

Registered Number 290939

**Lillywhites Limited**  
**Report and Accounts**  
**Year ended 31 December 1996**



# **Lillywhites Limited**

## **Report and accounts for the year ended 31 December 1996**

<b>Contents</b>	<b>Page</b>
Directors' report	1-3
Report of the auditors	4-5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8 - 19

# **Lillywhites Limited**

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

## **Principal activity**

The principal activity of the Company is unchanged from last year and is the retail sale of sports equipment and clothing.

## **Review of the business**

The profit and loss account for the period is set out on page 6.

During the year, the Company opened 6 new stores as part of its expansion programme. As a direct result of this expansion, the Company experienced a deterioration of accounting controls and records, in particular relating to stock and related creditors. A new management team has been appointed and are taking steps to rectify this situation during 1997, including the introduction of new controls and procedures and arrangements for new warehouse facilities.

## **Dividends**

The directors do not recommend the payment of a dividend for the period (1995: nil).

## **Directors**

The directors during the year ended 31 December 1996 were as follows:

MJPA Marques	(appointed 23 October 1996)
FO Marra	(appointed 23 October 1996, resigned 4 June 1997 )
FMC Soares Dos Santos	
JMC Vozone	
AP Meyer	(resigned 6 December 1996)
MM Walter	(resigned 6 December 1996)
RC Dinkeldein	(resigned 25 October 1996)
G George	(resigned 11 July 1996)
BC Milburn	(appointed 23 October 1996, resigned 31 December 1996)
CJ Parker	(resigned 11 July 1996)
JMM Ponce De Leao	(resigned 4 November 1996)
PJ Greeves	(appointed 12 March 1997)
PR Hird	(appointed 12 March 1997)

# **Lillywhites Limited**

## **Directors' report (continued)**

### **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 parent or the ultimate parent companies are disclosed in the accounts of those companies.

### **Charitable and political donations**

The Company made charitable donations during the period of £130. No political donations were made during the period.

### **Employees**

The Company's policy is to consult and discuss with employees 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.

### **Statement of directors' responsibilities**

The directors are required by United Kingdom company law to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial period 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 1996. The directors also confirm that applicable accounting standards have been followed and that the 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.

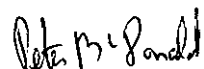
# **Lillywhites Limited**

## **Directors' report (continued)**

### **Auditors**

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in dark ink, appearing to read "Peter McDonald".

Company Secretary  
17 October 1997

# **Lillywhites Limited**

## **Auditors' report to the shareholders of Lillywhites Limited**

We have audited the financial statements on pages 6 to 19.

### **Respective responsibilities of directors and auditors**

As described on page 2, the Company's directors are responsible for the preparation of 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 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. However, the evidence available to us was limited as a result of the matter referred to below.

During the year, the Company experienced a deterioration of accounting controls and records as a result of a significant expansion of the business. In particular, the Company did not maintain proper records of trade creditors and stocks, and a comprehensive stock count was not performed at the year end. Proper accounting records have therefore not been maintained by the Company and as a result we were not able to obtain all the information and explanations we required. The total trade creditor and stock balances at 31 December 1996 were £7,663,303 and £5,679,456 respectively.

Consequently we have been unable to satisfy ourselves as to the completeness of trade creditors and the existence of certain categories of stock as at 31 December 1996.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

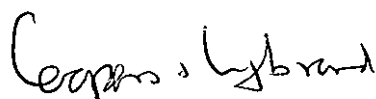
# **Lillywhites Limited**

## **Auditors' report to the shareholders of Lillywhites Limited (continued)**

### **Qualified opinion arising from limitation in audit scope**

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1996 or of its loss for the year then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to stocks and creditors we have not obtained all the information and explanations that we considered necessary for the purpose of our audit and, in that respect in our opinion, proper accounting records have not been kept.



