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COMET GROUP P.L.C.

REPORT and FINANCIAL STATEMENTS
for the financial year ended 27th August 1983

Annual Report
and Financial Statements
for the year ended
27th AUGUST 1983

COMET

COMET GROUP P.L.C.

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DIRECTORS AND ADVISERS

Directors: M. J. Hollingbery—Chairman and Chief Executive
P. N. Guy, F.C.A., F.C.T.—Deputy Chairman
G. H. Cox, B.A.
J. D. Cumming, R.D., M.A.
J. A. Hutton, B.Sc.
W. J. McGrath
W. J. Mason
B. A. Neiman

Secretary: R. W. Towndrow, F.C.A.

Registered office: George House,
George Street,
Hull, HU1 3AU

Registrars: Lloyds Bank Plc,
Registrar's Department,
Goring-by-Sea,
Worthing,
West Sussex, BN12 6DA

Bankers: Midland Bank plc,
Bank of Scotland

Solicitors: Booth & Co.,
Leeds

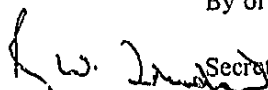
Auditors: Hodgson Harris,
Chartered Accountants,
Hull

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fiftieth annual general meeting of the company will be held at George House, George Street, Hull on Thursday 5th January 1984 at 12 noon for the following purposes:

1. To receive and adopt the financial statements for the year ended 27th August 1983 and the reports of the directors and of the auditors.
2. To declare a dividend.
3. To elect directors.
4. To re-appoint the auditors and authorise the directors to fix the remuneration of the auditors.
5. To transact any other business of an annual general meeting.

By order of the board,

 Secretary.

14th December 1983.

Notes:

1. Any member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead. Such proxy need not be a member. A proxy card is enclosed and, if used, should be lodged with the company's registrars not less than 48 hours before the meeting. Proxy cards should not be sent to the registered office of the company.
2. Copies of the directors' service contracts with the company or with any of its subsidiaries are available for inspection at the registered office of the company during normal business hours from the date of this notice until the conclusion of the annual general meeting.
3. The proposed dividend, if approved, will be paid on Friday 3rd February 1984.
4. An extraordinary general meeting will immediately follow the annual general meeting, to approve an increase in the authorised share capital and a scrip issue of shares.

CHAIRMAN'S STATEMENT

GOLDEN JUBILEE 1933-1983

Profits for the year

The group pre-tax profit for the six months ended 27th August 1983 amounted to £6,782,000 (1982 £3,308,000), making a total for the year of £19,542,000 (1982 £7,421,000) after deducting £1,029,000 (1982 £390,000) which has been appropriated on behalf of staff who are eligible to participate in our profit sharing scheme.

This profit exceeds our previous record, £9,200,000 in 1978-79 by 112%.

Scrip Issue

In view of this profit, and to mark our Golden Jubilee we feel that it is appropriate to increase the issued share capital. The net assets of the group at 27th August 1983 amounted to £53,250,000 and your directors intend, subject to the approval of shareholders, to issue one new share of 5p for every one currently held.

This would increase the issued share capital to £4,042,520 which would exceed the authorised share capital of £2,500,000. We therefore propose to increase the authorised share capital to £5,000,000.

Dividend

When declaring the interim dividend, we stated that we expected to recommend a final payment of not less than 3.5p net, which would have increased the annual payment by 25%, to 5.5p net.

We now feel able to recommend a final dividend of 3.7p net (1982 2.93p) making a total for the year of 5.7p net (1982 4.4p net), an increase of just under 30%.

Review of the year

The year produced excellent trading conditions, particularly in the electrical division and group sales increased by 32% to £335,044,000.

Profits increased as a result, and also benefited from corrective actions taken in the previous year. Rationalisation of the James McOnomy division resulted in substantial losses.

(a) Comet electrical stores

Electrical retailers enjoyed buoyant trading conditions, both in the second half of 1982 and the first half of 1983. Sales of colour television and video recorders were particularly good, and your company took full advantage of this situation. We improved our share of both markets by increased advertising, and particularly by aggressive promotion of the advantages to be obtained by purchasing a set with a 5 year warranty insurance, compared with renting. We believe that the public is beginning to appreciate these differences and we expect to achieve further

increases in market share at the expense of rental.

We sounded a note of caution in our interim statement when we reminded shareholders that sales had shown great increases in July and August 1982, and that we did not expect to see dramatic increases in volume during the Autumn of 1983.

It is pleasing to be able to report that sales values are still showing some increase on a strictly comparable basis, and that the improvement is now more broadly based across our range. However, costs have increased slightly as a percentage of sales and a small decrease in margins has also occurred.

Four new branches were opened during the year, including the conversions from McOnomy in Leicester and Nottingham, and two small branches were closed.

We shall have opened a further ten new stores before Christmas and eighteen more are in various stages of planning.

We also relocated eleven stores, offering our customers a wider range of merchandise and improved displays. These relocations have all resulted in substantial sales increases and another thirteen outlets will be relocated in the near future. Nine more are well advanced, which still leaves a large number of stores which will benefit from relocation.

