

LILLYWHITES LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 October 1985

290939/163

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## LILLYWHITES LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 OCTOBER 1985

The directors present herewith their annual Report and Statement of Accounts for the year ended 31 October 1985.

#### ACTIVITIES

The main activity of the company is that of retailing sports equipment and clothing including the operation of branches and a speciality store.

The trading improvement first highlighted in the 1983 accounts has been maintained during 1985, with all branches showing sustained growth.

#### ACCOUNTS

The profit before taxation for the year ended 31 October 1985 was £737,663 (1984 - £532,778).

#### DIVIDEND

The directors recommend that no dividend be paid in respect of the year ended 31 October 1985, and the profit for the year attributable to members of the company of £787,663 has been transferred to reserves.

#### HOLDING COMPANY

The company's ultimate holding company is Trusthouse Forte PLC, which is incorporated in England.

#### DIRECTORS

The following were directors of the company during the year ended 31 October 1985:-

Lord Forte	
LA Rosso	- resigned 31 December 1985
Hon RJV Forte	
AC Sanna	
NC Garrett	
DHS Morton	- resigned 29 January 1986
CT Brown	
SJ Corbett	- resigned 29 January 1986
RM Connell	
PA Doherty	- appointed 1 March 1985
DJ Martyn	- appointed 1 May 1985

## DIRECTORS' INTERESTS

Those directors who are not also directors of Trusthouse Forte PLC had interests in that company's share and loan capital as follows:

Ordinary shares of 25p each	As at 1 November 1984 or date of appointment		As at 31 October 1985
	Beneficial		
AC Sanna	1,683,000		1,656,500
	Non beneficial	32,515,875	23,442,190
		29,598	29,698
NC Garrett	Nil		Nil
RM Connell	Nil		Nil
DHS Morton	Nil		Nil
SJ Corbett	Nil		Nil
PA Doherty	Nil		Nil
DJ Martyn	Nil		Nil
<u>Options</u>			
CT Brown		3,806	3,806


The undermentioned directors are also directors of Trusthouse Forte PLC and as such their interests in that company are not required to be recorded in this company's Register of Directors' Interests:

Lord Forte  
LA Rosso  
Hon RJV Forte

## AUDITORS

Price Waterhouse have expressed their willingness to continue in office and a resolution for their re-appointment as Auditors will be proposed at the Annual General Meeting.

By Order of the Board

  
Secretary

Southwark Towers  
32 London Bridge Street  
London SE1 9SY

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*Price Waterhouse*



AUDITORS' REPORT TO THE MEMBERS OF  
LILLYWHITES LIMITED

We have audited the financial statements on pages 4 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements, give a true and fair view of the state of the company's affairs at 31 October 1985 and of its profit for the year then ended and comply with the Companies Act 1985.

The financial statements do not include a statement of source and application of funds as required by Statement of Standard Accounting Practice No 10.

*Price Waterhouse*

Chartered Accountants

30 June 1986

LILLYWHITES LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 OCTOBER 1985

	<u>Notes</u>	<u>1985</u> £	<u>1984</u> £
TURNOVER	1(2)	9,864,871	8,233,458
COST OF SALES		<u>(5,684,767)</u>	<u>(4,817,403)</u>
GROSS PROFIT		4,180,104	3,416,055
OPERATING COSTS	3	(3,364,241)	(2,810,727)
EXCEPTIONAL ACCELERATED DEPRECIATION	1(3)	<u>(78,200)</u>	<u>(72,550)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	737,663	532,778
TAX CREDIT/(EXPENSE) ON PROFIT ON ORDINARY ACTIVITIES	6	<u>50,000</u>	<u>(293,056)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		787,663	239,722
EXTRAORDINARY ITEMS	7	<u>-</u>	<u>(100,000)</u>
PROFIT FOR THE FINANCIAL YEAR	16	<u>787,663</u>	<u>139,722</u>

