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MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT AND ACCOUNTS

FOR THE 52 WEEKS ENDED 28 JANUARY 1989

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 28 JANUARY 1989

The directors present their report and the audited financial statements of the group for the 52 weeks ended 28 January 1989.

PRINCIPAL ACTIVITIES

The principal activity of the group is that of retail newsagents.

BUSINESS REVIEW

The group has continued to invest in capital and management throughout the period. As a consequence the group's sales mix has strengthened considerably, as demonstrated by the improvement in gross profit margins.

In August 1988, the company established a new trading company called Mills (East Midlands) Limited in conjunction with Mr RC Linsell, Managing Director. During the 6 months to the 28th January 1989, Mills (East Midlands) Limited acquired six retail outlets.

On the 24th January 1989 the company acquired the remaining 24.98% of the issued share capital of Gemplanstone Limited. The assets and liabilities of Gemplanstone Limited were transferred into Mills Newsagents Limited at the period end.

RESULTS AND DIVIDENDS

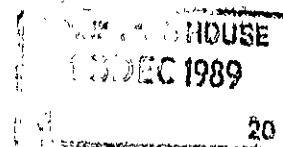
The group realised a profit for the period of £83,213 (1988: £46,875) which has been transferred to reserves.

The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors of the company, who have served during the year, and their shareholdings are as follows:

	<u>28 January 1989</u>	<u>31 January 1988</u>
JR Mills	-	-
NJ Mills	45,676	45,676
	=====	=====



MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

DIRECTORS' REPORT

FOR THE 52 WEEKS ENDED 28 JANUARY 1989

AUDITORS

During the period Walker Upton resigned as auditors and Price Waterhouse were appointed in their place.

Price Waterhouse have expressed their willingness to continue in office as auditors. In accordance with section 384 of the Companies Act 1985, a resolution proposing their re-appointment will be submitted at the annual general meeting.

ON BEHALF OF THE BOARD



NJ MILLS
Secretary

17 Seatonville Road,
Whitley Bay

17 May 1989.

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF MILLS NEWSAGENTS LIMITED

We have audited the financial statements on pages 4 to 16 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group at 28 January 1989 and of the profit and source and application of funds of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

17 May 1989



MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 28 JANUARY 1989

	<u>Note</u>	<u>52 weeks ended 28 January 1989</u>	<u>52 weeks ended 31 January 1988</u>
TURNOVER	1	3,574,497	2,734,280
COST OF SALES		<u>(2,725,460)</u>	<u>(2,127,221)</u>
GROSS PROFIT		849,037	607,059
Administrative expenses		<u>(752,420)</u>	<u>(501,325)</u>
Other operating income		<u>18,416</u>	<u>-</u>
OPERATING PROFIT		115,033	105,734
Profit on sale of fixed assets		89,354	127
Interest receivable		295	920
Interest payable	2	<u>(92,073)</u>	<u>(45,854)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	112,609	60,927
Tax on profit on ordinary activities	5	<u>(13,000)</u>	<u>(5,217)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		99,609	55,710
Minority interests		<u>(16,396)</u>	<u>(8,835)</u>
AMOUNT TRANSFERRED TO RESERVES	14	<u>£83,213</u> =====	<u>£46,875</u> =====

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

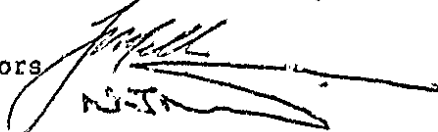
CONSOLIDATED BALANCE SHEET - 28 JANUARY 1989

	<u>Note</u>	<u>28 January 1989</u>	<u>31 January 1988</u>
FIXED ASSETS			
Intangible assets	6	1,105,648	473,494
Tangible assets	7	508,220	553,351
Investments	8	-	100
		<u>1,613,868</u>	<u>1,026,945</u>
CURRENT ASSETS			
Stocks		299,718	191,320
Properties held for resale		46,091	-
Debtors	9	213,487	142,141
Cash at Bank and in hand		<u>1,115</u>	<u>328</u>
		560,411	333,789
CREDITORS: amounts falling due within one year	10	(1,048,095)	(518,940)
NET CURRENT LIABILITIES		(487,684)	(185,151)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,126,184	841,794
CREDITORS: Amounts falling due after more than one year	11	(705,949)	(553,678)
		£420,235	£288,116
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	13	60,100	60,100
Capital reserve	14	82,354	63,943
Revaluation reserve	14	111,174	-
Profit and loss account	14	<u>160,324</u>	<u>77,111</u>
		413,952	201,154
MINORITY INTERESTS		<u>6,283</u>	<u>86,962</u>
		£420,235	£288,116
		=====	=====

The financial statements on pages 4 to 16 were approved by the directors on 17 May 1989 and signed on their behalf by:

JR Mills)
NJ Mills)

Directors



MILLS NEWSAGENTS LIMITED

BALANCE SHEET - 28 JANUARY 1989

	<u>Note</u>	<u>28 January 1989</u>	<u>31 January 1988</u>
FIXED ASSETS			
Intangible assets	6	591,077	407,347
Tangible assets	7	446,728	277,821
Investments	8	<u>230,177</u>	<u>181,500</u>
		1,267,982	866,668
CURRENT ASSETS			
Stocks		208,844	158,019
Property held for resale		46,091	-
Debtors	9	228,785	38,535
Cash in hand		<u>635</u>	<u>226</u>
		484,355	196,780
CREDITORS: amounts falling due within one year	10	(621,214)	(507,267)
NET CURRENT LIABILITIES		(136,859)	(310,487)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,131,123	556,181
CREDITORS: amounts falling due after more than one year	11	(735,946)	(434,690)
		£395,177	£121,491
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	13	60,100	60,100
Profit and loss account	14	<u>335,077</u>	<u>61,391</u>
		£395,177	£121,491
		=====	=====

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE

52 WEEKS ENDED 28 JANUARY 1989

SOURCE OF FUNDS	52 weeks ended 28 January 1989	52 weeks ended 31 January 1989
Profit on ordinary activities before taxation	112,609	60,927
Adjustments for items not involving the movement of funds:		
Depreciation	38,355	26,249
Minority interest (Note 16)	4,775	-
Profit on sale of fixed assets	(89,354)	-
	(46,224)	26,249
FUNDS GENERATED FROM OPERATIONS	66,385	87,176
FUNDS FROM OTHER SOURCES		
Proceeds from sale of fixed assets	592,908	450
Loans received	275,000	190,000
Capital reserve (Note 16)	18,411	22,492
Share capital issued	-	60,000
	682,158	272,942
APPLICATION OF FUNDS	748,543	360,118
Purchase of fixed assets	856,355	169,840
Loans repaid	149,504	29,844
Tax paid	5,217	-
Minority interest acquired (Note 16)	109,344	83,492
	1,116,259	283,176
	£(367,716)	£76,942
	=====	=====
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	108,398	28,097
Debtors	71,346	60,403
Creditors	(252,295)	188,484
	(72,551)	276,984
DECREASE IN NET LIQUID FUNDS (Note 16)	(295,165)	(200,042)
	£(367,716)	£76,942
	=====	=====

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989

ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

Consolidation

The consolidated financial statements include the financial statements of the company and its subsidiaries made up to 28 January 1989. Turnover and profits of subsidiaries acquired during the period are dealt with from their effective date of acquisition.

Mills Newsagents Limited has not presented its own profit and loss account as permitted by Section 228(7) of the Companies Act 1985.

Turnover

The turnover represents the net amounts receivable excluding Value Added Tax from the principal activities of the group, the retailing of confectionery, tobacco and newspapers and all arises in the United Kingdom.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and buildings at rates calculated to write off the cost or valuation, less estimated residual value of each asset over its expected useful life on a straight line basis as follows:

Long leasehold	- Over duration of the lease.
Leasehold improvements	- Length of lease remaining at balance sheet date.
Shop fixtures and fittings	- Between 5% and 15% per annum.
Motor vehicles	- 20% per annum.

Stock

Stock consists of goods for resale and is stated at the lower of cost and net realisable value. Cost is computed by deducting the gross profit margin from the selling value of stock.

Deferred taxation

Provision is made on a liability basis for tax deferred by timing differences to the extent that there is reasonable probability that the tax deferred will crystallise in the foreseeable future.

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

1 ACCOUNTING POLICIES (continued)

Intangible assets - retail outlets

The trade values of retail outlets are shown in the financial statements as intangible assets at cost.

In the opinion of the directors, the current demand for newsagents' businesses indicates the maintenance and probable enhancement of these values. The aggregate value of the retail outlets would be readily disposable at prices significantly above book value.

Operating leases

Rentals on leasehold properties are charged to the profit and loss account in the period to which they relate.

Finance leases

Assets subject to finance leases are capitalised at the present value of the minimum lease payments payable during the lease term with the corresponding obligation to the lessor shown as a liability. Depreciation on leased assets is charged to the profit and loss account using the same rates as for other tangible fixed assets. The finance element of the respective lease payments is accounted for as it falls due.

