - 12.30
Options granted	220,277	8.75 - 9.00
Options exercised	(72,864)	3.16 - 8.00
Options cancelled or expired	(12,189)	4.28 - 10.59
	-----	-----
Outstanding at February 26, 1994	1,051,722	\$3.20 - 12.30
	=====	=====

At February 26, 1994 and February 27, 1993 outstanding options covering 634,111 and 518,530 shares were exercisable and 832,385 and 1,040,473 shares were available for grant, respectively.

Transactions with Intermark - Prior to June 1991, Intermark, Inc. ("Intermark") was the largest shareholder and exercised voting control of Registrant. On June 6, 1991, Intermark sold its shares of Registrant's common stock through a secondary public offering. On June 17, 1991, Registrant repurchased all shares of Registrant's preferred stock held by Intermark. In consideration of such repurchase, Registrant delivered to Intermark all shares of the preferred stock of a wholly owned subsidiary of Intermark that were owned by Registrant which had a stated value of \$5.8 million on Registrant's balance sheet. The difference in the cost of the shares held by Registrant and the preferred shares held by Intermark reduced Registrant's capital by \$4.4 million.

Common stock dividend - On March 15, 1991 and November 19, 1991, Registrant announced stock dividends of 2% and 3%. Based on the closing price of Registrant's common stock at the date of each dividend, the market values of the shares distributed were approximately \$4,005,000 and \$10,169,000, respectively.

Loans to officers - 1991 - In fiscal 1991, the Board of Directors approved the sale of 210,000 treasury shares of common stock to certain corporate officers in exchange for promissory notes of \$892,500 which approximated fair market value. These notes were reflected as a reduction to stockholders' equity in 1991. In fiscal 1992, the Board of Directors authorized Registrant to accept approximately 77,600 common shares from these officers, at the current fair market value, in payment for the outstanding loan balances.

Loans to officers - 1988 - The Board of Directors approved loans to certain corporate officers in 1988 to enable those officers to acquire Pier 1 common stock through open market purchases. These demand notes were unsecured, accrued interest at floating rates, and, if not demanded, would mature in 1997. In fiscal 1992, the Board of Directors authorized Registrant to accept approximately 112,600 common shares from certain of these officers at current market value, which together with cash payments, reduced the principal amount outstanding at February 26, 1994 to \$776,000.

#### Note 9 - Income taxes

In fiscal 1993, Registrant adopted SFAS 109. Under SFAS 109, the deferred tax provision is determined under the liability method. Under this

method, deferred tax assets and liabilities are recognized based on differences between financial statement and tax bases of assets and liabilities using presently enacted tax rates. Adoption of the statement had no effect on results of operations.

The provision for income taxes consists of (in thousands):

	1994	1993	1992
	-----	-----	-----
Federal:			
Current	\$5,356	\$8,875	\$7,232
Deferred	(4,966)	(1,431)	(153)
State:			
Current	2,598	1,765	1,237
Deferred	(1,127)	(302)	--
Foreign:			
Current	562	402	340
	-----	-----	-----
	\$2,423	\$9,309	\$8,656
	=====	=====	=====

Deferred tax liabilities (assets) at February 26, 1994 and February 27, 1993 are comprised of the following (in thousands):

	1994	1993
	-----	-----
Deferred tax liabilities:		
Depreciation	\$ 8,117	\$ 5,938
Deferred store costs	4,697	3,947
Other	856	495
	-----	-----
	13,670	10,380
	-----	-----
Deferred tax assets:		
Inventory	\$ (24)	\$ (1,087)
Accrued average rent	(6,126)	(5,118)
Accrued vacation/deferred compensation	(2,494)	(2,319)
Deferred gain on sale/leaseback	(1,493)	(1,672)
Bad debts	(708)	(850)
Store-closing provision	(8,454)	--
Other	(2,998)	(817)
	-----	-----
	(22,297)	(11,863)
	-----	-----
	\$( 8,627)	\$(1,483)
	=====	=====

The difference between income taxes at the statutory federal income tax rate of 35 percent in fiscal 1994, 34 percent in fiscal 1993 and fiscal 1992, and income tax reported in the consolidated statement of operations is as follows (in thousands):

