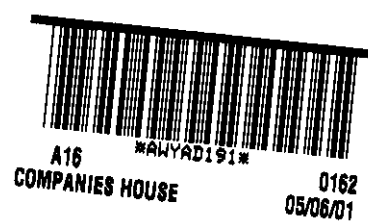


Lillywhites Limited

Registered Number 290939

Annual Report

For the Year Ended 31 December 2000



Lillywhites Limited

Annual Report for the Year Ended 31 December 2000

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Lillywhites Limited

Directors' Report for the Year Ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activity

The principal activity of the Company is the retail sale of sports equipment and clothing.

Review of the business

The directors consider that significant progress has been made during 2000. Competitive pressure remains a key issue within the sector, with the rationalisations seen in 1999 and early 2000 likely to continue in the short term. The directors consider that the strategies pursued in 2000 and to be continued in 2001 will provide a foundation for improved trading performance.

In what has been a challenging year the directors consider that the dedication and commitment of their colleagues, both centrally and within the branches, has been an outstanding factor.

The profit and loss account for the year is set out on page 4.

Dividends

The directors do not recommend the payment of a dividend (1999: nil).

Directors

The directors during the year ended 31 December 2000 were as follows:

F Funcke		
A Cronie		
L Chopping	(Company Secretary)	
J M S C Soares dos Santos	Appointed	07/04/2000
J A Silva Jorge	Appointed	06/04/2000
J M C Vozzone	Resigned	06/04/2000
M J P A Marques	Resigned	18/02/2000
F M C Soares dos Santos	Resigned	06/02/2000

Directors' interests

No director had a direct interest in the share capital of the Company. Directors' indirect interests through their interests in either the share capital of the immediate parent or the ultimate parent companies are disclosed in the accounts of those companies.

Lillywhites Limited

Directors' Report for the Year Ended 31 December 2000 (Continued)

Employees

The Company's policy is to consult and discuss with employee's matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with internal training courses is given. Once employed, a career plan is developed to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial support from parent company

The Company is reliant on the continued financial support of the parent company which has confirmed its intention of providing adequate financial support.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board

Lynton Chopping
Director & Company Secretary

25TH APRIL 2001

Auditors' Report to the Members of Lillywhites Limited

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

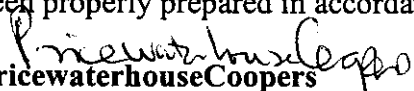
Basis of audit opinion

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 state of the company's affairs at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

London

25 April 2001

Lillywhites Limited

Profit and Loss Account for the Year Ended 31 December 2000

	Notes	2000 £	1999 £
Turnover – continuing operations	2	30,774,309	31,471,015
Cost of sales – continuing operations		(18,553,596)	(18,629,819)
Gross profit		12,220,713	12,841,196
Net operating expenses – continuing operations	3	(14,024,021)	(14,305,417)
Exceptional items	6	944,623	(3,638,971)
Operating loss after exceptional items		(858,685)	(5,103,192)
Interest receivable	7	11,346	29,264
		(847,339)	(5,073,928)
Interest payable	8	(1,018,791)	(754,063)
Loss on ordinary activities before taxation	9	(1,866,130)	(5,827,991)
Tax on loss on ordinary activities	10	(2,060)	-
Retained loss for the financial year	18	(1,868,190)	(5,827,991)

The Company has no recognised gains and losses other than the losses above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalent.

Lillywhites Limited

Balance Sheet at 31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	11	18,664,154	19,146,198
Current assets			
Stock	13	5,489,879	5,967,630
Debtors	14	1,907,692	1,991,842
Cash at bank and in hand		246,668	31,960
		7,644,239	7,991,432
Creditors: amounts falling due within one year	15	(20,206,844)	(18,532,739)
Net current liabilities		(12,562,605)	(10,541,307)
Total assets less current liabilities		6,101,549	8,604,891
Creditors: amounts falling due after more than one year	16	(26,007,098)	(26,642,250)
Net liabilities		(19,905,549)	(18,037,359)
Capital and reserves			
Called up share capital (including non-equity interests)	17	416,995	416,995
Profit and loss account	18	(20,322,544)	(18,454,354)
Total shareholders' deficit	19	(19,905,549)	(18,037,359)

The financial statements on pages 4 to 14 were approved by the board of directors on 25TH APRIL 2001 and were signed on its behalf by:


Lynton Chopping
Director and Company Secretary

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

Turnover

Turnover, which excludes value-added tax and trade discounts represents the invoiced value of goods sold.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. Furniture and equipment are depreciated over 4 to 15 years. IT equipment is depreciated over 8 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

Stock

Stock is stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport, stock handling costs and a proportion of warehouse costs.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

Pension costs

Contributions to the Company's defined contribution scheme are charged to the profit and loss account on an accrual basis.