2 INTEREST PAYABLE

	<u>52 weeks ended 28 January 1989</u>	<u>52 weeks ended 31 January 1988</u>
Bank interest	63,407	17,472
Other interest	28,666	28,382
	<hr/>	<hr/>
	£92,073	£45,854
	=====	=====

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	52 weeks ended 28 January 1989	52 weeks ended 31 January 1988
	£	£
Profit on ordinary activities before taxation is stated after charging:		
Staff costs:		
Wages and salaries	144,460	147,744
Social security costs	13,443	12,739
Other pension costs	17,189	4,406
Depreciation	38,355	26,249
Operating lease rentals	67,382	34,250
Auditors' remuneration	4,800	2,000

The average number of persons employed by the group during the period was:

Office staff and management	12	9
Shop staff	<u>15</u>	<u>19</u>
	27	28
	==	==

No employees received more than £30,000 during the period.

4 DIRECTORS' EMOLUMENTS

Included within staff costs (note 3) are the following amounts in respect of directors' emoluments:

	52 weeks ended 28 January 1989	52 weeks ended 31 January 1988
Executive remuneration	£73,217 =====	£44,637 =====

The emoluments, excluding pension contributions, of the highest paid director were:

	£28,615 =====	£23,000 =====
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Other director
£25,001 - £30,000

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HILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

52 weeks ended
28 January 1989

52 weeks ended
31 January 1988

Taxation on the profit for the period:
UK corporation tax based on profit
for the period at 25.33% (1988 -
27.33%)

£13,000
=====

£5,217
=====

6 INTANGIBLE ASSETS

Retail outlets

Group

Company

At 1 February 1988

473,494

407,347

Additions

586,983

72,412

Revaluations

88,668

-

Intergroup transfers

-

122,663

Disposals

(43,497)

(11,357)

At 28 January 1989

£1,105,648
=====

£591,077
=====

Two retail outlets were revalued at the year end on the basis of open market value by SD Ellison & Co, valuers and surveyors.

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

7 TANGIBLE ASSETS

GROUP	Freehold land and buildings	Long leasehold	Leasehold improvements	Fixtures and fittings	Motor vehicles	Total
Cost or valuation						
At 1 February 1988	293,000	100,000	16,730	184,795	29,561	624,086
Additions	-	10,000	70,616	134,480	54,276	269,372
Revaluation	30,000	-	-	-	-	30,000
Disposals	(223,000)	-	(2,637)	(38,713)	(10,400)	(274,750)
Transfer to properties for resale	-	(33,333)	(441)	(19,613)	-	(53,287)
At 28 January 1989	100,000	76,667	84,268	260,949	73,437	595,321
Depreciation						
At 1 February 1988	-	4,000	3,346	48,609	14,780	70,735
Charge for the year	-	2,183	4,490	20,562	11,120	38,355
Disposals	-	-	(682)	(8,233)	(5,778)	(14,693)
Transfer to properties for resale	-	(2,000)	(96)	(5,200)	-	(7,296)
At 28 January 1989	-	4,183	7,058	55,738	20,122	87,101
Net Book Value						
At 28 January 1989	£100,000	£72,484	£77,210	£205,211	£53,315	£508,220
At 31 January 1988	£293,000	£96,000	£13,384	£136,186	£14,781	£553,351

At 28 January 1989, the net book value of tangible fixed assets held under finance leases was £60,003 and the related accumulated depreciation amounted to £13,475.

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

7 TANGIBLE ASSETS (continued)

COMPANY	Freehold land and buildings	Long leasehold	Leasehold improvements	Fixtures and fittings	Motor vehicles	Total
Cost or valuation						
At 1 February 1988	32,000	100,000	14,093	150,066	29,561	325,720
Additions	-	10,000	70,616	79,461	42,789	202,866
Disposals	(32,000)	-	-	(31,406)	(10,400)	(73,806)
Transfer from group company	100,000	-	-	30,321	-	130,321
Transfer to properties for resale	-	(33,333)	(441)	(19,613)	-	(53,387)
At 28 January 1989	<u>100,000</u>	<u>76,667</u>	<u>84,268</u>	<u>208,829</u>	<u>61,950</u>	<u>531,714</u>
Depreciation						
At 1 February 1988	-	4,000	2,818	26,301	14,780	47,899
Charge for year	-	2,183	4,336	16,865	10,130	33,514
Disposals	-	-	-	(6,342)	(5,778)	(12,120)
Transfer from group company	-	-	-	22,989	-	22,989
Transfer to properties for resale	-	(2,000)	(96)	(5,200)	-	(7,296)
At 28 January 1989	<u>-</u>	<u>4,183</u>	<u>7,058</u>	<u>54,613</u>	<u>19,132</u>	<u>84,986</u>
Net Book Value						
At 28 January 1989	£100,000 =====	£72,484 =====	£77,210 =====	£154,216 =====	£42,818 =====	£446,728 =====
At 31 January 1988	£32,000 =====	£96,000 =====	£11,275 =====	£123,765 =====	£14,781 =====	£277,821 =====

At 28 January 1989 the net book value of tangible fixed assets held under finance leases was £60,003 and the related accumulated depreciation was £13,475.

