

ARTHUR  
ANDERSEN

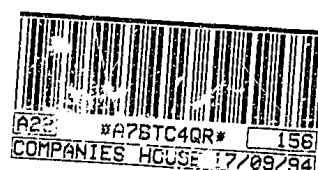
ARTHUR ANDERSEN & Co. SC

## J.D. Williams & Co. Limited

Accounts 26 February 1994

together with directors' and auditors' reports

Registered number: 178367



## Directors' report

For the year ended 26 February 1994

The directors present their report on the affairs of the company, together with the accounts and auditors' report, for the year ended 26 February 1994.

### Principal activity and business review

The principal activity of the company continues to be retailing by direct mail order.

Turnover increased by £16 million (10%) during the year to £179.8 million and profit before tax increased by £3.4 million (19%) to £21.6 million.

The directors expect the general level of activity to continue to improve in the forthcoming year.

### Results and dividends

Results, dividends and recommended transfers to reserves are as follows:

	£'000
Retained profit at 27 February 1993	30,713
Profit for the year after taxation	14,648
Ordinary dividends proposed of £54.14 per share	(6,500)
Goodwill written off	(269)
Amortisation of revaluation surplus on properties	91
Retained profit at 26 February 1994	<u>38,683</u>

### Directors and their interests

The directors who served during the year are as shown below:

N. Alliance  
J. Martin  
A. White  
R.D. Yates  
I.S. Macfarlane  
N.F. Green  
M.I. Greenwood  
D.G.M. Williams

The interests of the directors in the 10p Ordinary shares of N. Brown Group plc, the ultimate parent undertaking, are shown in the accounts of J.D. Williams Group Limited with the exceptions of N. Alliance, J. Martin and A. White, whose interests are shown in the accounts of N. Brown Group plc, and D.G.M. Williams who held 4,500 shares at 26 February 1994 (1993 - 4,500).

The directors do not have any other interests required to be disclosed under Schedule 7 of the Companies Act 1985.

## Directors' report (continued)

### Fixed assets

Information relating to changes in tangible fixed assets is given in note 10 to the accounts.

### Charitable and political contributions

The company contributed £15,043 (1993 - £11,272) to charities and £Nil (1993 - £Nil) for political purposes.

### Employee involvement

The company firmly believes that continuing success can only be achieved through an enthusiastic, motivated and well-trained workforce. Consequently, as part of our drive to improve service and quality, we have continued to increase the resources devoted to staff training, held regular departmental team briefings and have recently conducted a staff attitude survey which will be repeated annually. This is in addition to the established communication channels such as corporate videos, staff magazines and meetings with the recognised trade union.

Over 400 company employees either hold shares in N. Brown Group plc, the ultimate parent undertaking, or have options to acquire them through the Executive and Savings Share Option Schemes.

### Disabled persons

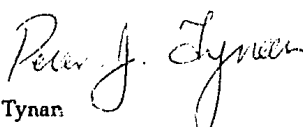
It is the company's policy to offer equal opportunities to disabled persons applying for vacancies. Employees who became disabled are given every opportunity and assistance to continue in their employment or to be trained for other suitable positions.

### Auditors

Arthur Andersen have indicated their willingness to continue to act as auditors of J.D. Williams & Co. Limited.

53 Dale Street  
Manchester  
M60 6ES

By order of the Board,

  
P.J. Tynan

9 May 1994

Secretary

## Statement of directors' and auditors' responsibilities

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors' responsibilities

Company law requires auditors to form an independent opinion on the financial statements presented by the directors based on their audit and to report their opinion to the shareholders. The Companies Act 1985 also requires auditors to report to the shareholders if the following requirements are not met:

- that the company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;
- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The auditors' opinion does not encompass the directors' report on pages 1 and 2. However, the Companies Act 1985 requires auditors to report to the shareholders if the matters contained in the directors' report are inconsistent with the financial statements.

# ARTHUR ANDERSEN

## Auditors' report

Manchester

To the Shareholders of J.D. Williams & Co. Limited:

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 8 to 10.

### Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion the financial statements give a true and fair view of the company's state of affairs at 26 February 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen  
Chartered Accountants and Registered Auditors

Bank House  
9 Charlotte Street  
Manchester  
M1 4EU

9 May 1994

## Profit and loss account

For the year ended 26 February 1994

	Notes	1994 £'000	1993 As restated (Note 3) £'000
Turnover	2	179,765	163,718
Cost of sales	3	(83,449)	(75,962)
Gross profit		96,316	87,756
Other operating expenses	3	(72,309)	(65,719)
Operating profit		24,007	22,037
Interest payable and similar charges	4	(2,205)	(3,411)
Gift to employee trust	5	(156)	(365)
Profit on ordinary activities before taxation	6	21,646	18,261
Tax on profit on ordinary activities	8	(6,998)	(6,106)
Profit on ordinary activities after taxation		14,648	12,155
Dividends paid	9	(6,500)	(6,000)
Retained profit for the year		8,148	6,155

All activity has arisen from continuing operations.

A statement of movements on reserves is given in note 17.

The accompanying notes are an integral part of this profit and loss account.

## Statement of total recognised gains and losses

For the year ended 26 February 1994

	1994 £'000	1993 £'000
Profit on ordinary activities after taxation	14,648	12,155
Net deficit on revaluation of properties	(137)	-
	<u>14,511</u>	<u>12,155</u>

## Note of historical cost profits and losses

For the year ended 26 February 1994

	1994 £'000	1993 £'000
Reported profit on ordinary activities before taxation	21,646	18,261
Difference between historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	18	18
Historical cost profit on ordinary activities before taxation	<u>21,664</u>	<u>18,279</u>
Historical cost profit for the year retained after taxation and dividends	<u>8,166</u>	<u>6,173</u>




## Balance sheet

26 February 1994

	Notes	1994 £'000	1993 £'000
<b>Fixed assets</b>			
Tangible assets	10	26,054	26,009
Investments	11	2,053	2,053
		<u>28,107</u>	<u>28,062</u>
<b>Current assets</b>			
Stocks	12	29,199	23,717
Debtors: Amounts falling due after more than one year	13	567	1,134
Debtors	13	101,118	90,668
Cash at bank and in hand		7,326	9,028
		<u>138,210</u>	<u>124,547</u>
Creditors: Amounts falling due within one year	14	(123,926)	(117,815)
<b>Net current assets</b>		<u>14,284</u>	<u>6,732</u>
<b>Total assets less current liabilities</b>		<u>42,391</u>	<u>34,794</u>
<b>Provisions for liabilities and charges</b>	15	(1,992)	(2,137)
<b>Net assets</b>		<u>40,399</u>	<u>32,657</u>
<b>Capital and reserves</b>			
Called-up share capital	16	120	120
Revaluation reserve	17	1,596	1,824
Profit and loss account	17	38,683	30,713
<b>Total capital employed</b>		<u>40,399</u>	<u>32,657</u>

Signed on behalf of the Board



A. White

Director

9 May 1994

The accompanying notes are an integral part of this balance sheet.



## Notes to accounts

26 February 1994

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

#### a) Basis of accounting

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain freehold properties, and in accordance with applicable accounting standards.

#### b) Tangible fixed assets

Land and buildings are shown at original historical cost or subsequent valuation as set out in note 10. Other fixed assets are shown at cost.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life as follows:

Freehold buildings	between 1% and 2% of cost or valuation per annum
Leasehold property additions and improvements	equal annual amounts over the unexpired term of the lease
Motor vehicles	20% of cost per annum
Computer equipment and software	between 20% and 33% of cost per annum
Plant and machinery	between 10% and 20% of cost per annum
All other tangible fixed assets	15% of written down value per annum

Interest incurred on funding for major capital projects is capitalised as part of the cost of the assets up to the time that the projects come into use. The interest rate applied is calculated by reference to the actual rate payable on borrowings utilised for the project.

#### c) Investments

Fixed asset investments are shown at cost less amounts written off. Provisions are made for permanent reductions in value. Purchased goodwill is written off against reserves immediately on acquisition.