Cash flow statement

As permitted by FRS 1 (revised) 'Cash flow statements' the Company has not prepared a cash flow statement as it is a wholly owned subsidiary of Jeronimo Martins, SGPS, S.A., and the cash flows of the company are included in the consolidated cash flow statement of that company.

2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

3 Net operating expenses

	2000 £	1999 £
Continuing operations		
Administrative expenses:		
Wages and salaries	5,478,528	5,155,746
Other external charges	6,890,914	7,341,810
Depreciation	1,654,579	1,807,861
	14,024,021	14,305,417

4 Directors' emoluments

	2000 £	1999 £
Aggregate emoluments	350,405	265,814
Pension contributions to external money purchase schemes	20,496	11,056
	370,901	276,870

Retirement benefits were accruing to two of the directors under an external money purchase scheme.

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

Highest paid director

	2000 £	1999 £
Aggregate emoluments	198,505	169,270

5 Employee information

The average number of persons (including executive directors) employed by the Company during the period was:

	2000 Number	1999 Number
United Kingdom		
Full time	201	227
Part time	269	201
	470	428
Staff costs	£	£
Wages and salaries	5,082,882	4,768,654
Social security costs	342,902	331,762
Other pension costs	52,744	55,330
	5,478,528	5,155,746

6 Exceptional costs

	2000 £	1999 £
Impairment of fixed assets	944,623	(3,638,971)

The write back of the impairment has arisen as a result of the change in the expected life span of a store. Cash flows have been considered until the end of the lease discounted at a rate of 6.64% .

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

7 Interest receivable

	2000 £	1999 £
Bank interest	567	1,417
Other	10,779	27,847
	<u>11,346</u>	<u>29,264</u>

8 Interest payable

	2000 £	1999 £
On bank loans and overdrafts	(1,018,295)	(754,063)
Other	(496)	-
	<u>(1,018,791)</u>	<u>(754,063)</u>

9 Loss on ordinary activities before taxation

	2000 £	1999 £
Loss on ordinary activities before taxation is stated after crediting:		
Rent receivable	(175,543)	(149,813)
And after charging:		
Depreciation charge for the year	1,654,579	1,807,861
Auditors' remuneration for:		
- Audit	32,113	38,000
- Other services to the company	950	22,625
Hire of plant and machinery - operating leases	42,653	60,082
Rent payable under operating leases	<u>2,941,608</u>	<u>3,031,068</u>

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

10 Tax on loss on ordinary activities

The taxation charge of £2,060 (1999: nil) relates to the finalisation of the 1995 Corporation tax bill.

There is no corporation tax charge applicable to 2000 owing to the losses arising in the year. The unprovided amounts of deferred taxation arising from timing differences:

	2000 £	1999 £
Accelerated capital allowances	622,000	506,000
Tax effect of losses carried forward	4,478,000	4,415,000
	5,100,000	4,921,000

The accumulated losses for tax purposes are £14,928,000 (1999: £14,715,000).

11 Tangible fixed assets

Land & buildings

	Long lease	Short leases	Fixtures and Equipment	Total
	£	£	£	£
Cost				
At 1 January 2000	13,799,287	378,556	14,478,117	28,655,960
Additions	-	-	227,912	227,912
Disposals	-	(55,330)	(804,595)	(859,925)

At 31 December 2000	13,799,287	323,226	13,901,434	28,023,947
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Depreciation

At 1 January 2000	1,535,669	266,379	7,707,714	9,509,762
Charge for the period	276,552	13,396	1,364,631	1,654,579
Disposals	-	(55,330)	(804,595)	(859,925)
Impairment	-	(34,460)	(910,163)	(944,623)

At 31 December 2000	1,812,221	189,985	7,357,587	9,359,793
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Net book value

At 31 December 2000	11,987,066	133,241	6,543,847	18,664,154
At 1 January 2000	12,263,618	112,177	6,770,403	19,146,198

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

12 Fixed asset investments

The Company owns all the issued share capital of James Lillywhites Limited. The subsidiary is registered in England and is dormant. The cost of the investment was £495, which has been fully provided.