LILLYWHITES LIMITED

BALANCE SHEET AT 31 OCTOBER 1985

	<u>Notes</u>	<u>1985</u> £	<u>1984</u> £
<b>FIXED ASSETS</b>			
Tangible assets	8	278,762	465,550
Investments in subsidiaries	9	<u>198,178</u>	<u>112,300</u>
		<u>476,940</u>	<u>577,850</u>
<b>CURRENT ASSETS</b>			
Stocks	10	1,950,267	1,419,693
Debtors	11	508,048	338,663
Cash at bank and in hand		<u>362,649</u>	<u>18,903</u>
		<u>2,820,964</u>	<u>1,777,259</u>
CREDITORS - amounts falling due within one year	12	<u>1,731,339</u>	<u>1,712,073</u>
NET CURRENT ASSETS		<u>1,089,625</u>	<u>65,186</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,566,565</u>	<u>643,036</u>
<b>CREDITORS - amounts falling due after more than one year</b>			
Subordinated loan from holding company	13	1,384,136	1,284,150
PROVISIONS FOR LIABILITIES AND CHARGES	14	50,000	100,000
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	416,995	416,995
Revaluation reserve	16	85,880	
Profit and loss account	16	<u>(370,446)</u>	<u>(1,158,109)</u>
		<u>1,566,565</u>	<u>643,036</u>

Approved by the Board of directors on 30 June 1986

DIRECTORS

*[Handwritten signatures of directors]*

# LILLYWHITES LIMITED

NOTES TO THE ACCOUNTS 31 OCTOBER 1985

## 1 ACCOUNTING POLICIES

### (1) Accounting convention

The accounts are prepared under the historical cost convention as modified by the revaluation of investments in subsidiaries.

### (2) Turnover

Turnover represents the amount receivable for goods sold and services provided.

### (3) Depreciation

Piccadilly Circus Store - Due to the potential re-development of the Criterion site all tangible fixed assets are to be written off by the end of 1986. The accelerated depreciation element of the annual charge is treated as an exceptional item for accounting purposes.

Other operating units - Depreciation is provided on tangible fixed assets on a straight line basis over the estimated useful lives of the assets.

### (4) Stocks

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

### (5) Deferred taxation

Provision is made for deferred taxation arising from timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that the liability will be payable in the foreseeable future. Timing differences are due primarily to the excess of tax allowances on tangible fixed assets over the corresponding depreciation charge in the accounts.

## 2 TURNOVER - Segment information

In the opinion of the directors the activities of the company relate to only one class of business, namely retailing sports equipment and clothing.

## 3 OPERATING COSTS

Operating costs comprise:

	1985 £	1984 £
Staff costs		
Wages and salaries	1,372,566	1,246,641
Social security costs	105,120	100,642
Other pension costs	24,372	21,657
	1,502,058	1,368,940
Other external charges	1,678,633	1,292,078
Depreciation	183,550	157,209
Profit on sale of tangible fixed assets	-	(7,500)
	<u>3,364,241</u>	<u>2,810,727</u>

# LILLYWHITES LIMITED

## NOTES TO THE ACCOUNTS 31 OCTOBER 1985 (CONTINUED)

### 4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	<u>1985</u> £	<u>1984</u> £
Directors' emoluments (Note 5)	130,518	91,765
Auditors' remuneration	17,410	17,020
Hire of plant and machinery	<u>4,826</u>	<u>6,717</u>
and after crediting:		
Rent receivable	<u>136,888</u>	<u>78,633</u>

### 5 EMOLUMENTS OF DIRECTORS

Information regarding directors' emoluments (excluding pension scheme contributions):

	<u>1985</u> £	<u>1984</u> £
Chairman	<u>Nil</u>	<u>Nil</u>
Highest paid director	<u>49,929</u>	<u>24,986</u>

Emoluments of other directors working mainly in the United Kingdom were within the following scales:

	<u>1985</u>	<u>Number</u> <u>1984</u>
Nil - £ 5,000	4	5
£ 5,001 - £10,000	1	1
£10,001 - £15,000	2	-
£15,001 - £20,000	-	2
£20,001 - £25,000	2	1

### 6 TAX ON PROFIT ON ORDINARY ACTIVITIES

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

	<u>1985</u> £	<u>1984</u> £
Corporation tax at 42.08% (1984 47.08%)	405,154	293,056
Group relief surrendered by fellow subsidiaries	(405,154)	-
Movement on deferred taxation account	<u>(50,000)</u>	<u>-</u>
Total (credit)/charge	<u>(50,000)</u>	<u>293,056</u>



LILLYWHITES LIMITED

NOTES TO THE ACCOUNTS 31 OCTOBER 1985 (CONTINUED)

7	EXTRAORDINARY ITEMS	<u>1985</u> £	<u>1984</u> £
	Provision for deferred taxation on the excess of capital allowances over depreciation, calculated at a corporation tax rate of 35% arising from the Finance Act, 1984	-	(100,000)
		-	(100,000)

8 FIXED ASSETS - TANGIBLE ASSETS

	<u>Motor vehicles</u> £	<u>Furniture/ Fittings</u> £	<u>Total</u> £
<u>Cost</u>			
At 1 November 1984	-	1,229,156	1,229,156
Additions	26,840	48,122	74,962
Disposals	-	-	-
At 31 October 1985	<u>26,840</u>	<u>1,277,278</u>	<u>1,304,118</u>
<u>Accumulated depreciation and amortisation</u>			
At 1 November 1984	-	763,606	763,606
Charge for year	9,300	252,450	261,750
Disposals	-	-	-
At 31 October 1985	<u>9,300</u>	<u>1,016,056</u>	<u>1,025,356</u>
<u>Net book amount</u>			
At 31 October 1985	<u>17,540</u>	<u>261,222</u>	<u>278,762</u>
At 31 October 1984	-	<u>465,550</u>	<u>465,550</u>

# LILLYWHITES LIMITED

## NOTES TO THE ACCOUNTS 31 OCTOBER 1985 (CONTINUED)

### FIXED ASSETS - INVESTMENTS IN SUBSIDIARIES

£

#### Shares at cost/valuation

At 1 November 1984	207,428
Amount written off during the year	(3,040)
Revaluation surplus	<u>85,880</u>

At 31 October 1985 290,268

#### Less: Provisions

At 1 November 1984	(95,128)
Amount written off during the year	<u>3,038</u>

At 31 October 1985 (92,090)

#### Net book value

At 31 October 1985 198,178

At 31 October 1984 112,300

#### Analysis of cost or valuation

Year of valuation - 1985	95,879
At cost	<u>194,389</u>
	<u>290,268</u>

#### Historical cost of investments carried at valuation

Shares at cost and net book value 9,999

Group accounts have not been prepared as the Company is a wholly owned subsidiary of Trusthouse Forte PLC. In the opinion of the Directors the value of the Company's investments in its subsidiaries is not less than the amount at which they are stated in the balance sheet.

The principal subsidiaries of the Company, of which the Company owns all the issued shares and which are registered in England, are as follows:

Lillywhites Cantabrian Limited  
Lillywhites International Limited  
Cantabrian Limited  
Lillywhites Sportswear Limited  
Huppert and Company Limited

### 10 STOCKS

The stocks of the Company consist entirely of finished resale.

urchased for

# LILLYWHITES LIMITED

## NOTES TO THE ACCOUNTS 31 OCTOBER 1985 (CONTINUED)

### 11 DEBTORS

Amounts falling due within one year:

	<u>1985</u>	<u>1984</u>
	£	£
Trade debtors	96,454	92,889
Amounts owed by group companies	131,207	65,554
Other debtors	226,370	143,352
Prepayments and accrued income	<u>54,017</u>	<u>36,868</u>
	<u>508,048</u>	<u>338,663</u>

