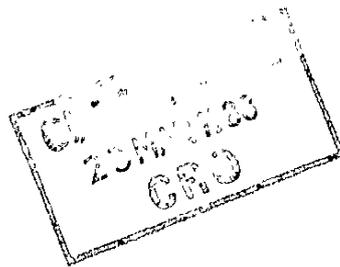


G.U.S. MERCHANDISE CORPORATION LIMITED

REPORTS AND ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 1987



G.U.S. MERCHANDISE CORPORATION LIMITED

REPORTS AND ACCOUNTS  
FOR THE YEAR ENDED 31st MARCH 1987

<u>CONTENTS</u>	<u>PAGES</u>
Directors' report	2 - 3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Statement of source and application of funds	7
Notes to the accounts	8 - 13

G.U.S. MERCHANDISE CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their report and the audited accounts for the year ended 31st March 1987.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is to trade as wholesale warehousemen and merchants.

During the year the planned expansion of the company has produced satisfactory results, and the directors are confident that the company will be successful in achieving the expansion planned for the current financial year.

PROFITS AND DIVIDENDS

The profit for the year after taxation was £42,348,180. It is recommended that this amount be dealt with as follows:

	£
Final dividend - proposed	18,189,754
Retained in the business	24,158,426
	<hr/>
	£42,348,180
	=====

DIRECTORS

Lord Wolfson of Marylebone (Chairman)	- (resigned 8th September 1986)
P. M. Harris (Managing director)	
R. H. C. Pugh (Chairman)	- (appointed 8th September 1986)
D. Greenfield	- (appointed 24th October 1986)
M. A. G. Barber	- (resigned 24th October 1986, and re-appointed 1st June 1987)
E. G. Bentley	
R. G. Bowman	- (resigned 24th October 1986)
C. J. Denham-Davis	- (resigned 21st September 1987)
A. J. Fewkes	- (resigned 24th October 1986)
C. Kramer	
M. G. M. Sheard	
W. Trachsel	
P. L. Weigh	- (resigned 24th October 1986)
Mrs. H. Bowman	- (appointed 1st June 1987)
C. R. Bacon	- (appointed 21st September 1987)
J. C. Hill	- (appointed 21st September 1987)

Lord Wolfson of Marylebone and Mr. R. H. C. Pugh are directors of The Great Universal Stores p.l.c., of which the company is a wholly owned subsidiary.

The other directors who held office at 31st March 1987 had no interests, either at the beginning or end of the year, in any shares or debentures of the company or any other subsidiary of the ultimate holding company.

G.U.S. MERCHANDISE CORPORATION LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS (Continued)

The only interests of the other directors who held office at 31st March 1987 in the shares of the company's ultimate holding company, The Great Universal Stores p.l.c., were as follows:

	<u>31st March 1987</u>	<u>1st April 1986</u>
C. Kramer:		
Ordinary stock units of 25p each	10	10
'A' Ordinary stock units of 25p each	3,007	3,007

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Deloitte Haskins & Sells as auditors to the company will be put to the annual general meeting.

BY ORDER OF THE BOARD



Secretary

AUDITORS' REPORT  
TO THE MEMBERS OF G.U.S. MERCHANDISE CORPORATION LIMITED

We have audited the accounts on pages 5 to 13 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31st March 1987 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

*Michael Harris & Lells*

Chartered Accountants

Manchester

*19<sup>th</sup> November 1987*

G.U.S. MERCHANDISE CORPORATION LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31st MARCH 1987

	<u>Notes</u>	<u>1987</u> <u>£000's</u>	<u>1986</u> <u>£000's</u>
TURNOVER		659,991	652,053
Cost of sales		603,212	593,607
GROSS PROFIT		56,779	58,446
Administrative expenses		( 9,859)	( 9,319)
Other operating income		228	109
OPERATING PROFIT		47,148	49,236
Investment income	3	17,463	3,735
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	64,611	52,971
Taxation	5	22,263	21,188
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		42,348	31,783
Extraordinary item	6	-	2,312
PROFIT AFTER TAXATION AND EXTRAORDINARY ITEM		42,348	29,471
Dividends	7	18,190	19,991
RETAINED PROFIT FOR THE YEAR	13	24,158	9,480

G.U.S. MERCHANDISE CORPORATION LIMITED

BALANCE SHEET AT 31st MARCH 1987

	<u>Notes</u>	<u>1987</u> £000's	<u>1986</u> £000's
<b>FIXED ASSETS</b>			
Tangible assets	8	73	19
Investment	9	13	13
		<u>86</u>	<u>32</u>
<b>CURRENT ASSETS</b>			
Debtors	10	267,931	201,068
Cash at bank and in hand		97	96
		<u>268,028</u>	<u>201,164</u>
<b>CURRENT LIABILITIES - CREDITORS:</b>			
AMOUNTS FALLING DUE WITHIN ONE YEAR	11	137,774	95,014
<b>NET CURRENT ASSETS</b>		<u>130,254</u>	<u>106,150</u>
<b>NET ASSETS</b>		<u>130,340</u> =====	<u>106,182</u> =====
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	12	1	1
Share premium account	13	4,612	4,612
Capital redemption reserve	13	1	1
Profit and loss account	13	125,726	101,568
		<u>130,340</u> =====	<u>106,182</u> =====