13 Stock

The stock of the Company consists entirely of finished goods purchased for resale. Warehouse costs of £717,000 (1999: £759,000) have been included in the valuation of stock.

14 Debtors

	2000 £	1999 £
Amounts falling due within one year		
Trade debtors	640,490	643,206
Other debtors	162,085	224,302
Prepayments and accrued income	1,105,117	1,124,334
	1,907,692	1,991,842

15 Creditors: amounts falling due within one year

	Notes	2000 £	1999 £
Bank overdraft		1,000,000	1,723,059
Bank loans – secured	(a)	15,000,000	12,250,000
– unsecured		1,000,000	1,000,000
Trade creditors		1,756,608	1,323,717
Other taxation and social security		610,147	771,764
Sundry creditors and accruals		840,089	1,464,199
		20,206,844	18,532,739

- (a) The bank loan is secured by a guarantee of repayment from Jeronimo Martins SGPS S.A.

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

16 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Loan from immediate parent company, Jeronimo Martins Holdings (UK) Ltd	26,007,098	26,642,250

The loan is interest free and has no fixed date of repayment. The parent company has indicated that the loan will not be repayable in the foreseeable future.

17 Called up share capital

	2000 £	1999 £
Authorised:		
3,500,000 ordinary shares (equity shares) of 10p each	350,000	350,000
200,000 cumulative 6% preference shares (non-equity shares) of 50p each	100,000	100,000
	450,000	450,000
	2000 £	1999 £
Allotted, called up and fully paid:		
3,169,950 ordinary shares (equity shares) of 10p each	316,995	316,995
200,000 cumulative 6% preference shares (non-equity shares) of 50p each	100,000	100,000
	416,995	416,995

The preference shares have no voting rights and are not redeemable. They have priority over ordinary shares in the event of a winding up of the Company.

The current and previous holders of the cumulative 6% preference shares have waived their rights to dividends, and the current holder has indicated that it is not its present intention to seek payment of future dividends.

18 Reserves

	2000 £	1999 £
At 1 January 2000	(18,454,354)	(12,626,363)
Retained loss for the financial year	(1,868,190)	(5,827,991)
At 31 December 2000	(20,322,544)	(18,454,354)

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

19 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Opening shareholders' funds	(18,037,359)	(12,209,368)
Loss for the financial period	(1,868,190)	(5,827,991)
Closing shareholders' funds	(19,905,549)	(18,037,359)
Split as follows:		
Equity shareholders' funds	(20,005,549)	(18,137,359)
Non Equity shareholders' funds	100,000	100,000
	(19,905,549)	(18,037,359)

20 Capital commitments

	2000 £	1999 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	102,300	23,206

21 Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	2000 Land and buildings £	Other £	1999 Land and Buildings £	Other £
Expiring within one year	47,500	23,721	-	2,827
Expiring between two and five years inclusive	-	3,108	190,000	48,695
Expiring over five years	2,649,500	-	2,935,750	-
	2,697,000	26,829	3,125,750	51,522

22 Related party transactions

The Company has taken advantage of the exemption available to subsidiary companies under FRS8 "Related Parties" not to disclose transactions or balances with group companies.

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2000

23 Controlling party

The directors regard Jeronimo Martins, SGPS, S.A., a listed company incorporated in Portugal, to be the ultimate parent company. Shares representing 58.5% of the voting rights of that company are held with Sociedade Francisco Manuel Dos Santos, S.A. which, for the purpose of Financial Reporting Standard No.8, is regarded by the directors as the ultimate controlling party.

Copies of the group accounts can be obtained from Jeronimo Martins, SGPS, S.A., Rua Tierno Galvan, Torre 3, 9 Piso - 1070 LISBOA, Portugal.