Registered number 290939

Lillywhites Limited

Annual report

For the year ended 31 December 1998

Lillywhites Limited

Annual report
for the year ended 31 December 1998

Lillywhites Limited

Directors' report
for the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activity

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

Review of the business and store developments

During the year, the Directors closed one store due to poor trading results. The lease on a short term property also expired during the year and was not renewed. The Directors consider the performance in the year disappointing although they consider that the downturn in the sports retail sector experienced in 1998 is not sustainable and have implemented plans for increasing profitability in 1999.

The profit and loss account for the year is set out on page 5.

Dividends

The directors do not recommend the payment of a dividend (1997: nil).

Directors

The directors during the year ended 31 December 1998 were as follows:

FMC Soares Dos Santos	(Chairman)
Felix Funcke	Appointed 31 July 1998
MJPA Marques	
Antonio Menezes Soares	Appointed 31 July 1998
JMC Vozone	
PJ Greeves	Resigned 1 May 1998
PR Hird	Resigned 10 July 1998

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.

Year 2000

An analysis of significant risks relating to the Year 2000 issue has been performed by the Company to determine the impact of the issue on our activities. From this, prioritised action plans have been developed that are designed to address the key risks in advance of critical dates and without disruption to the underlying business processes. Priority is being given to those systems that could cause a significant financial or legal impact on the Company's business if they were to fail. The plan also includes a requirement for the testing of all critical systems.

The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases formal assurance is being sought from these other parties.

During the year the Company spent significant funds on new software relating to the logistics and stock systems. This expenditure was planned as part of the overall IT strategy of the Company and all costs in relation to this new system have been capitalised.

The total cost to complete modifications to our computer hardware and software is not expected to be significant and in 1998 no separate Year 2000 costs were identified by management.

Introduction of the euro

During the year we have undertaken analysis of the impact of the introduction of the euro.

Although the Company does not export any of its products it has a small number of foreign suppliers. Consequently the company will have to cope with handling invoices and making payments in euro to our foreign suppliers from 1 January 1999. The Company is in the process of upgrading its computer software to handle the euro and its implications. It is estimated that the total cost to the Company will be insignificant, and no separate disclosure is considered necessary.

Charitable and political donations

The donations made by the Company during the year for charitable purposes were £nil (1997: £305). There were no political donations during the year.

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.

Lillywhites Limited

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 1998. 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 directors confirm that the Company is reliant on the continued financial support of the parent company.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the members appointed the new firm, PricewaterhouseCoopers, as auditors.

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board

Lynton Chopping
Company Secretary
9TH AUGUST 1999

Auditors' report to the members of Lillywhites Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 3 the financial statements. Our responsibilities, as independent auditors, are established 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
London
9 August 1999

Lillywhites Limited

Profit and loss account
for the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover – continuing operations	2	**33,993,241**	38,483,755
Cost of sales – continuing operations		**(20,520,569)**	(22,422,962)
Gross profit		**13,472,672**	16,060,793
Net operating expenses – continuing operations	3	**(16,925,545)**	(18,107,173)
Operating loss before exceptional items - continuing operations		**(3,452,873)**	(2,046,380)
Loss on disposal of store		**(552,215)**	-
Ordinary loss after exceptional items		**(4,005,088)**	-
Interest receivable	7	**1,670**	5,849
		(4,003,418)	(2,040,531)
Interest payable	8	**(860,994)**	(725,707)
Loss on ordinary activities before taxation	9	**(4,864,412)**	(2,766,238)
Tax on loss on ordinary activities	10	**-**	-
Retained loss for the financial year	18	**(4,864,412)**	(2,766,238)

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 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	11	**23,250,861**	22,927,620
Current assets			
Stock	13	**5,602,917**	9,266,874
Debtors	14	**2,175,042**	1,745,661
Cash at bank and in hand		**342,775**	24,958
		8,120,734	11,037,493
Creditors: amounts falling due within one year	15	**(16,138,646)**	(17,752,111)
Net current liabilities		**(8,017,912)**	(6,714,618)
Total assets less current liabilities		**15,232,949**	16,213,002
Creditors: amounts falling due after more than one year	16	**(27,442,317)**	(23,557,958)
Net liabilities		**(12,209,368)**	(7,344,956)
Capital and reserves			
Called up share capital (including non-equity interests)	17	**416,995**	416,995
Profit and loss account	18	**(12,626,363)**	(7,761,951)
Total shareholders' funds	19	**(12,209,368)**	(7,344,956)

The financial statements on pages 5 to 14 were approved by the board of directors on 9TH AUGUST 1999 and were signed on its behalf by:

Lynton Chopping
Director

Notes to the financial statements for the year ended 31 December 1998

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.

Pension costs

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

	1998	1997
Continuing operations	**£**	£
Administrative expenses:		
Wages and salaries	**5,838,154**	5,816,994
Other external charges	**9,879,868**	11,557,695
Depreciation	**1,207,523**	732,484
	16,925,545	18,107,173

4. Directors' emoluments

	1998	1997
	£	£
Aggregate emoluments	**221,460**	222,697
Pension contributions to money purchase schemes	**20,613**	59,741
	242,073	282,438

Retirement benefits were accruing to one of the directors under the company's defined contribution scheme, and one director under an external money purchase scheme.

