

EMPIRE STORES LIMITED

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REPORT AND ACCOUNTS  
31ST JANUARY 1981

ARTHUR YOUNG McCLELLAND MOORES & CO.  
CHARTERED ACCOUNTANTS  
BRADFORD



EMPIRE STORES LIMITEDDIRECTORS' REPORT

The directors present their report and accounts for the 53 weeks ended 31st January 1981.

Results and dividends

The net profit, before taxation, for the period was £1,776,059.

The directors recommend a dividend amounting to £1,650,000 in respect of the 53 weeks ended 31st January 1981.

Principal activity

The company's principal activity during the period was that of mail order retailers.

Fixed assets

There were no significant changes in the amount of fixed assets during the 53 weeks to 31st January 1981.

Directors

The names of the persons who at any time during the period were directors of the company are Mr. J. Gratwick, Mr. R. Scott, Mr. M E. Bragg, Mr. P. Fattorini, Mr. D. Hale, Mr. A. R. Jacks, Mr. J. H. Simon, Mr. K. M. Whitaker.

Directors' interests in shares and debentures

The directors have no interest in the shares of the company.

The directors have given notice to the ultimate holding company of their interests in the shares of that company. They have no interest in the debenture stocks issued by the ultimate holding company.

No contracts or arrangements of significance in relation to the company's business in which any director had an interest subsisted at any time during the 53 weeks to 31st January, 1981.

Exports

Exports amounted to £1,380,379 (1979 £1,265,028) the major proportion of which related to the families of British forces overseas.

Close company

The company is not a close company within the provisions of the Income and Corporation Taxes Act, 1970.

Auditors

In accordance with Section 14(1) of The Companies Act 1976, a resolution to reappoint, as auditors, Arthur Young McClelland Moores & Co. will be placed before the Annual General Meeting.

BY ORDER OF THE BOARD



A. R. Clare,  
SECRETARY.

April 8, 1981.

Clifton House, 2 Clifton Villas, Bradford BD8 7BY

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REPORT OF THE AUDITORS TO THE MEMBERS OF  
EMPIRE STORES LIMITED

We have audited the financial statements on pages 3 to 10 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31st January, 1981 and of its profit and source and application of funds for the 53 weeks then ended and comply with the Companies Acts 1948 to 1980.

*Arthur Young McClelland Moores & Co.*

ARTHUR YOUNG McCLELLAND MOORES & CO.

April 8, 1981.

EMPIRE STORES LIMITEDPROFIT AND LOSS ACCOUNT  
FOR THE FIFTY THREE WEEKS ENDED 31ST JANUARY 1981

	<u>Notes</u>	<u>1981</u>	<u>52 weeks</u>
	£	£	1980
		£	£
Sales (excluding VAT)		<u>£142,322,758</u>	<u>132,506,630</u>
Trading profit		6,981,967	8,140,780
after charging:			
Directors' emoluments, inclusive	2	218,274	182,440
of pension premiums		31,000	27,500
Auditors' remuneration		1,030,000	1,231,111
Hire of plant and machinery	1c	534,796	427,801
Depreciation			
Less:			
Loan interest paid to parent company		<u>5,700,000</u>	<u>3,360,000</u>
Net profit, before taxation		1,281,967	4,780,780
Inter company loan waived		(60,000)	-
Less:			
Corporation tax	3	<u>74,951</u>	<u>(1,882,951)</u>
Net profit, after taxation		1,296,918	2,897,829
Add:			
Deferred tax, no longer required		<u>2,129,141</u>	<u>474,269</u>
Retained profit available for			
distribution		3,426,059	3,372,098
Proposed dividend		<u>1,650,000</u>	<u>4,206,855</u>
Retained profit/(loss) carried forward		<u>£1,776,059</u>	<u>(834,757)</u>
Statement of retained profit:			
Retained profit at 26th January 1980		-	-
As previously stated			
Loss:			
Prior year adjustment		<u>(1,751,427)</u>	<u>(916,670)</u>
		(1,751,427)	(916,670)
Retained profit/(loss) for period		<u>1,776,059</u>	<u>(834,757)</u>
		<u>£ 24,632</u>	<u>(1,751,427)</u>

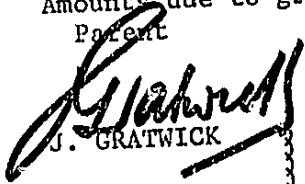
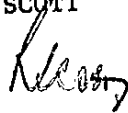
The notes on pages 7 to 10 form part of these accounts