In addition, twenty-four of our large stores have been refurbished, offering improved displays to our customers.

When the programme is completed, we shall be trading from more than 180 locations.

After considerable research, we have begun to change our electronic point of sale systems and this will improve the service which we can give to our customers in our showrooms.

(b) Home Improvement Stores

During the year, five more Timberland stores were converted to the Jupiter Homemart format. Substantial increases in sales have occurred in each case, and although two of these conversions took place towards the year end, they have all resulted in satisfactory increases in profitability. One more conversion and six new Jupiter Homemart stores are planned to open towards the end of the first half year. Further sites are being sought. Despite substantial development costs, and the closure of four small shops, the home improvement stores have made a contribution to the group's profits, and we expect a further increase during the current year.

CHAIRMAN'S STATEMENT *CONTINUED*

(c) Ideal Timber

Sales to external customers have more than doubled and now account for the majority of Ideal's sales. Although internal sales have continued to decline, profits overall have increased.

New machinery has been installed in the existing factory and a new factory has been opened in the Clydebank Enterprise Zone.

We are now manufacturing our own wooden doors and components, as well as high quality kitchen furniture to be distributed under the English Rose brand name which we acquired during the year. Sales volume is expected to increase still further during the current year, due to sales of English Rose, Jupiter's expansion, sales by First Avenue and further external trade. Should this occur, Ideal's profits will improve substantially.

(d) First Avenue

We have opened seven shops in Scotland which stock the fitted kitchens which Ideal manufactures. Another two branches opened in September and three more are planned for the post Christmas period.

Sales are increasing, and the older branches are approaching profitability. Further sales growth is expected as English Rose kitchens are added to the range. The number of specialist kitchen retailers is increasing rapidly and we do not expect to realise our full potential until some rationalisation has taken place in the market. The performance of our shops is being closely monitored, and their offtake will make a worthwhile contribution to Ideal's profits.

(e) James McOnomy

The planned closure of the three English branches, announced in our interim statement, has taken place. The Leicester and Nottingham stores have been transferred to Comet but we suffered considerable losses due to the disposal of surplus stock and the write off of shopfittings as a result of these closures.

The three Scottish branches continue to trade and we do not expect losses to continue during the current year.

(f) Jewellery Manufacturing

The volume of sales increased in the later months of the financial year, and the increase has continued during the opening months of this year.

If this recovery is sustained, we expect the jewellery division to contribute a modest profit after all internal charges.

(g) Polarcold

It has been a period of great activity at Polarcold. One major customer has changed from using pressed metal components to plastic but the business lost has been more than replaced by new customers.

Turnover has increased during the year and although margins have come under further pressure, an increase in profit has been achieved.

The factory is presently extremely busy and investment has been made in new equipment, enabling the management to quote for work which could not previously be undertaken. We expect Polarcold's profitability to be maintained at least at current levels.

(h) Expedite

Profits have been maintained. The introduction of new equipment should lead to increased sales and profitability.

(i) R. P. Carmichael

Trade in this store improved during the year and the previous small loss was eliminated. Sales are satisfactory at present and some improvement in profits is expected.

Staff

The year's successful trading has put exceptional pressures upon our staff and I should like to thank all of them for their contribution to the result.

Future Trading

We enter our new year in a spirit of cautious optimism. The group is in a strong financial position and is ready to take advantage of any opportunities for expansion which may occur.

The affairs of the group depend at present to a great extent upon the electrical division. Our new stores and relocations will make further contributions to sales and profit, although it is difficult to forecast the exact level of sales which will be achieved by the existing stores.

We expect improved performances to be achieved by the non electrical divisions, and we believe they will contribute increasingly profitable growth in the years to come.

M. J. Hollingbery

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their report to the members with the financial statements for the year ended 27th August 1983.

Principal activities

The principal activities of the group consist of:

- (1) Retailing, supported by after sales service, mainly from discount warehouses and conventional shops, of domestic electrical and gas appliances; home improvement products; jewellery, photographic and other consumer goods; renting of television sets.
- (2) Manufacturing of home improvement products and jewellery. Manufacturing of pressed metal and light engineering products. Leasing or hiring of equipment to third parties by way of leasing or hiring agreements which is a new activity commenced within the year.

The country of operation of the company and its principal trading subsidiaries is Great Britain.

Review of the business

A review of the group's operations and future developments is contained in the Chairman's Statement.

Profit and dividends

The consolidated profit and loss account is set out on page 12.

An interim dividend of 2.0p per share was declared during the year and paid on 29th July 1983.

The directors recommend a final dividend of 3.7p per share making a total of 5.7p per share for the year, which, with the related tax credit is equivalent to 8.14p per share (1982 6.29p); if approved, payment will be made on 3rd February 1984 to holders registered on 6th January 1984.

In respect of 10,796,000 shares formal notices of waiver of all but 0.001p per share of the final dividend have been lodged.