Highest paid director

	1998 £	1997 £
Aggregate emoluments	**115,087**	70,943
Pension contributions to external money purchase scheme	**14,667**	10,692
	129,754	81,635

5. Employee information

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

	1998 Number	1997 Number
United Kingdom		
Full time	**240**	330
Part time	**266**	225
	506	555

Staff costs	**£**	£
Wages and salaries	**5,359,541**	5,253,797
Social security costs	**390,114**	417,915
Other pension costs	**88,499**	145,282
	5,838,154	5,816,994

6. Exceptional Item

The loss on disposal of store relates to the net loss incurred on the closure of the Newcastle store.

7. Interest receivable

	1998 £	1997 £
Bank interest	**801**	5,849
Other	**869**	-
	1,670	5,849

8. Interest payable

	1998 £	1997 £
On bank loans and overdrafts	**860,183**	721,545
Other	**811**	4,162
	860,994	725,707

9. Loss on ordinary activities before taxation

	1998 £	1997 £
Loss on ordinary activities before taxation is stated after crediting:		
Rent receivable	**(84,432)**	(242,802)
And after charging:		
Depreciation charge for the year	**1,207,523**	732,484
Auditors' remuneration for:		
Audit	**34,000**	40,000
Other services to the company	**18,505**	16,700
Hire of plant and machinery - operating leases	**15,311**	34,811
Rent payable under operating leases	**3,441,806**	3,194,370

10. Tax on loss on ordinary activities

There is no corporation tax charge owing to the losses arising in the year. No deferred tax asset has been recognised in respect of these losses.

11. Tangible fixed assets

	Land & buildings Long lease	Short leases	Fixtures and equipment	Total
	£	£	£	£
Cost				
At 1 January 1998	13,799,287	438,774	11,539,333	25,777,394
Additions	-	13,500	2,840,216	2,853,716
Disposals	-	(66,061)	(1,218,404)	(1,284,465)
At 31 December 1998	**13,799,287**	**386,213**	**13,161,145**	**27,346,645**
Depreciation				
At 1 January 1998	985,505	35,207	1,829,062	2,849,774
Charge for the period	275,986	39,549	1,338,883	1,654,418
Disposals	-	(17,653)	(390,755)	(408,408)
At 31 December 1998	**1,261,491**	**57,103**	**2,777,190**	**4,095,784**
Net book value				
At 31 December 1998	**12,537,796**	**329,110**	**10,383,955**	**23,250,861**
At 1 January 1998	12,813,782	403,567	9,710,271	22,927,620

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 £708,000 (1997: £964,000) have been included in the valuation of stock.

14. Debtors

	1998	1997
Amounts falling due within one year	**£**	£
Trade debtors	**376,097**	422,590
Other debtors	**120,524**	411,777
Prepayments and accrued income	**1,678,421**	911,294
	2,175,042	1,745,661

15. Creditors: amounts falling due within one year

	Notes	1998 £	1997 £
Bank overdraft	(a)	**745,455**	928,745
Bank loan	(b)	**10,750,000**	10,000,000
Trade creditors		**1,241,996**	2,454,322
Amounts owed to immediate parent company		**10,473**	-
Other taxation and social security		**491,223**	469,321
Sundry creditors and accruals		**2,899,499**	3,899,723
		16,138,646	17,752,111

(a) The overdraft is secured by a guarantee of £2,000,000 from Jeronimo Martins SGPS S.A.

(b) The bank loan is unsecured, and is rolled-over on a 6 monthly basis. The interest rate payable is LIBOR plus 15 basis points.

16. Creditors: amounts falling due after more than one year

	1998 £	1997 £
Loan from immediate parent company, Jeronimo Martins Holdings (UK) Ltd	**27,442,317**	23,557,958

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

17. Called up share capital

	1998 £	1997 £
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

17. Called up share capital (continued)

Allotted, called up and fully paid:	**1998** **£**	1997 £
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

	1998 **£**	1997 £
At 1 January 1998	**(7,761,951)**	(4,995,713)
Retained loss for the financial year	**(4,864,412)**	(2,766,238)
At 31 December 1998	**(12,626,363)**	(7,761,951)

19. Reconciliation of movements in shareholders' funds

	1998 **£**	1997 £
Opening shareholders' funds	**(7,344,956)**	(4,578,718)
Loss for the financial period	**(4,864,412)**	(2,766,238)
Closing shareholders' funds	**(12,209,368)**	(7,344,956)
Split as follows:		
Equity shareholders' funds	**(12,309,368)**	(7,444,956)
Non Equity shareholders' funds	**100,000**	100,000
	(12,209,368)	(7,344,956)

20. Capital commitments

	1998	1997
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**409,303**	232,109

21. Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	31 December 1998		31 December 1997	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Expiring within one year	**-**	**2,580**	101,865	2,580
Expiring between two and five years inclusive	**190,000**	**21,841**	190,000	28,654
Expiring over five years	**2,995,850**	**3,724**	3,390,850	3,724
	3,185,850	**28,145**	3,682,715	34,958

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.

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.