#### d) Stocks

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

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### e) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

#### f) *Pension costs*

The ultimate parent undertaking operates a defined benefit pension scheme which certain employees are entitled to join. Contributions are charged to profit based on the advice of an independent actuary to spread the expected cost of providing pensions over the employees' working lives within the scheme.

#### g) *Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### h) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes, trade discounts and intra-group transactions) of goods and services provided in the normal course of business.

#### i) *Value added tax*

The company participates in one of HM Customs & Excise's special schemes for retailers. Under the scheme VAT on sales is accounted for on a cash receipts basis. The company provides for the VAT due on unpaid sales to the extent that it is likely that a liability will crystallise.

#### j) *Leases*

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Further information on charges in the year and future commitments is given in note 19e.

#### k) *Revaluation reserve*

Surpluses arising on the revaluation of individual fixed assets are credited to a non-distributable reserve known as the revaluation reserve (see note 17). On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.

## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### 1) Cash flow statement

Under the provisions of Financial Reporting Standard Number 1, the company has not prepared a cash flow statement because its ultimate parent undertaking, N. Brown Group plc, which is incorporated in Great Britain, has prepared consolidated accounts which include the accounts of the company for the year and which contain a cash flow statement.

### 2 Segment information

Contribution to turnover and profit on ordinary activities before taxation derives solely from the principal activity of the company, within the U.K.

### 3 Other operating expenses

	1994	1993 As restated
	£'000	£'000
Distribution costs	15,319	14,141
Selling and administration costs	56,990	51,578
	<u>72,309</u>	<u>65,719</u>

In 1994 the basis of apportioning staff costs between cost of sales, distribution costs and selling and administration costs was changed to reflect a more accurate allocation by each reporting cost category. The comparative figures for 1993 have therefore been restated.

### 4 Interest payable and similar charges

Interest payable and similar charges represents interest on bank loans and overdrafts repayable otherwise than by instalments within five years.

### 5 Gift to employee trust

The payment of £156,000 (1993 - £365,000) represents a gift to the Employee Share Ownership Trust established in 1990 by N. Brown Group plc, the ultimate parent undertaking, for the benefit of employees of the group.

### 6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1994	1993
	£'000	£'000
a) Depreciation of tangible fixed assets	2,588	2,425
b) Hire of plant and machinery under operating leases	3,283	3,425
c) Other operating lease rentals	126	161
d) Auditors' remuneration - audit services	26	25
- non-audit related services	58	49
e) Staff costs (see note 7)	<u>19,646</u>	<u>16,950</u>

## Notes to accounts (continued)

### 7 Staff costs

Particulars of employees (including executive directors) are as shown below:

	1994 £'000	1993 £'000
Employee costs during the year amounted to:		
Wages and salaries	17,708	15,271
Social security costs	1,444	1,308
Other pension costs	494	371
	<u>19,646</u>	<u>16,950</u>

The average weekly number of persons employed by the company during the year was as follows:

	Number employed	Number employed
Distribution	556	485
Sales and administration	889	826
	<u>1,445</u>	<u>1,311</u>

### Directors' remuneration:

Directors' remuneration in respect of directors of the company was as follows:

	1994 £'000	1993 £'000
Emoluments (including pension contributions)	<u>797</u>	<u>674</u>

The directors' remuneration shown above (excluding pensions and pension contributions) included:

	1994 £'000	1993 £'000
Chairman	<u>-</u>	<u>-</u>
Highest paid director	<u>225</u>	<u>192</u>

## Notes to accounts (continued)

### 7 Staff costs (continued)

Directors received emoluments (excluding pensions and pension contributions) in the following ranges:

	1994 Number	1993 Number
Up to £ 5,000	2	2
£ 70,001 - £ 75,000	-	1
£ 75,001 - £ 80,000	-	1
£ 85,001 - £ 90,000	1	1
£ 90,001 - £ 95,000	1	1
£100,001 - £105,000	1	-
£105,001 - £110,000	1	-
£115,001 - £120,000	-	1
£135,001 - £140,000	1	-
£190,001 - £195,000	-	1
£225,001 - £230,000	1	-

### 8 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1994 £'000	1993 £'000
Corporation tax at 33% (1993 - 33%)	7,268	5,793
Deferred taxation arising from		
- capital allowances	(30)	86
- other timing differences	(115)	227
Adjustment of current taxation in respect of prior years	(125)	-
	<u>6,998</u>	<u>6,106</u>

Had the company been providing the full amount of potential deferred taxation, the charge for the year would have increased by £300,000 (1993 - £nil) in respect of capital allowances.