EMPIRE STORES LIMITED

BALANCE SHEET AT 31ST JANUARY, 1981

	Notes	1981 Cost £	Depreciation £	1980 Cost £	Depreciation £	£:
Fixed assets:	7					
Plant and furniture		2,717,054	1,455,926	2,377,135	1,242,876	1,134,259
Motor vehicles		1,913,555	711,463	1,663,756	607,799	1,055,957
		<u>£ 4,630,609</u>	<u>2,167,389</u>	<u>4,040,891</u>	<u>1,850,675</u>	<u>2,190,216</u>
Current assets:						
Amount due from fellow subsidiary	1e		372,474			
Stock	1b		14,590,229		16,378,008	
Debtors and payments in advance	6		56,432,193		52,724,609	
Balance at bank			375,012			
Corporation tax recoverable			2,115,344			
Cash in hand			38,512		33,356	
			<u>73,923,764</u>		<u>69,135,973</u>	
Less:						
Current liabilities:						
Creditors and accrued expenses		21,832,420		18,953,821		
Bank overdraft		175,620		810,911		
Current taxation				244,561		
			<u>22,008,040</u>		<u>20,009,293</u>	
Net current assets						
			51,915,724			49,126,680
			<u>54,378,944</u>			<u>51,316,896</u>
Less:						
Deferred taxation	4		968,148		2,954,274	
VAT equalisation			4,089,718		3,648,808	
			<u>5,057,866</u>			<u>6,603,082</u>
			<u>£49,321,078</u>			<u>£44,713,814</u>

EMPIRE STORES LIMITEDBALANCE SHEET AT 31ST JANUARY 1981  
(continued)

	<u>1981</u>	<u>Issued and</u>	<u>1980</u>	<u>Issued and</u>
	<u>Authorised</u>	<u>fully paid</u>	<u>Authorised</u>	<u>fully paid</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Represented by:				
Share capital				100
Ordinary shares of £1 each	<u>100</u>	100	<u>100</u>	
Retained profit/(loss)		24,632		(1,751,427)
Amounts due to group companies:				46,465,141
Patent		49,296,346		
 J. GRATWICK				
Directors				
R. SCOTT				
				
		<u>£49,321,078</u>		<u>44,713,814</u>

The notes on pages 7 to 10 form part of these accounts

EMPIRE STORES LIMITEDSOURCE AND APPLICATION OF FUNDS  
FOR THE FIFTY THREE WEEKS ENDED 31ST JANUARY 1981

	£	<u>1981</u> £	<u>1980</u> £
Source of funds:			
Generated from operation:		1,281,967	4,780,780
Net profit before taxation		534,797	427,801
Depreciation		(60,000)	-
Loan waived		<u>£1,756,764</u>	<u>5,208,581</u>
Application of funds:			
Increase/(decrease) in:			
Stock	(1,787,779)		2,954,133
Debtors and payments in advance	3,707,584		11,896,641
Cash	1,015,459		(783,603)
	<u>2,935,264</u>		<u>14,067,171</u>
Less:			(14,723,805)
Increase in Creditors and VAT	(8,335,096)	(5,399,832)	(656,634)
Taxation paid	2,141,940		2,065,951
Dividends paid	4,206,855		2,936,906
Purchase of fixed assets	807,801		862,358
	<u>7,156,596</u>	<u>7,156,596</u>	<u>5,865,215</u>
		<u>£ 1,756,764</u>	<u>5,208,581</u>

The notes on pages 7 to 10 form part of these accounts

EMPIRE STORES LIMITEDNOTES TO THE ACCOUNTS AT 31ST JANUARY 19811. Accounting policies(a) VAT

The VAT element of sales has been deducted from the gross sales value. VAT payable to H. M. Customs and Excise has been calculated on cash collected in accordance with the provisions laid down in the 'Special Schemes for Retailers' and the difference between that amount and the VAT element of sales has been included in the VAT equalisation account.

(b) Debtors

Provision has been made for all bad and doubtful debts reflecting the company's experience based upon the historical performance of its debtors.

(c) Depreciation

Depreciation for the 53 weeks ended 31st January 1981 has been provided on a straight line basis on original cost or valuation as follows:

Plant mainly at 10% per annum  
Motor vehicles at 20% per annum.

(d) Deferred taxation

Deferred taxation has been provided at current corporation tax rates for the timing differences between tax allowances and the charge for depreciation.

(e) Stock

Stock has been valued at the lower of cost or net realisable value.

(f) Catalogue costs

The cost of catalogue production and printing are charged in the accounts as they are incurred.

2. Emoluments

The following table shows the number of directors whose emoluments for the periods they held office were within the bands stated:

	<u>1981</u>	<u>1980</u>
£30,001 - £35,000	1	-
£25,001 - £30,000	4	1
£20,001 - £25,000	2	5
£15,001 - £20,000	1	1
£10,001 - £15,000	-	1
	£15,406	£13,008
	£30,427	£25,246

Included in the above are the chairman's emoluments and those of the highest paid director



EMPIRE STORES LIMITEDNOTES TO THE ACCOUNTS AT 31ST JANUARY 1981  
(continued)3. Corporation tax

Corporation tax on the profits for the period has been provided at the rate of 52% (1980 52%). The charge for the 53 weeks has been reduced by £766,399 in respect of the new system of stock relief proposed to be enacted in the Finance Act 1981; this has been calculated on the basis of the provisional figure of 9% increase in the all-stocks index for the year to 31st January 1981. If the existing stock relief rules were to be maintained the tax charge for the 53 weeks would not benefit by this amount.