### 12 CREDITORS - amounts falling due within one year

	<u>1985</u>	<u>1984</u>
	£	£
Trade creditors	1,018,920	739,911
Amounts owed to group companies	11,322	6,179
Amount owed to holding company	186,479	186,813
Taxation	5,081	293,000
Other creditors (including VAT, PAYE and social security of £86,653 (1984 £123,796))	462,127	416,697
Accruals	<u>47,410</u>	<u>69,473</u>
	<u>1,731,339</u>	<u>1,712,073</u>

### 13 SUBORDINATED LOAN

The loan of £1,384,136 is from Trusthouse Forte PLC, the ultimate holding company and is subordinated to the claims of all other creditors of the company.

No interest was charged on this loan during the year.

### 14 DEFERRED TAXATION

The deferred taxation balance and potential amount of deferred taxation for all timing differences are as follows:

	<u>1985</u>		<u>1984</u>	
	Amount provided in the accounts	Potential liability	Amount provided in the accounts	Potential liability
	£	£	£	£
Timing differences due to:				
Excess of capital allowances over depreciation	<u>50,000</u>	<u>91,105</u>	<u>100,000</u>	<u>116,595</u>

LILLYWHITES LIMITED

NOTES TO THE ACCOUNTS 31 OCTOBER 1985 (CONTINUED)

15 CALLED UP SHARE CAPITAL

	<u>1985</u> £	<u>1984</u> £
<u>Authorised</u>		
3,500,000 ordinary shares of 10p each	350,000	350,000
200,000 cumulative 6% preference shares of 50p each	<u>100,000</u>	<u>100,000</u>
	<u>450,000</u>	<u>450,000</u>
 <u>Allotted and fully paid</u>		
Ordinary shares	316,995	316,995
Preference shares	<u>100,000</u>	<u>100,000</u>
	<u>416,995</u>	<u>416,995</u>

16 RESERVES

	<u>Revaluation reserve</u> £	<u>Profit and loss account</u> £
At 1 November 1984	-	(1,158,109)
Profit retained for year	-	787,663
Surplus on revaluation of subsidiaries	<u>85,880</u>	<u>-</u>
31 October 1985	<u>85,880</u>	<u>(370,446)</u>

17 CONTINGENT LIABILITIES

	<u>1985</u> £	<u>1984</u> £
Maximum liability to the company's bankers relating to the Value Added Tax Import Scheme introduced in November 1984	<u>35,000</u>	<u>-</u>

# LILLYWHITES LIMITED

## NOTES TO THE ACCOUNTS 31 OCTOBER 1985 (CONTINUED)

### 18 COMMITMENTS FOR CAPITAL EXPENDITURE

	<u>1985</u> £	<u>1984</u> £
Contracted not provided	<u>-</u>	<u>2,156</u>
Approved but not committed	<u>-</u>	<u>34,093</u>

### 19 EMPLOYEES

The average number of employees employed by the company during the year was:

	<u>1985</u>	<u>1984</u>
United Kingdom - full time	154	149
- part time	<u>43</u>	<u>53</u>
	<u>197</u>	<u>202</u>

The emoluments of no employee exceeded £30,000.

### 20 PENSION COMMITMENTS

The Trusthouse Forte Group, of which this company is a member, operates pension schemes to the benefit of a large number of its employees. The funds of the schemes are administered by Trustees, are separate from the Group, and independent actuaries complete valuations every three years. In accordance with their recommendations annual contributions are paid to the schemes so as to secure the benefits set out in the Rules, and the augmentation of current pensions from time to time. The cost of these is charged against profits when the contributions are made.

### 21 DIVIDENDS

The holders of the cumulative preference shares have waived their right to dividends for the year.

### 22 ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Trusthouse Forte PLC, a company incorporated in England.