The table below shows the dividend waivers made:

	1983		1982	
	No. of shares	Dividends waived £000	No. of shares	Dividends waived £000
Interim	10,796,000	216	10,796,000	159
Final	10,796,000	400	10,796,000	316
		<u>616</u>		<u>475</u>

Fixed assets

Movements on fixed assets are given in the notes on the financial statements.

During the year, the group has purchased and subsequently leased to third parties, various items of plant and equipment.

Freehold and leasehold properties have been revalued in the financial statements as at 27th August 1983 and the net surplus of £2,064,000 has been credited to reserves.

REPORT OF THE DIRECTORS *CONTINUED*

Directors' and other shareholdings

The table below shows the persons who are directors of the company at 14th December 1983, together with their interests in the shares of the company, including those of their families.

	<i>15th November 1983</i>	<i>27th August 1983</i>	<i>28th August 1982</i>
<i>Beneficial</i>			
M. J. Hollingbery	12,941,985	12,941,985	12,941,468
P. N. Guy	9,117	9,117	8,723
G. H. Cox	10,687	10,687	10,671
J. D. Cumming	13,090	13,090	12,764
J. A. Hutton	22,618	22,618	20,786
W. J. McGrath	322	322	—
W. J. Mason	251,776	251,776	263,259
B. A. Neiman	4,866	4,533	4,533
<i>Non-beneficial</i>			
G. H. Cox	1,392,000	1,392,000	1,392,000

During the year, each of the directors except G. H. Cox and B. A. Neiman was granted an option in respect of 1,604 shares under the terms of the group's share savings scheme.

The 1,392,000 shares (1982 1,392,000 shares) shown as a non-beneficial interest of G. H. Cox are also included in the beneficial holdings of M. J. Hollingbery at the above dates.

The shares of the company allocated to directors as participating members of the company's profit sharing scheme have been included in the holdings shown above.

On 15th November 1983 the following interest in the shares of the company had been notified to the company and is included in the beneficial holding of M. J. Hollingbery at that date.

<i>Shareholders</i>	<i>No. of shares</i>	<i>Percentage of issued share capital</i>
P. B. Thomas, M. J. Hollingbery and A. B. Wilbraham	9,729,000	24.07

Save as aforesaid and so far as is known, there is no person or corporate body holding or beneficially interested in 5% or more of the issued share capital of the company.

Income and Corporation Taxes Act 1970

So far as the directors are aware, the close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company; nor has there been any change in that respect since 27th August 1983.

Donations

Payments of a charitable nature made during the year amounted to £13,145 (1982 £8,306).

In addition, the company made donations of £16,500 to the Humberside Industrialist Council, £15,000 to the Conservative Board of Finance and £286 to The Industrial Society.

REPORT OF THE DIRECTORS *CONTINUED*

Finance

The group's borrowings are repayable as follows:

	1983 £000	1982 £000
In one year or less or on demand	3	3
Between one and two years	3	3
Between two and five years	5	8
In five years or more	430	696
	<u>441</u>	<u>710</u>

Employment of disabled persons

It is group policy to give full consideration to suitable applications for employment by disabled persons. Opportunities also exist for the group's employees who become disabled to continue in their employment or to be trained for other positions within the group.

Financial statements format

The financial statements which follow have been prepared in accordance with the provisions of the Companies Act 1981. This has entailed a re-arranged presentation of the statements, which the directors consider is helpful to the shareholders.

Current cost accounts

The directors have reviewed the usefulness of the current cost accounts produced in previous years. Following recent reports concerning the replacement of SSAP 16 with a simpler method of accounting for inflation, they are of the view that compliance with the Standard is no longer merited having regard to the costs of preparation and audit. Accordingly, the financial statements do not include supplementary current cost accounts.

Directors

J. S. Piasecki resigned as a director on 30th April 1983.

In accordance with the articles of association, J. D. Cumming and W. J. McGrath retire by rotation and, being eligible, offer themselves for re-election.

J. D. Cumming and W. J. McGrath each has a service contract terminable by the company on twelve months notice.

Directors' emoluments which have been waived are shown in note 3. There are no arrangements subsisting under which any director has waived or agreed to waive future emoluments.

Subject to the terms of the company's profit sharing scheme, all the directors are entitled to acquire shares in the company through participation in that scheme.

At no time during the year has any director had any material interest in a contract with the company or its subsidiaries.

Auditors

The auditors, Hodgson Harris, are eligible for re-appointment.

On behalf of the Board,

M. J. Hollingbery
Chairman

Hull, 14th December 1983.

ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, including the revaluation of certain assets.

Consolidation

The group statements consolidate the financial statements of Comet Group P.L.C. and of its subsidiary companies.

Turnover

Turnover is the amount received and receivable by the group, exclusive of VAT, from customers outside the group for goods and services supplied during the year.