	1981 53 weeks £	1980 52 weeks £
Corporation Tax	(217,966)	1,226,131
Deferred taxation (note 1d)	143,015	619,085
	<u>74,951</u>	<u>1,845,216</u>
Adjustments in respect of previous years:		
Corporation tax	-	36,658
Deferred tax	-	1,077
	<u>£ 74,951</u>	<u>1,882,951</u>

Corporation tax has been calculated on the assumption that the provision for value added tax referred to in note 6 will be allowed for all periods from April 1973 to 31st January 1981, although this has not yet been formally agreed with the Inland Revenue.

4. Deferred taxation provision no longer required

Consequent upon the proposal of the Chancellor of the Exchequer to change the system of stock relief in the Finance Act 1981 whereby, under normal circumstances, no repayment of previous relief will be required, the accumulated provision of £2,129,141 has been released to profit and loss account. In the 52 weeks to 26th January 1980 a release of £474,269 was made in respect of stock relief to conform with Statement of Standard Accounting Practice No. 15, this being the amount considered at the time not to become payable in the foreseeable future. The amounts so released in both periods have been included in the profit available for appropriation for the purposes of comparability although the £474,269 had previously been included as a prior year adjustment in compliance with Statement of Standard Accounting Practice No. 15.

If the existing stock relief rules were to be maintained there would be a clawback of £929,645 from the accumulated provision, assuming that the stock levels would not have varied in the light of the previous rules being so maintained and the balance of £1,199,496 of the provision would be retained. This remaining provision would not take account of £1,143,000 tax on stock appreciation relief not provided to 26th January 1980.

5. Deferred taxation

	1981 £	1980 £
Taxation deferred by:		
Capital allowances in advance of depreciation	968,148	825,133
Stock appreciation relief	-	2,129,141
	<u>£968,148</u>	<u>2,954,274</u>

EMPIRE STORES LIMITEDNOTES TO THE ACCOUNTS AT 31ST JANUARY 1981  
(continued)6. Prior year adjustments

During 1980 the Accounting Standards Committee gave consideration to the appropriate accounting treatment for value added tax in the accounts of companies using one of the Special Schemes for Retailers. It concluded that the charge to be made in the accounts of such companies should relate to the VAT included in sales and not to the cash collected which is the basis for payment to H. M. Customs and Excise under the Special Schemes for Retailers.

An amount equal to the difference between the VAT element of sales and the VAT payable under the Special Schemes for Retailers has therefore been incorporated in the accounts and previous years figures, which had been prepared on the basis of the payment to H. M. Customs and Excise, have been restated accordingly. Under the basis used there is no effect on the profit and loss account arising from changes in the rates of VAT between the dates of sale and cash collection.

The additional charge net of tax relief for the period from the inception of VAT in April 1973 to 27th January 1979 amounted to £916,670, which is shown as a prior year adjustment in the figures to 26th January 1980.

The comparative figures for the 52 weeks to 26th January 1980 have been adjusted to include an additional charge for VAT of £1,739,078, and relevant tax relief of £904,321. The net effect of this restatement is to reduce the previously reported profit after taxation by £834,757. This figure added to the £916,670 prior year adjustment in the 52 weeks to 26th January 1980 results in a prior year adjustment of £1,752,427 in the accounts for the 53 weeks to 31st January 1981.

7. Bank overdraft

The parent and subsidiary companies are jointly and severally liable for the group bank overdraft.

8. Fixed assets

	26th January 1980	Additions	Disposals	31st January 1981
	£	£	£	£
Plant and furniture	2,377,135	349,071	9,152	2,717,054
Motor vehicles	1,663,756	659,297	411,526	1,911,527
	<u>£4,040,891</u>	<u>1,008,368</u>	<u>420,678</u>	<u>4,628,581</u>

The amount outstanding on capital contracts at 31st January 1981 was £231,856 (1980 £286,586). Capital expenditure authorised but not contracted for at 31st January 1981 £Nil (1980 £94,487).

9. Creditors

Creditors include the provision for VAT which represents the gross provision referred to in note 6 covering the period from April 1973 to 31st January 1981 amounting to £4,089,718 (1980 £3,648,808).

EMPIRE STORES LIMITEDNOTES TO THE ACCOUNTS AT 31ST JANUARY 1981  
(continued)10. Floating charge

The company has created a floating charge on its undertaking and all its property and assets by way of a collateral security in favour of the trustees of the under mentioned debenture stocks issued by the parent company:

- (a) £1,000,000 6 $\frac{1}{8}$ % debenture stock, 1985/90
- (b) £1,250,000 8 $\frac{1}{8}$ % debenture stock, 1991/96
- (c) £2,000,000 9 $\frac{1}{8}$ % debenture stock, 1994/99.

11. Contingent liabilities

The company has guaranteed an acceptance credit facility to the parent company by Barclays Merchant Bank Limited amounting to a maximum of £8,000,000.

12. Ultimate holding company

The company is a wholly owned subsidiary of Empire Stores (Bradford) Limited which is incorporated in Great Britain.

SPORTS & PASTIMES LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT JANUARY 31, 1981  
(continued)

9. Ultimate holding company

The company is a wholly-owned subsidiary of Empire Stores (Bradford) Limited which is incorporated in Great Britain.