The accounts on pages 5 to 13 were approved by the board of directors on 10th November 1987 and signed on its behalf by:

*P. H. C. ...*  
*[Signature]*

)  
) Directors  
)

G.U.S. MERCHANDISE CORPORATION LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31st MARCH 1987

SOURCE OF FUNDS	<u>1987</u> £000's	<u>1986</u> £000's
Profit on ordinary activities before taxation	64,611	52,971
Adjustment for items not involving the movement of funds:		
Depreciation of tangible fixed assets	13	5
Loss/(profit) on disposal of tangible fixed assets	2	( 2)
<b>FUNDS GENERATED FROM OPERATIONS</b>	<u>64,626</u>	<u>52,974</u>
Proceeds on disposal of tangible fixed assets	-	2
<b>TOTAL SOURCE OF FUNDS</b>	<u>64,626</u>	<u>52,976</u>
 <b>APPLICATION OF FUNDS</b>		
Subvention payment to fellow subsidiary	-	2,312
Taxation paid	3,250	12,937
Dividend paid	-	37,268
Purchase of tangible fixed assets	69	12
Payments to group companies in respect of group relief	7,097	22,940
<b>TOTAL APPLICATION OF FUNDS</b>	<u>10,416</u>	<u>75,469</u>
<b>NET SOURCE/(APPLICATION) OF FUNDS</b>	<u>54,210</u> =====	<u>( 22,493)</u> =====
 <b>THE NET SOURCE/(APPLICATION) OF FUNDS IS REPRESENTED BY THE FOLLOWING MOVEMENTS IN WORKING CAPITAL</b>		
Debtors	66,863	( 16,008)
Creditors falling due within one year	( 12,654)	( 6,275)
	<u>54,209</u>	<u>( 22,283)</u>
 Movement in net liquid funds:		
Cash at bank and in hand	1	( 210)
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>	<u>54,210</u> =====	<u>( 22,493)</u> =====

G.U.S. MERCHANDISE CORPORATION LIMITED

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31st MARCH 1987

1. ACCOUNTING POLICIES

Basis of accounting

The accounts have been prepared on the historical cost basis of accounting.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated so that fixed assets are written off by equal instalments over their estimated useful lives, at the following rates:

Fixtures and fittings	-	10% p.a.
Office machinery	-	20% p.a.
Motor vehicles	-	25% p.a.

Investments

Investments are stated at cost.

Foreign currency

Transactions denominated in foreign currency are expressed in sterling at the exchange rate ruling at the transaction date. Realised gains or losses arising during the year are dealt with in the profit and loss account. Assets and liabilities, which are to be settled in foreign currencies are translated into pounds sterling at the rate of exchange ruling at the balance sheet date.

Turnover

Turnover is principally to group companies and represents the amounts invoiced, excluding value added tax, in respect of goods sold during the year.

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1987</u> £000's	<u>1986</u> £000's
The operating profit is stated after charging:		
Auditors' remuneration	22	21
Depreciation	13	5
	=====	=====

3. INVESTMENT INCOME

	<u>1987</u> £000's	<u>1986</u> £000's
Dividend receivable from subsidiary	2,854	-
Interest receivable - group	14,609	3,735
Interest receivable - other	-	-
	-----	-----
	17,463	3,735
	=====	=====

G.U.S. MERCHANDISE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (Continued)

4. DIRECTORS AND EMPLOYEES

	<u>1987</u> £000's	<u>1986</u> £000's
Staff costs during the year:		
Wages and salaries	6,285	6,005
Social security costs	482	478
Other pension costs	83	90
	<u>6,850</u>	<u>6,573</u>
	=====	=====

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

	<u>Number</u>	<u>Number</u>
Administration	100	106
Technical	11	13
Merchanting	448	500
	<u>559</u>	<u>619</u>
	=====	=====

Staff costs include the following remuneration in respect of directors:

	£000's	£000's
Management remuneration	302	319
Pensions for past directors	18	18
	<u>320</u>	<u>337</u>
	=====	=====

The directors' remuneration disclosed above (excluding pension contributions) includes amounts paid to:

The chairman	NIL	NIL
	=====	=====
The highest-paid director	53	48
	=====	=====

The number of other directors who received emoluments (excluding pension contributions) in the following ranges was:

	<u>Number</u>	<u>Number</u>
£NIL - £ 5,000	4	3
£ 5,001 - £10,000	-	1
£15,001 - £20,000	1	-
£20,001 - £25,000	-	1
£25,001 - £30,000	2	1
£30,001 - £35,000	1	-
£35,001 - £40,000	1	4
£40,001 - £45,000	1	-
£45,001 - £50,000	1	-
£50,001 - £55,000	1	-
	<u>=====</u>	<u>=====</u>

G.U.S. MERCHANDISE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (Continued)