Depreciation of fixed assets

Depreciation is calculated by reference to cost or valuation, excluding the 1983 valuation, at rates estimated to write off the relevant assets over their expected useful lives, taking into account normal commercial and technical obsolescence. The estimated useful lives assumed are:

Freehold buildings	— various up to 100 years
Long term leasehold land and buildings	— unexpired term of the lease
Premium and improvements	
Short term leasehold land and buildings	— unexpired period to next rent review
Premium	— unexpired term of the lease
Improvements	— various between 5 and 10 years
Plant and equipment	— 4 or 5 years
Rental assets	— 4 years
Commercial vehicles	— 3 years
Motor cars	— 3 years
Display assets	— unexpired term of the lease
Leased assets	

Assets leased to third parties

Finance income is credited to the profit and loss account in relation to the net cash investment in the lease. The net investment in leased assets shown within tangible assets in the balance sheet represents the capital element of total lease payments receivable in future accounting periods.

Stock and work in progress

Stock and work in progress has been valued on a basis consistent with that of previous years at the lower of cost (including an addition for production overhead where appropriate) and net realisable value after making due allowance for obsolete or slow moving items.

Certain consumable stores have been disregarded.

Government grants

Government grants in respect of capital expenditure are upheld and are credited to the profit and loss account over the estimated useful lives of the relevant fixed assets.

Foreign exchange

Amounts payable which are quoted in foreign currencies and paid by bills of exchange are converted to sterling at the exchange rates ruling on the dates of acceptance of the bills of exchange. No adjustment is made to the bills of exchange accepted but not matured at the year end in respect of any profit or loss on exchange arising on maturity.

Warranties and maintenance contracts

Provision has been made for estimated future liabilities under the labour-inclusive warranty on goods sold. Income received in advance on maintenance contracts is upheld without deduction for any future tax which may arise thereon and credited to the profit and loss account over the term of the contracts.

Commission on insurance contracts is credited to the profit and loss account in the year of sale.

Deferred taxation

In accordance with Statement of Standard Accounting Practice No. 15, provision is made only to the extent that the directors consider that liabilities may arise in the foreseeable future in respect of the reversal of tax reliefs.

CONSOLIDATED PROFIT & LOSS ACCOUNT YEAR ENDED 27th AUGUST 1983

	Note	1983		1982	
		£000	£000	£000	£000
Turnover	1		335,044		253,813
Cost of sales			(307,923)		(238,767)
Gross profit			<u>27,121</u>		<u>15,046</u>
Distribution costs		(1,930)		(1,794)	
Administrative expenses		(10,077)		(9,430)	
Other operating income		1,326		1,905	
			<u>(10,681)</u>		<u>(9,319)</u>
Profit before interest and taxation	1		16,440		5,727
Interest receivable		3,205		1,782	
Interest payable	2	(103)		(88)	
			<u>3,102</u>		<u>1,694</u>
Profit on ordinary activities before taxation	2		19,542		7,421
Taxation	5		(3,732)		(560)
Profit on ordinary activities after taxation			<u>15,810</u>		<u>6,861</u>
Dividends	6		(1,689)		(1,304)
Profit retained	7		<u>14,121</u>		<u>5,557</u>
Earnings per share - net basis			<u>39.1p</u>		<u>17.0p</u>
Earnings per share - nil distribution basis			<u>32.4p</u>		<u>18.4p</u>

The earnings per share on a net basis are calculated by dividing the profit after taxation by the 40,425,199 shares in issue. On a nil distribution basis, the advance corporation tax within the taxation charge is ignored in the calculation.

The parent company is exempt from publishing its own profit and loss account which shows a profit after taxation of £6,420,000 (1982 £4,543,000).

The notes on pages 15 to 24 form part of these financial statements.

CONSOLIDATED BALANCE SHEET AT 27th AUGUST 1983

	Note	1983		1982	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	8	—		—	
Tangible assets	9	33,451		19,884	
Investments	12	81		50	
			33,532		19,934
Current assets					
Stocks	13	66,538		54,403	
Debtors	14	7,958		6,060	
Bank balances, deposits and cash		22,286		22,539	
		96,782		83,002	
Creditors payable within one year	15				
Trade creditors		55,908		53,230	
Bills of exchange		214		102	
Other creditors		11,790		8,019	
		67,912		61,351	
Net current assets			28,870		21,651
Total assets less current liabilities			62,402		41,585
Creditors payable in more than one year	16		438		707
Provision for liabilities and charges	17		6,792		2,362
Accruals and deferred income			1,922		1,451
Net assets			53,250		37,065
Capital and reserves					
Called up share capital	20		2,021		2,021
Share premium account	7		2,168		2,168
Revaluation reserve	7		3,070		50
Profit and loss account	7		45,991		32,826
			53,250		37,065

M. J. Hollington
P. M. [Signature] } Directors

14th December 1983

The notes on pages 15 to 24 form part of these financial statements.

