

Lillywhites Limited
Registered Number 290939

Annual Report

For the Year Ended 31 December 2001



Lillywhites Limited

Annual Report for the Year Ended 31 December 2001

Contents

	Pages
Directors' Report	1-3
Report of the Auditors	4
Profit and Loss Account	5
Balance Sheet	6
Notes to the Financial Statements	7-15

Lillywhites Limited

Directors' Report for the Year Ended 31 December 2001

The directors present their report and the audited financial statements for the year ended 31 December 2001.

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 the market remained very competitive throughout 2001 with weakening consumer confidence and a drop in spending from September to November. The directors consider that the strategies pursued in 2001 and to be continued in 2002 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 5.

Share Capital

On 27th December 2001, the authorised share capital of the company was increased by the creation of 444,220,000 ordinary equity shares of 10 pence each ranking pari passu in all respects with the existing ordinary shares in the capital of the company.

Also on 27th December 2001, 444,220,000 ordinary equity shares of 10 pence each were subscribed for and issued to a value of £44,220,000. The share issue was fully paid in cash on the same date.

Dividends

The directors do not recommend the payment of a dividend (2000: nil).

Directors

The directors during the year ended 31 December 2001 were as follows:

Felix Funcke	
J M S C Soares Dos Santos	
Lynton Chopping	(Company Secretary)
Andy Cronie	Resigned 24.09.2001
J A Silva Jorge	Resigned 23.10.2001

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 2001 (Continued)

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.

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 2001. 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 (since 12 March 2002 Sports Soccer Limited) which has confirmed its intention of providing adequate financial support.

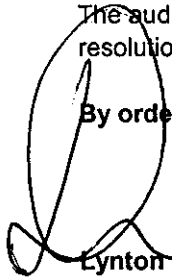
Lillywhites Limited

Directors' Report for the Year Ended 31 December 2001 (Continued)

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

A large, stylized handwritten signature in black ink, appearing to be 'Lynton Chopping', written over the printed name.

Lynton Chopping
Director & Company Secretary

20TH MARCH 2002

Auditors' Report to the Members of Lillywhites Limited

Independent auditors' report to the members of Lillywhites Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 1985. 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. The other information comprises only the directors' report.


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 2001 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

20 March 2002

Profit and Loss Account for the Year Ended 31 December 2001

	Notes	2001 £	2000 £
Turnover – continuing operations	2	30,240,796	30,774,309
Cost of sales – continuing operations		(17,984,252)	(18,553,596)
Gross profit		12,256,544	12,220,713
Net operating expenses – continuing operations	3	(14,491,492)	(14,024,021)
Exceptional items	6	(786,632)	944,623
Operating loss - continuing operations		(3,021,580)	(858,685)
Loss on disposal of assets	7	(398,075)	-
Loss on ordinary activities before interest		(3,419,655)	(858,685)
Interest receivable	8	1,773	11,346
		(3,417,882)	(847,339)
Interest payable	9	(3,046,973)	(1,018,791)
Loss on ordinary activities before taxation	10	(6,464,855)	(1,866,130)
Tax on loss on ordinary activities	11	-	(2,060)
Retained loss for the financial year	19	(6,464,855)	(1,868,190)

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.

Balance Sheet at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	12	16,131,457	18,664,154
Current assets			
Stock	14	5,209,380	5,489,879
Debtors	15	2,245,469	1,907,692
Cash at bank and in hand		327,119	246,668
		7,781,968	7,644,239
Creditors:			
Amounts falling due within one year	16	(5,861,829)	(20,206,844)
Net current assets/(liabilities)		1,920,139	(12,562,605)
Total assets less current liabilities		18,051,596	6,101,549
Creditors:			
Amounts falling due after more than one year	17	-	(26,007,098)
Net assets/(liabilities)		18,051,596	(19,905,549)
Capital and reserves			
Called up share capital (including non-equity interests)	18	44,838,995	416,995
Profit and loss account	19	(26,787,399)	(20,322,544)
Total shareholders' funds	20	18,051,596	(19,905,549)

The financial statements on pages 5 to 15 were approved by the board of directors on
 20TH MARCH 2002 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 2001

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.

Impairment of assets

Provision is made for impairment losses, recognised by measuring the asset value of each store by reference to discounted estimated cash flows at a rate of 6.64% over the store's expected life.

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 accrual basis.

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

1 Principal accounting policies (Continued)

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

	2001 £	Restated 2000 £
Continuing operations		
Distribution expenses:		
Wages and salaries	4,411,285	4,452,666
Other external charges	6,411,183	5,912,788
Depreciation	1,174,833	1,204,278
	11,997,301	11,569,732
Administrative expenses:		
Wages and salaries	1,139,364	1,025,862
Other external charges	956,089	978,126
Depreciation	398,738	450,301
	2,494,191	2,454,289
	14,491,492	14,024,021

Net operating expenses have been analysed between distribution and administrative expenses to provide better information.

4 Directors' emoluments

	2001 £	2000 £
Aggregate emoluments	374,933	350,405
Pension contributions to money purchase schemes	23,988	20,496
	398,921	370,901

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

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

Highest paid director

	2001 £	2000 £
Aggregate emoluments	204,675	198,505

5 Employee information

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

	2001 Number	2000 Number
United Kingdom		
Full time	244	201
Part time	264	269
	508	470
Staff costs	£	£
Wages and salaries	5,131,631	5,082,882
Social security costs	347,599	342,902
Other pension costs	71,420	52,744
	5,550,650	5,478,528

6 Exceptional costs

	2001 £	2000 £
Impairment of fixed assets	(786,632)	944,623

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

7 Loss on disposal of assets

The loss on disposal of fixed assets relates to a provision for the closure of a store in February 2002.