Chartered Accountants and Registered Auditors

London

17 October 1997

# Lillywhites Limited

## Profit and loss account for the year ended 31 December 1996

	Notes	1996 £	11 month period ended 31 December 1995 £
<b>Turnover - continuing operations</b>	2	23,318,921	16,300,754
Costs of sales - continuing operations		(14,716,895)	(8,508,176)
Gross profit		8,602,026	7,792,578
Net operating expenses - continuing operations	3	(14,014,275)	(6,800,960)
<b>Operating (loss)/profit - continuing operations</b>		<b>(5,412,249)</b>	<b>991,618</b>
Interest receivable	6	31,805	154,467
Interest payable	7	(330,370)	-
<b>(Loss)/profit on ordinary activities before taxation</b>	8	<b>(5,710,814)</b>	<b>1,146,085</b>
Tax on profit on ordinary activities	9	-	-
<b>Retained (loss)/profit for the year</b>	18	<b>(5,710,814)</b>	<b>1,146,085</b>

The Company has no recognised gains and losses other than the losses shown 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.

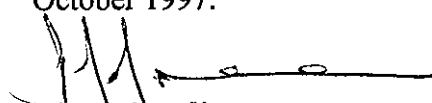


# Lillywhites Limited

## Balance sheet at 31 December 1996

	Notes	1996 £	1995 £
<b>Fixed assets</b>			
Tangible assets	10	20,124,467	15,074,728
Investments in subsidiary undertakings	11	-	-
		<u>20,124,467</u>	<u>15,074,728</u>
<b>Current assets</b>			
Stocks	12	5,679,456	3,052,729
Debtors	13	1,932,740	2,301,268
Cash at bank and in hand		47,529	471,037
		<u>7,659,725</u>	<u>5,825,034</u>
<b>Creditors: amounts falling due within one year</b>	14	(19,566,304)	(2,161,319)
<b>Net current (liabilities)/assets</b>		<u>(11,906,579)</u>	<u>3,663,715</u>
<b>Total assets less current liabilities</b>		<u>8,217,888</u>	<u>18,738,443</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(11,994,456)	(17,606,347)
<b>Provisions for liabilities and charges</b>	16	(802,150)	-
		<u>(4,578,718)</u>	<u>1,132,096</u>
<b>Capital and reserves</b>			
Called up share capital	17	416,995	416,995
Profit and loss account	18	(4,995,713)	715,101
Equity Shareholders' Funds		(4,678,718)	1,032,096
Non Equity Shareholders' Funds		100,000	100,000
	19	<u>(4,578,718)</u>	<u>1,132,096</u>

The financial statements on pages 6 to 19 were approved by the Board of Directors on 17 October 1997.

  
Managing director

# **Lillywhites Limited**

## **Notes to the financial statements for the year ended 31 December 1996**

### **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 and services provided.

#### **Fixed assets**

The cost of 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 is depreciated over 4 to 10 years. Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Where necessary, provision is made for obsolete, slow moving and defective stock.

#### **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.

#### **Leases**

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

# Lillywhites Limited

## Pension costs

Contributions to the defined contribution schemes, which replaced the Forte group pension schemes, are charged to the Profit and Loss account on an accruals basis.

## Changes in presentation of financial information

In accordance with FRS 1 revised 'Cash flow statements' the group has not prepared a cash flow statement as it is a subsidiary of Jeronimo Martins & Filho, SGPS, S.A. , and the cash flows of the company are included in the consolidated cash flow statement of that company.

FRS 8 'Related party disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The new standard comes into effect for all accounting periods beginning on or after 25 December 1995. Accordingly, the new disclosure requirements are dealt with in notes 23 and 24.

## 2 Turnover

Turnover consists entirely of sales made in the United Kingdom.

## 3 Net operating expenses

	1996	11 month period ended 31 December 1995
	£	£
<b>Continuing operations:</b>		
Administrative expenses:		
Wages and salaries	4,334,168	2,738,344
Other external charges	8,181,275	3,620,105
Depreciation	1,498,832	442,511
	<u>14,014,275</u>	<u>6,800,960</u>

# Lillywhites Limited

## 4 Directors' emoluments

	1996	11 month period ended 31 December 1995
	£	£
Fees	806,737	6,000
Other emoluments (including benefits in kind)	50,626	169,314
Pension contributions	17,118	27,945
	<u>874,481</u>	<u>203,259</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996	11 month period ended 31 December 1995
	£	£
Chairman	NIL	NIL
Highest paid director	238,469	131,426