5. TAXATION

	<u>1987</u> £000's	<u>1986</u> £000's
U.K. Corporation tax at 35% (1986 - 40%)	22,263	21,187
Underprovision in prior years	-	1
	<u>22,263</u> =====	<u>21,188</u> =====

6. EXTRAORDINARY ITEM

	<u>1987</u> £000's	<u>1986</u> £000's
Subvention payment to fellow subsidiary	-	2,312
	<u>-</u> =====	<u>2,312</u> =====

7. DIVIDENDS

	<u>1987</u> £000's	<u>1986</u> £000's
Final dividend proposed	18,190	-
Interim dividend paid	-	19,991
	<u>18,190</u> =====	<u>19,991</u> =====

8. TANGIBLE FIXED ASSETS

	<u>Fixtures, fittings, vehicles and machinery</u> £000's
COST	
At 1st April 1986	89
Additions	69
Disposals	( 19)
	<u>139</u>
At 31st March 1987	<u>139</u>
DEPRECIATION	
At 1st April 1986	70
Charge for the year	13
Eliminated on disposals	( 17)
	<u>66</u>
At 31st March 1987	<u>66</u>
NET BOOK VALUE	
At 31st March 1987	<u>73</u> =====
	19
At 1st April 1986	<u>19</u> =====

G.U.S. MERCHANDISE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (Continued)

9. FIXED ASSET INVESTMENT

	<u>1987</u> £000's	<u>1986</u> £000's
Shares in subsidiary at cost	13	13
	=====	=====

The company owns the whole of the issued share capital, consisting of 10,000 Ordinary shares of HK.\$10 each, of G.U.S. (Hong Kong) Limited, which is incorporated in Hong Kong. Group accounts have not been prepared as the company is a wholly owned subsidiary of another body corporate incorporated in Great Britain.

In the opinion of the directors, the value of the investment in the subsidiary is not less than the value shown in the balance sheet.

10. DEBTORS

	<u>1987</u> £000's	<u>1986</u> £000's
Trade debtors	1	346
Amounts owed by group companies	251,262	184,540
Amounts owed by subsidiary	-	70
Value added tax recoverable	16,621	16,086
Prepayments and accrued income	47	26
	-----	-----
	267,931	201,068
	=====	=====

11. CREDITORS

	<u>1987</u> £000's	<u>1986</u> £000's
Amounts falling due within one year:		
Trade creditors	71,449	58,459
Amounts owed to group companies	23,459	23,811
Corporation tax	24,544	12,628
Dividend payable	18,190	-
Accruals and deferred income	132	116
	-----	-----
	137,774	95,014
	=====	=====

G.U.S. MERCHANDISE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. CALLED-UP SHARE CAPITAL

Authorised:	<u>1987</u>	<u>1986</u>
	£	£
500 Ordinary shares of £1 each	500	500
500 8% (now 5.58% plus tax credit) redeemable cumulative participating preference shares of £1 each	500	500
	<u>£ 1,000</u>	<u>£ 1,000</u>
	=====	=====
Allotted, called-up and fully paid:		
500 Ordinary shares of £1 each	£ 500	£ 500
	=====	=====

13. SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account <u>£000's</u>	Capital redemption reserve <u>£000's</u>	Profit and loss account <u>£000's</u>
At 1st April 1986	4,612	1	101,568
Retained profit for the year	-	-	24,158
	<u>4,612</u>	<u>1</u>	<u>125,726</u>
	=====	=====	=====

14. CONTINGENT LIABILITIES

Under the provisions of the Finance Act 1984 G.U.S. (Hong Kong) Limited, a wholly owned subsidiary of the company, is a controlled foreign company and, therefore, in accordance with that legislation is required to pay a dividend to its shareholder.

In the event that no dividend is paid by G.U.S. (Hong Kong) Limited, the Inland Revenue will seek to apportion income of that company to G.U.S. Merchandise Limited.

Dividends relating to the financial year ended 31st March 1986 were paid by G.U.S. (Hong Kong) Limited by 30th September 1987, resulting in taxation payable of £567,645. Dividends relating to the financial year ended 31st March 1987 must be paid by G.U.S. (Hong Kong) Limited by 30th September 1988 and, if paid, would result in taxation payable of approximately £1,047,418. If dividends were not paid by 30th September 1988, additional tax liabilities of approximately £495,737 would arise.

G.U.S. MERCHANDISE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (Continued)

14. CONTINGENT LIABILITIES (Continued)

There are other contingent liabilities and guarantees arising from the following:

	<u>1987</u> £	<u>1986</u> £
Forward contracts for foreign currency	17,991,732	20,465,344
Guarantee to Customs & Excise for duty	2,600,000	2,600,000
Documentary credits	2,307,050	1,494,829
Guarantees in respect of missing Bills of Lading	184,853	169,270
	=====	=====

15. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is The Great Universal Stores p.l.c., which is incorporated in Great Britain.

G.U.S. MERCHANDISE CORPORATION LIMITED

NOTES TO THE ACCOUNTS (Continued)

14. CONTINGENT LIABILITIES (Continued)

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	<u>1987</u>	<u>1986</u>
	£	£
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