	1994	1993	1992
	-----	-----	-----
Tax at statutory federal tax rate	\$2,925	\$12,208	\$10,381
Tax treatment on sale of subsidiary stock	(282)	--	(2,312)
State income taxes, net of federal benefit	856	966	816
Tax-favored investment income	(284)	(574)	--
Targeted jobs tax credit	(395)	(332)	(229)
Foreign income taxed at lower rates	(528)	(2,959)	--
Other, net	131	--	--
	-----	-----	-----
	\$2,423	\$ 9,309	\$ 8,656
	=====	=====	=====

#### Note 10 - Commitments and lease obligations

Registrant leases certain property consisting principally of retail stores, warehouses and transportation equipment under leases expiring through the year 2012. Substantially all retail store locations are leased, for terms varying from 10 to 15 years with varying renewal options. Certain leases provide for additional rental payments based on a percentage of sales in excess of a specified base.

Capital leases are recorded in Registrant's balance sheet as assets along with the related debt obligation. All other lease obligations are operating leases, and payments are reflected in Registrant's consolidated statement of operations as rental expense. The composition of capital leases reflected as assets in the accompanying consolidated balance sheet is as follows (in thousands):

	1994	1993
	-----	-----
Buildings	\$ 477	\$ 477
Equipment, furniture and fixtures	538	538
	-----	-----
	1,015	1,015
Less accumulated depreciation	827	738
	-----	-----
	\$ 188	\$ 277
	=====	=====

At February 26, 1994, Registrant has the following minimum lease commitments in the years indicated (in thousands):

Fiscal Year	Capital Leases	Operating Leases
-----	-----	-----
1995	\$285	\$ 86,025
1996	205	83,125
1997	119	75,968
1998	87	69,372
1999	--	57,618
Thereafter	--	201,629
	-----	-----
Total lease commitments	696	\$573,737
		=====
Less imputed interest	221	
	-----	
Present value of total capital lease obligations including current portion of \$234	\$475	
	=====	
Present value of total operating lease commitments		\$372,000
		=====

Rental expense incurred was \$89,518,000, \$85,511,000 and \$81,042,000 including contingent rentals of \$788,000, \$821,000 and \$559,000 based upon a percentage of sales and net of sublease incomes totalling \$1,252,000, \$870,000 and \$836,000 in fiscal 1994, 1993 and 1992, respectively.

Registrant has agreements with unaffiliated groups to lease certain stores and distribution center space. These unaffiliated groups are presently committed to make available up to \$101.8 million for development or acquisition of stores leased by Registrant. Presently, Registrant has used \$99.5 million of that availability. Agreements with these groups mature over the next five years, and Registrant management is continuously monitoring financial markets to optimize renewal terms. In connection with the financing of 38 stores by these unaffiliated groups, Registrant has guaranteed the residual value of these buildings at approximately \$25 million at the end of the lease terms.

Registrant's lease commitments include amounts due to Comdisco, Inc. for a computer leased in June 1991 for a period of five years at an annual rent of approximately \$1.1 million. Registrant considered competitive bids from several firms before entering into the lease. In a matter unrelated to this leasing transaction, in April 1993, Kenneth N. Pontikes, Chairman and President of Comdisco, Inc. was invited to and did become a Director of Registrant.

In fiscal 1993, Registrant invested in preference stock of The Pier, located in the United Kingdom. Registrant guarantees approximately \$4 million of debt for The Pier.

#### Note 11 - Litigation

There are various claims, lawsuits, investigations and pending actions

against Registrant and its subsidiaries incident to the operations of its business. Liability, if any, associated with these matters is not determinable at February 26, 1994; however, Registrant considers them to be ordinary and routine in nature. While certain of the lawsuits involve substantial amounts, it is the opinion of management that the ultimate resolution of such litigation will not have a material adverse effect on Registrant's financial position, results of operations or liquidity.

Note 12 - Cash flow information

The following is supplemental cash flow information (in thousands):

	1994	1993	1992
	-----	-----	-----
Cash paid during the year for:			
Interest	\$20,445	\$16,835	\$14,033
Income taxes	\$17,732	\$17,126	\$ 4,439

Note 13 - Investment in Sunbelt Nursery Group, Inc. and subsequent event

At fiscal year-end 1993, Registrant had a 49.5% ownership interest in Sunbelt. Registrant reported the results of Sunbelt using the equity method of accounting. Under such method, Registrant's share of net earnings (or losses) of Sunbelt was included as a separate item in the consolidated statement of operations.