The number of directors (including the chairman and highest paid director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1996	11 month period ended 31 December 1995
£ Nil - £5,000	4	7
£ 5,001 - £10,000	-	4
£10,001 - £15,000	-	2
£25,001 - £30,000	1	-
£40,001 - £45,000	1	-
£100,001 - £105,000	1	-
£115,001 - £120,000	1	-
£130,001 - £135,000	-	1
£155,001 - £160,000	1	-
£165,001 - £170,000	1	-
£235,001 - £240,000	1	-

# Lillywhites Limited

## 5 Employee information

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

	1996	11 month period ended 31 December 1995
	Number	Number
<b>United Kingdom</b>		
Full time	206	127
Part time	75	48
	<u>281</u>	<u>175</u>
	£	£
<b>Staff costs (for above persons)</b>		
Wages and salaries	3,867,432	2,475,556
Social security costs	321,154	175,883
Other pension costs (see note 22)	134,582	86,905
	<u>4,323,168</u>	<u>2,738,344</u>

## 6 Interest receivable

	1996	11 month period ended 31 December 1995
	£	£
Bank interest receivable	31,805	-
On rates rebates relating to prior years	-	154,467
	<u>31,805</u>	<u>154,467</u>

# Lillywhites Limited

## 7 Interest payable

	1996	11 month period ended 31 December 1995
	£	£
On bank loans and overdrafts	330,370	-
	<u>330,370</u>	<u>-</u>

## 8 Loss on ordinary activities before taxation

	1996	11 month period ended 31 December 1995
	£	£
Loss on ordinary activities before taxation is stated after (crediting):		
Rates rebate relating to prior years	-	(29,970)
Rent receivable	<u>(377,504)</u>	<u>(444,564)</u>
And after charging:		
Depreciation	1,498,832	442,511
Auditors' remuneration for:		
Audit	40,000	26,240
Other services to the company	61,000	-
Loss on disposal of fixed assets	-	13,372
Hire of plant and machinery	35,469	4,152
Operating lease rentals	<u>1,278,215</u>	<u>222,825</u>

## Lillywhites Limited

### 9 Tax on loss on ordinary activities

The taxation charge based on the profit on ordinary activities is made up as follows:

	1996	11 month period ended 31 December 1995
	£	£
United Kingdom corporation tax at 33% (1995 - 33%)		
- Current	-	355,000
Offset by losses surrendered free of charge from:		
- Forte plc	-	(322,700)
- Jeronimo Martins Holdings Limited	-	(32,300)
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

# Lillywhites Limited

## 10 Fixed assets - Tangible assets

	Land & Buildings Long Lease £	Fixtures and equipment £	Short leases £	Total £
<b>Cost</b>				
At 31 December 1995	13,712,299	2,586,684	-	16,298,983
Additions	86,988	6,191,258	408,795	6,687,041
Disposals	-	(492,272)	-	(492,272)
At 31 December 1996	<u>13,799,287</u>	<u>8,285,670</u>	<u>408,795</u>	<u>22,493,752</u>
<b>Accumulated depreciation</b>				
At 31 December 1995	432,129	792,126	-	1,224,255
Charge for the period	275,986	1,212,757	10,089	1,498,832
Disposals	-	(353,802)	-	(353,802)
At 31 December 1996	<u>708,115</u>	<u>1,651,081</u>	<u>10,089</u>	<u>2,369,285</u>
<b>Net book value</b>				
At 31 December 1995	<u>13,280,170</u>	<u>1,794,558</u>	<u>-</u>	<u>15,074,728</u>
At 31 December 1996	<u>13,091,172</u>	<u>6,634,589</u>	<u>398,706</u>	<u>20,124,467</u>

## 11 Fixed assets - investments in subsidiary undertakings

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

## 12 Stocks

The stocks of the Company consist entirely of finished goods purchased for resale.



# Lillywhites Limited

## 13 Debtors

	1996	1995
	£	£
Trade debtors	561,409	667,024
Other debtors	732,223	276,871
Prepayments and accrued income	371,073	49,400
VAT recoverable	268,035	1,307,973
	<u>1,932,740</u>	<u>2,301,268</u>

## 14 Creditors: amounts falling due within one year

	1996	1995
	£	£
Trade creditors	7,663,303	1,214,895
Bank loans and overdrafts	8,280,472	-
Other taxation and social security	266,759	25,881
Sundry creditors and accruals	3,355,770	920,543
	<u>19,566,304</u>	<u>2,161,319</u>

The bank loan is secured by a guarantee from Est. Jeronimo Martins & Filho, SGPS, S.A..