(COMET GROUP P.L.C.)
AT 27th AUGUST 1983

14th December 1983

14th December 1983

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NOTES ON THE FINANCIAL STATEMENTS YEAR ENDED 27th AUGUST 1983

	1983		1982	
	Turnover	Profit before interest	Turnover	Profit before interest
	£000	£000	£000	£000
1. Turnover and profit contributions:				
Retailing	317,386	15,676	239,341	6,074
Manufacturing	17,658	764	14,472	(347)
	<u>335,044</u>	<u>16,440</u>	<u>253,813</u>	<u>5,727</u>
2. Profit on ordinary activities before taxation:				
Stated after crediting:			1983 £000	1982 £000
Surplus arising on redemption of subsidiary company loan stock			<u>36</u>	<u>69</u>
Net gain on disposal of fixed assets (excluding McOnomy exceptional losses)			<u>147</u>	<u>302</u>
and after charging:				
Interest payable:				
Interest on bank loans and overdrafts			18	11
Interest on loans repayable within five years			1	5
Interest on other loans			<u>84</u>	<u>72</u>
			<u>103</u>	<u>88</u>
Depreciation			<u>3,350</u>	<u>2,390</u>
Intangible assets written off			<u>173</u>	<u>—</u>
Hire of motor vehicles, office machinery and equipment			<u>828</u>	<u>1,376</u>
Directors' emoluments:				
As directors			5	4
As executives including pension contributions			650	470
Payment made after termination of office			<u>25</u>	<u>18</u>
			<u>680</u>	<u>492</u>
Auditors' remuneration			<u>129</u>	<u>119</u>
Exceptional costs associated with James McOnomy closures (1982 - Jewellery division stock write-downs and closures).			<u>526</u>	<u>926</u>

NOTES CONTINUED

	1983 £000	1982 £000
3. Emoluments of directors:		
(excluding pension contributions)		
Chairman's emoluments	122	72
Emoluments of highest paid director	194	83
Three directors (1982 two) waived rights to receive emoluments totalling £262,955 (1982 £87,732).		
Directors' emoluments for the year fall into the following scales:	No.	No.
0 — £5,000	1	1
£15,001 — £20,000	1	—
£20,001 — £25,000	—	1
£35,001 — £40,000	—	5
£40,001 — £45,000	1	1
£45,001 — £50,000	1	—
£50,001 — £55,000	2	—
£55,001 — £60,000	1	—
£70,001 — £75,000	—	1
£80,001 — £85,000	—	1
£120,001 — £125,000	1	—
£190,001 — £195,000	1	—
4. Employees:	1983 £000	1982 £000
Costs:		
Wages and salaries	26,160	22,237
Social security costs	2,667	2,654
Pension costs	639	582
	29,466	25,473
Numbers:		
Production	494	510
Service	944	869
Retail	2,310	2,176
Administration	595	577
	4,343	4,132

There are no employees with emoluments in excess of £30,000.

NOTES CONTINUED

1983 1982

£000 £000

5. Taxation:

The charge based on the profit for the year comprises:

U.K. corporation tax at 52%	4,883	—
Deferred taxation	1,542	—
Overseas tax	12	—
Advance corporation tax recoverable, previously written off	(2,705)	—
Advance corporation tax on dividends of the year	—	560
	<u>3,732</u>	<u>560</u>

The tax charge has been reduced by:

Stock relief	1,985	1,818
Other timing differences	1,812	167
Loss relief	274	1,959
	<u>4,071</u>	<u>3,944</u>

1983 1982
£000 £000 £000 £000

6. Dividends:

Interim dividend of 2.0p per share, equivalent with the related tax credit to 2.86p per share (1982 2.1p) paid on 29th July 1983

809 595

Formal waivers lodged

(216) 593 (159) 436

Final dividend of 3.7p per share, equivalent with the related tax credit to 5.29p per share (1982 4.19p) recommended for payment on 3rd February 1984

1,496 1,184

Formal waivers lodged

(400) 1,096 (316) 868

Total payable for the year

1,689 1,304

NOTES CONTINUED

7. Reserves:

	Share premium £000	Revalua- tion reserve £000	Profit and loss account £000
Group:			
Opening reserves	2,168	50	32,826
Surplus on revaluation of properties	—	3,020	(956)
Retained profit for the year	—	—	14,121
	<u>2,168</u>	<u>3,070</u>	<u>45,991</u>
Closing reserves	<u>2,168</u>	<u>3,070</u>	<u>45,991</u>
Company:			
Opening reserves	2,168	50	30,014
Surplus on revaluation of properties	—	2,495	(95)
Retained profit for the year	—	—	4,731
	<u>2,168</u>	<u>2,545</u>	<u>34,650</u>
Closing reserves	<u>2,168</u>	<u>2,545</u>	<u>34,650</u>

The surplus on revaluation of properties credited to revaluation reserve is the element of individual surpluses which enhance the individual valuations above relevant cost. The remaining surpluses and deficits are taken to profit and loss account. No account has been taken of taxation in respect of amounts credited to revaluation reserve.