### 9 Dividends paid and proposed

	1994 £'000	1993 £'000
Dividend proposed of £54.14 (1993 - £49.98) per share	<u>6,500</u>	<u>6,000</u>

## Notes to accounts (continued)

### 10 Tangible fixed assets

The following are included in the net book value of tangible fixed assets:

	1994 £'000	1993 £'000
Land and buildings		
- freehold	10,526	10,521
- long leasehold	49	50
Plant, equipment and motor vehicles	15,479	15,438
Net tangible fixed assets	26,054	26,009

a) The movement in the year was as follows:

	Land and buildings		Plant, equipment and motor vehicles	Total
	Freehold £'000	Long leasehold £'000	£'000	£'000
<b>Cost or valuation</b>				
Beginning of year	11,012	67	22,402	33,481
Additions	516	-	2,419	2,935
Disposals	(155)	-	(120)	(275)
Net deficit on revaluation	(137)	-	-	(137)
End of year	11,236	67	24,701	36,004
<b>Depreciation</b>				
Beginning of year	491	17	6,964	7,472
Charge	231	1	2,356	2,588
Disposals	(12)	-	(98)	(110)
End of year	710	18	9,222	9,950
<b>Net book value</b>				
Beginning of year	10,521	50	15,438	26,009
End of year	10,526	49	15,479	26,054

Included in freehold property are certain properties which were revalued in January 1994 on the basis of open market value assuming a continuation of their existing use at £2,450,000 by Lambert Smith Hampton, consultant surveyors. The resulting net deficit of £137,000 has been charged to the revaluation reserve as shown in note 17.

## Notes to accounts (continued)

### 10 Tangible fixed assets (continued)

b) *Original cost, and aggregate depreciation based on cost, of land and buildings included at valuation:*

	1994 Freehold £'000	1993 Freehold £'000
Original cost	845	1,012
Depreciation based on cost	(82)	(101)
	<u>763</u>	<u>911</u>

Cumulative interest capitalised gross of tax relief included in fixed assets amounts to £2,143,000 (1993 - £2,143,000).

### 11 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	1994 £'000	1993 £'000
Subsidiary undertakings	<u>2,053</u>	<u>2,053</u>

The subsidiary undertakings of the company are all wholly owned, non-trading and incorporated in the United Kingdom.

Group accounts have not been prepared as the company is itself a wholly owned subsidiary undertaking of a UK parent undertaking.

### 12 Stocks

The following are included in the net book value of stocks:

	1994 £'000	1993 £'000
Finished goods and goods for resale	27,468	22,944
Sundry stocks	<u>1,731</u>	<u>773</u>
	<u>29,199</u>	<u>23,717</u>



## Notes to accounts (continued)

### 13 Debtors

The following are included in the net book value of debtors:

	1994 £'000	1993 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	82,935	73,081
Amounts owed by group undertakings	12,861	12,598
Other debtors	1,272	732
Prepayments and accrued income	4,050	4,257
	<u>101,118</u>	<u>90,668</u>
<b>Amounts falling due after more than one year:</b>		
Other debtors	567	1,134
	<u>101,685</u>	<u>91,802</u>

Included within other debtors is £1,134,000 (1993 - £1,700,000) relating to deferred revenue expenditure incurred in connection with the warehouse development at Shaw. This will be amortised in equal instalments over the next two years.