In April 1993, Registrant completed the sale of its 49.5% ownership interest in Sunbelt to General Host, a third party unrelated to Registrant or Sunbelt. Registrant received as compensation for the Sunbelt shares 1.9 million shares of General Host common stock, which represented approximately 9.7% of that company's outstanding common stock. At the date of sale, Registrant's net investment in Sunbelt totaled \$17,992,000 and the market value of the General Host common stock received as the purchase price of Sunbelt was \$17,945,000. To assist in the transition of ownership to General Host, Clark A. Johnson, Chairman and Chief Executive Officer of Registrant, served on Sunbelt's Board of Directors until November 1993.

In connection with Registrant's sale of its Sunbelt investment to General Host, Registrant provided Sunbelt a line of credit aggregating \$12 million, all of which was outstanding at February 26, 1994. In order for Sunbelt to meet repayment obligations under this line, Sunbelt must obtain replacement financing. To enable Sunbelt to raise these funds, Registrant has granted Sunbelt a temporary extension of the credit facility until June 30, 1994. Also, Registrant is committed to provide Sunbelt \$25 million of non-revolving store development financing through April 1996. Registrant has arranged for a bank group to provide the current financing by which Registrant leases from an unaffiliated third party and subleases store sites to Sunbelt. Under this leasing facility, the leases are required to be refinanced by Sunbelt from September 1994 to October 1995. If Sunbelt defaults on refinancing these store leases as the terms expire, Registrant will be required to obtain other financing. Registrant expects financing of Sunbelt's store sites to remain at same or similar terms and conditions as are currently in place. In addition to the above, Registrant also guarantees approximately \$4.5 million of Sunbelt store lease commitments. Registrant's line of credit and leasing commitments are collateralized by 4.2 million shares of Sunbelt's common stock. The last sale price for Sunbelt common stock reported on the American Stock Exchange on February 25, 1994, was \$2.81.

Note 14 - Selected quarterly financial data (unaudited)

Summarized quarterly financial data (in thousands of dollars except per share amounts) for the years ended February 26, 1994 and February 27, 1993 are set forth below:

Fiscal 1994	Three Months Ended			
	5/29/93	8/28/93	11/27/93	2/26/94
-----	-----	-----	-----	-----
Net sales	\$158,593	\$181,441	\$163,457	\$181,902
	=====	=====	=====	=====
Gross profit	\$61,690	\$65,834	\$63,022	\$69,046

Net income (loss)	=====	=====	=====	=====
	\$4,702	\$7,343	\$4,042	(\$10,154) (3)
	=====	=====	=====	=====
Primary net income (loss) per common share(2)	=====	=====	=====	=====
	\$.12	\$.20	\$.11	(\$.27)
	=====	=====	=====	=====

Three Months Ended

	-----	-----	-----	-----
Fiscal 1993	5/30/92	8/29/92	11/28/92	2/27/93
	-----	-----	-----	-----
Net sales	\$152,083	\$166,416	\$144,923	\$165,813
	=====	=====	=====	=====
Gross profit	\$59,732	\$61,548	\$56,655	\$68,247
	=====	=====	=====	=====
Net income (1)	\$8,055	\$7,453	\$2,247	\$5,262
	=====	=====	=====	=====
Primary net income per common share(2)	\$.22	\$.20	\$.06	\$.14
	=====	=====	=====	=====

(1) SFAS 109 was issued in February 1992 and was adopted by Registrant in the fourth quarter retroactively to the beginning of the 1993 fiscal year. The adoption had no effect on Registrant's financial position or results of operations.

(2) Fully diluted earnings per share resulted in less than 3% dilution of primary earnings per share for both years and for all periods presented with the exception of a \$.01 dilution in the first and second quarters of fiscal years 1994 and 1993.

(3) Includes \$21,250 provision for store closings and \$2,000 write-down of investment in the common stock of General Host Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: January 12, 1995

PIER 1 IMPORTS, INC.

By: /s/ J. Rodney Lawrence  
J. Rodney Lawrence  
Senior Vice President