8. Intangible assets:

Patents and similar intangible assets

£000

Group:

Cost:

At 28th August 1982	—
Additions	173
Written off	(173)
	<u>—</u>
At 27th August 1983	<u>—</u>

NOTES *CONTINUED*

9. Tangible assets:	Freehold land and buildings £000	Leasehold land and buildings Long lease £000	Short lease £000	Plant, equipment and vehicles £000	Rental assets £000	Display assets £000	Leased assets £000	Total £000
Group:								
Cost or valuation:								
At 28th August 1982	7,758	528	3,006	14,810	1,306	363	—	27,771
Re-allocations	—	—	(20)	20	—	—	—	—
Additions	3,918	687	336	8,775	14	208	2,977	16,915
Disposals	(84)	—	(210)	(3,095)	(326)	(113)	—	(3,828)
Revaluation adjustment	1,767	349	(1,717)	—	—	—	—	399
At 27th August 1983	13,359	1,564	1,395	20,510	994	458	2,977	41,257
Accumulated depreciation:								
At 28th August 1982	250	60	1,002	6,091	480	4	—	7,887
Re-allocations	—	—	(14)	14	—	—	—	—
Charged for the year	78	21	341	2,404	364	129	13	3,350
Appropriated on disposals	(4)	—	(60)	(1,350)	(321)	(22)	—	(1,757)
Revaluation adjustment	(324)	(81)	(1,269)	—	—	—	—	(1,674)
At 27th August 1983	—	—	—	7,159	523	111	13	7,806
Net book value:								
At 27th August 1983	13,359	1,564	1,395	13,351	471	347	2,964	33,451
At 28th August 1982	7,508	468	2,004	8,719	826	359	—	19,884
Cost or valuation comprises:								
Cost	—	—	—	20,510	994	458	2,977	24,939
Valuation 1983	13,359	1,564	1,395	—	—	—	—	16,318
At 27th August 1983	13,359	1,564	1,395	20,510	994	458	2,977	41,257
Gross depreciable assets:								
At 27th August 1983	10,114	1,564	1,395	20,510	994	458	2,977	38,012
At 28th August 1982	6,039	528	3,006	14,810	1,306	363	—	26,052

Freehold and leasehold properties have been revalued at 27th August 1983 on an open market for existing use basis, by members of the Royal Institution of Chartered Surveyors.

If the 1983 revaluation of land and buildings had not been incorporated in the financial statements the net book value of those assets would have been:

Freehold land and buildings	£11,268,000
Long leasehold land and buildings	£1,134,000
Short leasehold land and buildings	£1,843,000

NOTES CONTINUED

9. Tangible assets:— <i>continued</i>	Freehold land and buildings £000	Leasehold land and buildings Long lease £000	Short lease £000	Equipment and vehicles £000	Total £000
Parent company:					
Cost or valuation:					
At 28th August 1982	6,805	487	—	—	7,292
Additions	3,849	687	—	33	4,569
Group transfers	—	—	4	492	496
Disposals	(84)	—	(4)	(117)	(205)
Revaluation adjustment	1,753	354	—	—	2,107
At 27th August 1983	<u>12,323</u>	<u>1,528</u>	<u>—</u>	<u>408</u>	<u>14,259</u>
Accumulated depreciation:					
At 28th August 1982	175	51	—	—	226
Charged for the year	58	21	—	86	165
Group transfers	—	—	1	147	148
Appropriated on disposals	(4)	—	(1)	(90)	(95)
Revaluation adjustment	(229)	(72)	—	—	(301)
At 27th August 1983	<u>—</u>	<u>—</u>	<u>—</u>	<u>143</u>	<u>143</u>
Net book value:					
At 27th August 1983	<u>12,323</u>	<u>1,528</u>	<u>—</u>	<u>265</u>	<u>14,116</u>
At 28th August 1982	<u>6,630</u>	<u>436</u>	<u>—</u>	<u>—</u>	<u>7,066</u>
Cost or valuation comprises:					
Cost	—	—	—	408	408
Valuation 1983	12,323	1,528	—	—	13,851
At 27th August 1983	<u>12,323</u>	<u>1,528</u>	<u>—</u>	<u>408</u>	<u>14,259</u>
Gross depreciable assets:					
At 27th August 1983	<u>9,298</u>	<u>1,528</u>	<u>—</u>	<u>408</u>	<u>11,234</u>
At 28th August 1982	<u>5,284</u>	<u>487</u>	<u>—</u>	<u>—</u>	<u>5,771</u>

Freehold and leasehold properties have been revalued at 27th August 1983 on an open market for existing use basis, by members of the Royal Institution of Chartered Surveyors.

If the 1983 revaluation of land and buildings had not been incorporated in the financial statements the net book value of those assets would have been:

Freehold land and buildings	<u>£10,341,000</u>
Long leasehold land and buildings	<u>£1,102,000</u>

NOTES CONTINUED

	1983		1982	
	<i>Group</i> £000	<i>Company</i> £000	<i>Group</i> £000	<i>Company</i> £000
10. Future capital expenditure:				
Contracted for	4,954	1,574	1,926	32
Authorised by the directors but not contracted for	8,012	3,276	3,527	1,987
		£000		£000
11. Investment in subsidiaries:				
Shares at cost less amounts provided or written off		16,129		15,671

The movement in 1983 is due to the cancellation of provisions no longer required, there having been no additions, disposals, revaluations or write-offs during the year.