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

8 Interest receivable

	2001 £	2000 £
Bank interest	893	567
Other	880	10,779
	1,773	11,346

9 Interest payable

	2001 £	2000 £
On bank loans and overdrafts	(998,672)	(1,018,295)
On inter-company loans	(2,047,331)	-
Other	(970)	(496)
	(3,046,973)	(1,018,791)

10 Loss on ordinary activities before taxation

	2001 £	2000 £
Loss on ordinary activities before taxation is stated after crediting:		
Rent receivable	(239,969)	(175,543)
And after charging:		
Depreciation charge for the year	1,573,571	1,654,579
Auditors' remuneration for:		
- Audit	33,718	32,113
- Other services to the company	-	950
Hire of plant and machinery - operating leases	59,233	42,653
Rent payable under operating leases	3,105,582	2,941,608

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

11 Tax on loss on ordinary activities

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

	2001 £	2000 £
Accelerated capital allowances	1,194,000	622,000
Tax effect of losses carried forward	5,853,000	4,478,000
	7,047,000	5,100,000

The accumulated losses for tax purposes are £19,511,000 (2000: £14,928,000)

12 Tangible fixed assets

	Land & buildings		Fixtures and Equipment	Total
	Long lease £	Short leases £	£	£
Cost				
At 1 January 2001	13,799,287	323,226	13,901,434	28,023,947
Additions	-	-	284,810	284,810
Disposals	-	(6,851)	(218,515)	(225,366)
At 31 December 2001	13,799,287	316,375	13,967,729	28,083,391
Depreciation				
At 1 January 2001	1,812,221	189,985	7,357,587	9,359,793
Charge for the period	275,797	13,333	1,284,441	1,573,571
Disposals	-	(6,851)	(216,514)	(223,365)
Provision for disposal of assets	-	27,601	427,701	455,302
Impairment	-	26,875	759,758	786,633
At 31 December 2001	2,088,018	250,943	9,612,973	11,951,934
Net book value				
At 31 December 2001	11,711,269	65,432	4,354,756	16,131,457
At 1 January 2001	11,987,066	133,241	6,543,847	18,664,154

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

13 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.

The Company is a subsidiary of Jeronimo Martins, SGPS, S.A., a public company incorporated in Portugal, whose shares are listed on the Lisbon Stock Exchange. The financial statements of the Company are consolidated in the accounts of the immediate parent Company, Jeronimo Martins, SGPS, S.A. The Company is therefore exempt from preparing and delivering group accounts under s228 of the Companies Act 1985.

14 Stock

The stock of the Company consists entirely of finished goods purchased for resale. Warehouse costs of £645,000 (2000: £717,000) have been included in the valuation of stock.

15 Debtors

	2001	2000
	£	£
Amounts falling due within one year		
Trade debtors	663,834	640,490
Other debtors	340,555	162,085
Prepayments and accrued income	1,241,080	1,105,117
	2,245,469	1,907,692

16 Creditors: amounts falling due within one year

	Notes	2001	2000
		£	£
Bank overdraft		-	1,000,000
Bank loans – secured	(a)	2,200,000	15,000,000
– unsecured		-	1,000,000
Trade creditors		1,724,862	1,756,608
Other taxation and social security		687,386	610,147
Sundry creditors and accruals		1,249,581	840,089
		5,861,829	20,206,844

(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 2001

17 Creditors: amounts falling due after more than one year

	2001	2000
	£	£
Inter-company loan from Jeronimo Martins Holdings (UK) Ltd	-	26,007,098

18 Called up share capital

	2001	2000
	£	£
Authorised:		
447,720,000 ordinary shares (equity shares) of 10p each	44,772,000	350,000
200,000 cumulative 6% preference shares (non-equity shares) of 50p each	100,000	100,000
	44,872,000	450,000
	2001	2000
	£	£
Allotted, called up and fully paid:		
447,389,950 ordinary shares (equity shares) of 10p each	44,738,995	316,995
200,000 cumulative 6% preference shares (non-equity shares) of 50p each	100,000	100,000
	44,838,995	416,995

On 27th December 2001, the authorised share capital of the company was increased by the creation of 444,220,000 ordinary equity shares of 10 pence each ranking pari passu in all respects with the existing ordinary shares in the capital of the company.

Also on 27th December 2001, 444,220,000 ordinary equity shares of 10 pence each were subscribed for and issued to a value of £44,220,000. The share issue was fully paid for in cash on the same date.

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.

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

19 Reserves

	2001 £	2000 £
At 1 January 2001	(20,322,544)	(18,454,354)
Retained loss for the financial year	(6,464,855)	(1,868,190)
At 31 December 2001	(26,787,399)	(20,322,544)

20 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Opening shareholders' funds	(19,905,549)	(18,037,359)
Issue of 444,220,000 ordinary shares (equity shares) of 10p each	44,422,000	
Loss for the financial period	(6,464,855)	(1,868,190)
Closing shareholders' funds	18,051,596	(19,905,549)
Split as follows:		
Equity shareholders' funds	17,951,596	(20,005,549)
Non Equity shareholders' funds	100,000	100,000
	18,051,596	(19,905,549)

21 Capital commitments

	2001 £	2000 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	102,300

Lillywhites Limited

Notes to the Financial Statements for the Year Ended 31 December 2001

22 Financial commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001 Land and buildings £	Other £	2000 Land and Buildings £	Other £
Expiring within one year	162,055	57,205	47,500	23,721
Expiring between two and five years inclusive		9,145	-	3,108
Expiring over five years	2,758,020	-	2,649,500	-
	2,920,075	66,350	2,697,000	26,829

23 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.

24 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 by 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.

On 12th March 2002 the whole of the issued share capital of the company was acquired by Sports Soccer Limited, which became 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.