### 14 Creditors: Amounts falling due within one year

The following amounts are included in creditors falling due within one year:

	1994 £'000	1993 £'000
Trade creditors	21,351	16,561
Amounts owed to group undertakings	84,018	86,343
Other creditors		
- UK corporation tax payable	7,698	6,335
- social security and PAYE	5,198	4,496
- other creditors	1,226	508
Accruals and deferred income	4,435	3,072
	<u>123,926</u>	<u>117,815</u>

## Notes to accounts (continued)

### 15 Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation.

	1994 £'000	1993 £'000
Excess of tax allowances over book depreciation of fixed assets	2,065	2,095
Other timing differences	(73)	42
	<u>1,992</u>	<u>2,137</u>

The movement on deferred taxation comprises:

	1994 £'000	1993 £'000
Beginning of year	2,137	1,824
Credited in respect of		
- capital allowances	(30)	86
- other timing differences	(115)	227
End of year	<u>1,992</u>	<u>2,137</u>

Unprovided deferred taxation amounts to £1,098,000 (1993 - £798,000) and is in respect of capital allowances.

The company has £439,000 (1993 - £344,000) of capital losses. After accounting for these losses there would be a tax liability of approximately £167,000 (1993 - £220,000) if freehold land and buildings were disposed of at their revalued amount.

### 16 Called-up share capital

	1994 £'000	1993 £'000
Authorised, allotted, called-up and fully-paid 120,040 Ordinary shares of £1 each	<u>120</u>	<u>120</u>

## Notes to accounts (continued)

### 17 Reserves

	Revaluation reserve £'000	Profit and loss account £'000	Total £'000
Beginning of year	1,824	30,713	32,537
Retained profit for the year	-	8,148	8,148
Net deficit on revaluation of properties	(137)	-	(137)
Amortisation of revaluation surplus on properties	(91)	91	-
Goodwill written off	-	(269)	(269)
End of year	1,596	38,683	40,279

The cumulative amount of goodwill resulting from acquisitions in the current and earlier financial years which has been written off is £2,007,000 (1993 - £1,738,000).

### 18 Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Profit on ordinary activities after taxation	14,648	12,155
Dividends	(6,500)	(6,000)
	8,148	6,155
Net deficit on revaluation of properties	(137)	-
Goodwill written off	(269)	(170)
Shareholders' funds at beginning of year	32,657	26,672
Shareholders' funds at end of year	40,399	32,657

### 19 Guarantees and other financial commitments

#### a) Capital commitments

At the end of the year, capital commitments were:

	1994 £'000	1993 £'000
Contracted for but not provided for	300	-
Authorised but not contracted for	7,100	400
	7,400	400

## Notes to accounts (continued)

### 19 Guarantees and other financial commitments (continued)

#### b) *Contingent liabilities*

There is litigation against the company by a leasing company arising out of a computer leasing contract. The claim is for £2,600,000 plus interest. The directors have acted throughout on the advice of their solicitors and leading counsel and intend to continue to defend the claim vigorously.

#### c) *Guarantees*

The company has jointly and severally guaranteed certain bank overdrafts and other liabilities of the company's ultimate parent undertaking and certain fellow subsidiary undertakings. At 26 February 1994, this indebtedness amounted to £23,266,000 (1993 - £27,105,000).

The company together with its parent undertaking, J.D. Williams Group Limited, and its ultimate parent undertaking, N. Brown Group plc, has guaranteed the borrowings of the N. Brown Group plc Employee Share Ownership Trust, which at 26 February 1994 amounted to £6,000,000 (1993 - £8,000,000).

#### d) *Pensions commitment*

Details of the group pension scheme operated by the ultimate parent undertaking are given in that company's accounts.

#### e) *Lease commitments*

The minimum annual rentals under operating leases are as follows:

	Property £'000	Plant and machinery £'000
1994		
Operating leases which expire		
- within 1 year	-	537
- within 2-5 years	177	668
- after 5 years	42	2
	<hr/> 219	<hr/> 1,207
1993		
Operating leases which expire		
- within 1 year	15	795
- within 2-5 years	30	1,493
- after 5 years	81	2
	<hr/> 126	<hr/> 2,290

## Notes to accounts (continued)

### 20 Ultimate parent undertaking

The company is a subsidiary undertaking of N. Brown Group plc, a company registered in England and Wales. The largest and smallest groups of which J.D. Williams & Co. Limited is a member and for which group accounts are drawn up is that headed by N. Brown Group plc, whose principal place of business is at 53 Dale Street, Manchester, M60 6ES. The consolidated accounts of this group are available to the public and may be obtained from the above address.