	<i>Country of Registration</i>
The principal subsidiaries (all wholly owned) are:	
Comet Radiovision Services Ltd	<i>England</i>
James McOnomy Ltd	<i>England</i>
R. P. Carmichael & Company Ltd	<i>England</i>
Combi Furniture Ltd	<i>England</i>
Flaxenfine Wholesale Jewellers Ltd	<i>England</i>
Caledonian Holdings Ltd	<i>Scotland</i>
and its subsidiaries (all wholly owned):	
Timberland Ltd	<i>Scotland</i>
Jupiter Ltd.	<i>England</i>
Ideal Timber Products Ltd	<i>Scotland</i>
Expedite Publicity Ltd	<i>England</i>
Maurice Lipkin & Company Ltd	<i>England</i>
Henry Griffith & Sons Ltd	<i>England</i>
Slade & Woolf Ltd	<i>England</i>
C. P. S. Jewellery Company Ltd	<i>England</i>
Polarcold Ltd	<i>England</i>

The accounts of one overseas subsidiary (not listed above) have been audited by a firm other than Hodgson Harris. The turnover, profit and net assets of this company represent less than 1% of the corresponding group figures.

	1983		1982	
	<i>Group</i> £000	<i>Company</i> £000	<i>Group</i> £000	<i>Company</i> £000
12. Investments:				
Unlisted investments at cost	81	81	50	50

The movement in 1983 is due to additions at cost, there having been no disposals, revaluations or write-offs during the year.

NOTES CONTINUED

	1983		1982	
	Group £000	Company £000	Group £000	Company £000
13. Stock and work in progress:				
Raw materials	2,649	—	2,032	—
Work in progress	1,841	—	1,652	—
Finished goods and retail stocks	62,048	—	50,719	—
	<u>66,538</u>	<u>—</u>	<u>54,403</u>	<u>—</u>
14. Debtors:				
Trade debtors	5,725	58	4,843	—
Other debtors	1,460	15	452	—
Prepayments and accrued income	773	—	765	—
	<u>7,958</u>	<u>73</u>	<u>6,060</u>	<u>—</u>
Neither the group nor the company has any debtor values falling due after more than one year.				
15. Creditors payable within one year:				
Short term loans	3	—	3	—
Trade creditors	55,908	—	53,230	—
Bills of exchange	214	—	102	—
Amounts payable to subsidiaries	—	15,921	—	2,383
Taxation	1,168	725	559	559
PAYE and social security	773	6	668	—
Other creditors	8,750	395	5,921	90
Dividends	1,096	1,096	868	868
	<u>67,912</u>	<u>18,143</u>	<u>61,351</u>	<u>3,900</u>
16. Creditors payable in more than one year:				
Loan stock	430	—	696	—
Medium term loans	8	—	11	—
	<u>438</u>	<u>—</u>	<u>707</u>	<u>—</u>
17. Provisions for liabilities and charges:				
Taxation — payable 1st January 1985	1,635	1,563	—	—
Deferred taxation (see note 22)	930	—	—	—
Provision for warranties	4,227	—	2,362	—
	<u>6,792</u>	<u>1,563</u>	<u>2,362</u>	<u>—</u>

The movements in 1983 are reflected in the profit and loss accounts of the year.

NOTES CONTINUED

	1983		1982	
	Group	Company	Group	Company
	£000	£000	£000	£000
18. Borrowings:				
Loans repayable in more than five years:				
Caledonian Holdings Ltd loan stock*				
— 6½% 1984/89	98	—	237	—
— 7½% 1985/90	332	—	459	—
	<u>430</u>	<u>—</u>	<u>696</u>	<u>—</u>
Short term borrowings:				
Loan at 6¾% (repayable by half yearly instalments to 1986) — secured on a leasehold factory	11	—	14	—
	<u>441</u>	<u>—</u>	<u>710</u>	<u>—</u>
Total borrowings	<u>441</u>	<u>—</u>	<u>710</u>	<u>—</u>

*Caledonian Holdings Ltd has purchased in the market its 7½% loan stock 1985/90 for a consideration sufficient to satisfy any future requirement to set aside and apply £15,000 per annum by way of a non-cumulative sinking fund under conditions contained in the trust deed constituting the stock. Both the loan stocks are secured on a designated bank deposit.

19. Contingent liabilities:

The company has guaranteed to the boards of certain of the subsidiaries all external debts due by them and has guaranteed to a third party to the extent of £1,500,000 certain trading debts of a subsidiary. The company is jointly and severally liable for VAT payable by the other group companies under a group registration scheme but at 27th August 1983 there was no liability under the scheme. The company has joined with certain other group companies in an unlimited multilateral guarantee of any balances due to bankers by them, but at 27th August 1983 there was no net indebtedness on all accounts covered by the guarantee.

On 27th August 1983 the group had a contingent liability of £60,600 in respect of bank guarantees for customs duties on samples taken overseas.