## 15 Creditors: amounts falling due after more than one year

	1996	1995
	£	£
Loan from Jeronimo Martins Holdings (UK) Limited	<u>11,994,456</u>	<u>17,606,347</u>

The loan is interest free and has no fixed date of repayment.

# Lillywhites Limited

## 16 Provisions for liabilities and charges

	Reorganisation £	Total £
At 1 January 1996	-	-
Profit and loss account	802,150	802,150
At 31 December 1996	<u>802,150</u>	<u>802,150</u>

The reorganisation provision comprises amounts relating to the reorganisation of office, warehouse and IT facilities.

The total potential deferred tax liability, none of which has been provided, is made up as follows:

	31 December 1996 £	31 December 1995 £
Tax effect of timing differences because of:		
Accelerated capital allowances	1,984,000	1,912,000
Other short term timing differences	(13,000)	(13,000)
Losses	(1,708,000)	-
	<u>263,000</u>	<u>1,899,000</u>

The Company's medium term plans show that the amount of tax allowances in respect of eligible new furniture and equipment to be acquired will exceed the charge for depreciation on existing and new assets. No deferred tax has been provided in respect of the excess of tax allowances over depreciation charged at the balance sheet date.

# Lillywhites Limited

## 17 Called up share capital

	1996	1995
	£	£
<b>Authorised:</b>		
3,500,000 ordinary share (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
	<u>450,000</u>	<u>450,000</u>

## Issued, allotted and fully paid:

	1996	1995
	£	£
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
	<u>416,995</u>	<u>416,995</u>

The current and previous holders of the cumulative 6% preference shares have waived their rights to dividends since 1970, and the current holder has indicated that it is not its present intention to seek payment of future dividends.

## 18 Profit and loss account

	£
At 1 January 1996	715,101
Retained loss for the year	(5,710,814)
At 31 December 1996	<u>(4,995,713)</u>

# Lillywhites Limited

## 19 Reconciliation of movements in shareholders' funds

	1996	11 month period ended 31 December 1995
	£	£
Opening shareholders' funds	1,132,096	(13,989)
(Loss)/profit for the financial period	(5,710,814)	1,146,085
<b>Closing shareholders' funds</b>	<b>(4,578,718)</b>	<b>1,132,096</b>

## 20 Capital commitments

	1,996	1995
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<b>583,000</b>	-

## 21 Financial commitments

	31 December 1996		31 December 1995	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Expiring in over five years	<b>3,390,850</b>	-	840,000	-
	<b>3,390,850</b>	-	840,000	-

At 31 December 1996 the Company had annual commitments under non-cancellable operating leases, expiring in over 5 years, in respect of land and buildings of £3,390,850 (31 December 1995: £840,000).

## **Lillywhites Limited**

### **22 Pension costs**

The Company participated in the Forte Plc Pension and Life Assurance Fund until 2 December 1995. This scheme was a defined benefit scheme providing benefits to certain employees within the Forte group assets held separately from that group's assets. As a result of the change in ownership of the Company, the Company no longer participates in this scheme.

The Company now operates a defined contribution scheme for qualifying employees.

### **23 Parent and ultimate parent company**

The Company is a wholly owned subsidiary undertaking of Jeronimo Martins Holdings Limited, a company registered in England. The Company's ultimate parent company is Est. Jeronimo Martins & Filho, SGPS, S.A., a company incorporated in Portugal. Copies of the group accounts can be obtained from Est. Jeronimo Martins & Filho, SGPS, S.A., Rua Tierno Galvan, Torre 3, 9 Piso - 1070 LISBOA, Portugal.

### **24 Related party transactions**

The Company's ultimate parent company is Est. Jeronimo Martins & Filho, SGPS, S.A., and as permitted by FRS 8 has taken advantage of the exemption not to disclose any transactions with entities that are part of the Est. Jeronimo Martins & Filho group of companies, as consolidated financial statements in which this subsidiary is included are available.