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

8 FIXED ASSET INVESTMENTS

	<u>1989</u>	<u>1988</u>
100% investment in Gemplanstone Limited	230,002	181,500
75% investment in Mills (East Midlands) Limited	75	-
100% investment in Park Newsagency Limited	<u>100</u>	<u>-</u>
	£230,177	£181,500
	=====	=====

The investment in Park Newsagency Limited was not consolidated in 1988 on grounds of immateriality. All subsidiaries are incorporated in the United Kingdom.

9 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Trade debtors	30,660	17,989	17,626	13,059
Amounts owed by group companies	-	-	35,684	-
Amounts owed by associated companies	-	77,438	-	-
Other debtors	159,114	25,826	158,537	5,826
Prepayments and accrued income	<u>23,713</u>	<u>20,888</u>	<u>16,938</u>	<u>19,650</u>
	£213,487	£142,141	£228,785	£38,535
	=====	=====	=====	=====

10 CREDITORS: amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Mortgage loans	2,000	2,000	2,000	2,000
Bank loans and overdrafts	568,332	244,236	307,934	217,873
Trade creditors	345,880	222,304	228,131	186,706
Amounts owed to group companies	-	100	-	60,923
Other creditors	67,651	18,849	34,313	13,806
Corporation tax	12,270	4,487	12,270	3,378
Taxation and social security	10,765	6,564	10,360	5,298
Accruals and deferred income	<u>41,197</u>	<u>20,400</u>	<u>26,206</u>	<u>17,283</u>
	£1,048,095	£518,940	£621,214	£507,267
	=====	=====	=====	=====

The bank loans and overdrafts are secured by fixed and floating charges over the group's assets and a legal charge over freehold land and buildings.

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

11 CREDITORS: amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Mortgage loan	34,752	35,433	34,752	35,433
Directors loan (debenture)	80,520	-	80,520	-
Bank loans and overdrafts	310,303	212,270	113,108	93,282
Amounts owed to group companies	-	-	230,102	-
Amounts owed to related companies	134,702	179,904	134,702	179,904
Directors loan	-	4,194	-	4,194
Other loan	120,000	120,000	120,000	120,000
Other creditors	<u>25,672</u>	<u>1,877</u>	<u>22,762</u>	<u>1,877</u>
	<u>£705,949</u>	<u>£553,678</u>	<u>£735,946</u>	<u>£434,690</u>
	=====	=====	=====	=====

12 LEASE OBLIGATIONS

	<u>1989</u>	<u>1988</u>
Amounts due under finance leases payable:		
Under one year	31,804	4,179
In the second to fifth year inclusive	<u>25,672</u>	<u>1,877</u>
	<u>£57,476</u>	<u>£6,056</u>
	=====	=====

	<u>1989</u>	<u>1988</u>
Operating leases on land and buildings		
Annual commitments which expire:		
In more than five years	<u>£114,875</u>	<u>£34,250</u>
	=====	=====

13 CALLED UP SHARE CAPITAL

	<u>1989</u>	<u>1988</u>
Authorised:		
Ordinary shares of £1 each	<u>£100,000</u>	<u>£100,000</u>
	=====	=====
Allotted and fully paid:		
Ordinary shares of £1 each	<u>£60,100</u>	<u>£60,100</u>
	=====	=====

MILLS NEWSAGENTS LIMITED AND SUBSIDIARIES

NOTES TO THE ACCOUNTS - 28 JANUARY 1989 (continued)

14 RESERVES

	Capital reserve	Revaluation reserve	Group Profit and loss account	Company Profit and loss account
At 1 February 1988	63,943	-	77,111	61,391
Acquisition of subsidiaries	18,411	-	-	-
Revaluation	-	111,174	-	-
Retained profit for the period	-	-	83,213	273,686
At 28 January 1989	£82,354	£111,174	£160,324	£335,077
	=====	=====	=====	=====

The amount of group profit dealt with in the accounts of the company was £78,688.

15 CONTINGENT LIABILITIES

The group and Closewalk Limited, a related company, are party to a multilateral guarantee to Midland Bank Plc. The borrowings of Closewalk Limited at 28 January 1989 were £21,176.

16 EFFECT OF ACQUISITIONS DURING THE PERIOD

A summary of the effects of the acquisition of the minority interest in Gemplanstone Limited and the 75% interest in Mills (East Midlands) Limited is as follows:

Net assets acquired

Minority interest - Gemplanstone	109,344
Cash - Mills (East Midlands)	19,100
	£128,444
	=====

Discharged by

Cash	105,258
Capital reserve	18,411
Minority interest	4,775
	£128,444
	=====