	1983	1982
20. Share capital:	£000	£000
Authorised	<u>2,500</u>	<u>2,500</u>
Allotted, called up and fully paid		
40,425,199 (1982 40,425,199)		
ordinary shares of 5p each	<u>2,021</u>	<u>2,021</u>

21. Comet Group Share Savings Scheme 1983:

Outstanding options granted are as follows:

Date of grant	No. of shares	Option price	Exercise date
March 1983	143,266	243p	March to September 1988

NOTES CONTINUED

	1983 £000	1982 £000
22. Deferred taxation:		
Group:		
The provision for deferred taxation at 27th August 1983 comprises:—		
Corporation tax deferred by		
accelerated capital allowances	1,542	—
Advance corporation tax recoverable	(612)	—
	<u>930</u>	<u>—</u>

On a full provision basis in addition to the above there are the following potential liabilities/reliefs.

	1983		1982	
	<i>Group</i> £000	<i>Company</i> £000	<i>Group</i> £000	<i>Company</i> £000
Corporation tax deferred by accelerated capital allowances and other timing differences	<u>6,179</u>	<u>118</u>	<u>3,517</u>	<u>65</u>
Taxation relief on losses not utilised available for future relief	<u>1,543</u>	<u>—</u>	<u>1,817</u>	<u>—</u>

The large number of properties for which a detailed calculation would be required make it impractical to estimate the corporation tax which would be chargeable if all the freehold and leasehold properties were disposed of at their revalued amounts.

AUDITORS' REPORT

AUDITORS' REPORT to the members of Comet Group P.L.C.

We have audited the financial statements on pages 11 to 25 in accordance with approved Auditing Standards. In our opinion the financial statements, which have been prepared under the historical cost convention as modified by the revaluation of certain assets, give a true and fair view of the state of affairs of the company and the group at 27th August 1983 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

The financial statements do not contain the current cost accounts required by Statement of Standard Accounting Practice No. 16.

Hull, 14th December 1983

Storjson & Smith
Chartered Accountants

SOURCE AND APPLICATION OF FUNDS YEAR ENDED 27th AUGUST 1983

	1983		1982	
	£000	£000	£000	£000
Source of funds:				
Profit before taxation		19,542		7,421
Items not involving movement of funds:				
Depreciation	3,350		2,390	
Increase in provisions	2,338		1,313	
Profit arising on redemption of subsidiary company loan stock	(36)		(69)	
Loss/(Profit) arising on disposal of fixed assets	268		(302)	
	<u> </u>	5,920	<u> </u>	3,332
Funds generated from trading operations		25,462		10,753
Proceeds from sale of fixed assets		1,802		1,451
		<u> </u>		<u> </u>
		27,264		12,204
 Movements in working capital:				
Increase in stock and work in progress	(12,135)		(656)	
(Increase)/decrease in debtors	(1,898)		233	
Increase in creditors and bills payable	5,715		4,470	
	<u> </u>		<u> </u>	
Funds (absorbed)/generated by working capital movements		(8,318)		4,047
		<u> </u>		<u> </u>
		18,946		16,251
 Application of funds:				
Purchase of fixed assets	16,915		6,964	
Purchase of investments	31		11	
Corporation tax paid	559		505	
Dividends paid	1,461		1,185	
Repayment of loans	3		58	
Repayment of subsidiary loan stock	230		172	
	<u> </u>	19,199	<u> </u>	8,895
		<u> </u>		<u> </u>
(Decrease)/increase in liquid funds		(253)		7,356

TEN YEAR REVIEW

(Amounts in £000)

	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Turnover	48,648	49,767	47,401	82,915	123,937	168,322	208,819	211,043	253,813	335,044
Profit before tax	1,466	2,259	1,474	3,808	6,284	9,200	6,443	7,214	7,421	19,542
Profit after tax	1,302	2,093	1,347	3,698	6,134	8,797	6,242	6,718	6,861	15,810
Tangible assets	4,783	3,691	4,835	6,761	6,389	12,397	15,429	16,459	19,884	33,451
Other assets less liabilities	(792)	2,664	1,740	3,187	9,354	7,939	10,546	15,049	17,181	19,799
Net assets	3,991	6,355	6,575	9,948	15,743	20,336	25,975	31,508	37,065	53,250
Share capital	621	621	621	621	932	1,347	2,021	2,021	2,021	2,021
Reserves	3,370	5,734	5,954	9,327	14,811	18,989	23,954	29,487	35,044	51,229
Shareholders' funds	3,991	6,355	6,575	9,948	15,743	20,336	25,975	31,508	37,065	53,250
Net dividend declared per share	0.89p	0.95p	1.05p	1.17p	1.81p	3.50p	3.82p	4.00p	4.40p	5.70p
Earnings per share— nil distribution basis	3.9p	6.0p	4.0p	10.2p	16.9p	23.8p	16.5p	17.9p	18.4p	32.4p
Post-tax return (%) on shareholders' funds at beginning of year	43.0	52.4	21.2	56.2	61.7	55.9	30.7	25.9	21.8	42.6

Notes: 1. The details of dividends declared and earnings per share for earlier years have been adjusted for the capitalisation issues.

2. In 1975, the tangible and other assets were affected by the sale of the television rental business.

3. The profit after tax and reserves for earlier years have been adjusted on the basis of a SSAP 15 provision for deferred taxation.

4. 1978 was a 53 week period.