

REGISTERED NUMBER: 2454812

# Argos Holdings plc

## REPORT AND ACCOUNTS

FOR THE 52 WEEK PERIOD ENDED  
24 MARCH 2001



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# Argos Holdings plc

## Report and Accounts

For the 52 week period ended 24 March 2001

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# Report of the Directors

## Principal activity and business review and future developments

Argos Holdings P.L.C. is the holding company of GUS Home Shopping Group Limited (GUSHSG) whose principal subsidiary activities are the retailing of consumer durable goods through home shopping catalogues via GUS Home Shopping Limited (GUSHS) and through catalogue stores via Argos Limited.

A review of the Company's business is contained in the profit and loss account, balance sheet and notes to the accounts. They reflect the Company's performance for the 52 week period ended 24 March 2001.

## Results and dividends

The accounts cover the 52 week period ended 24 March 2001 (2000: 52 week period ended 25 March 2000). The profit for the financial period was £545m (2000: £89.9m). The directors recommend that this is treated as follows:

	2001 £000	2000 £000
Profit for the financial period	545,036	89,921
Interim dividend paid	(45,036)	-
Interim dividend proposed	(500,000)	(90,000)
Transfer from reserves	-	(79)

## Directors and their interests

The directors who held office during the period are as follows:

The Right Hon. Lord Wolfson of Sunningdale	(Chairman. Resigned 26 July 2000)
T Duddy	(Chief Executive)
P B Loft	

No director had any beneficial interest in the shares of the Company.

The interests of the directors, as defined by the Companies Act 1985, in the shares and share options of the ultimate parent company, The Great Universal Stores P.L.C. (GUS) are as follows:

## Shares and GUS Executive Performance Share Plan Options and Schemes

Director	Shares		Options			
	At 24 March 2001	At 25 March 2000	At 24 March 2001	Options granted	Options exercised	At 25 March 2000
Paul Loft	-	-	81,448	81,448	-	-

No options lapsed during the period apart from those relating to directors who resigned. The options can be exercised between 7 April 2003 and 6 April 2010 and have an exercise price of 375.7p. There are no conditions attached to the exercise of options.

## Report of the Directors

### Save As You Earn Share Option Scheme

	Options			At 25 March 2000
	At 24 March 2001	Options granted	Options exercised	
Director				
Paul Loft	4,394	4,394	-	-

The grant date of the SAYE scheme was 9 February 2001. The options can be exercised for the three-year scheme between 2 May 2004 and 1 November 2004. The options can be exercised for the five-year scheme between 2 May 2006 and 1 November 2006. The exercise price for both schemes is 384 pence per share.

T Duddy is a director of GUS and his interests are shown in the accounts of that company.

### Related party transactions

During the period under review, there were no contracts in which a director of the Company was materially interested, as defined by FRS8 "Related Party Transactions".

### Introduction of the Euro

In the opinion of the directors the introduction of the Euro will have little impact on the Company.

### Creditor payment policy

The Company has no trade creditors at the date of the balance sheet.

### Statement of directors' responsibilities

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those accounts, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Report of the Directors

### Auditors

A resolution proposing the reappointment of PricewaterhouseCoopers as registered auditors to the Company will be put to the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'C. J. Holmes', written over a horizontal line.

C. J. Holmes, Secretary  
1 June 2001

# Auditors' report to the members of Argos Holdings plc

## Auditors' report to the members of Argos Holdings plc

We have audited the accounts on pages 6 to 12.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, 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 accounts.

### 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 accounts. 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 accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 24 March 2001 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  
Birmingham  
1 June 2001

## Profit and Loss Account

		For the 52 week period ending 24 March 2001 £000	For the 52 week period ending 25 March 2000 £000
	<b>Note</b>		
Administration costs	2 & 3	(1,117)	(723)
Other operating income		1,117	723
<b>Operating profit</b>	1	-	-
Interest receivable	4	-	1
Income from fixed asset investments		545,036	90,000
<b>Profit on ordinary activities before tax</b>		545,036	90,001
Taxation charge on profit on ordinary activities	5	-	(80)
<b>Profit for the financial period</b>	15	545,036	89,921
<b>Dividends</b>	6	(545,036)	(90,000)
<b>Retained profit/(loss) for the financial period</b>	14	-	(79)

All of the above results relate to continuing activities.

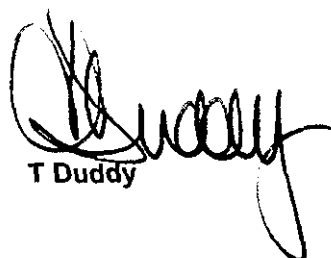
The Company has no recognised gains or losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained result for the period stated above and their historical cost equivalents.

## Balance Sheet

	Note	At 24 March 2001 £000	At 25 March 2000 £000
<b>Fixed assets</b>			
Interests in subsidiary undertakings	7	1,090,437	1,090,437
<b>Current assets</b>			
Debtors	8	594,931	184,801
Cash at bank and in hand	9	2,383	2,386
		<u>597,314</u>	<u>187,187</u>
<b>Creditors - due within one year</b>	10	<u>(500,225)</u>	<u>(90,229)</u>
<b>Net current assets</b>		<u>97,089</u>	<u>96,958</u>
<b>Total assets less current liabilities</b>		<u>1,187,526</u>	<u>1,187,395</u>
<b>Provisions for liabilities and charges</b>	12	<u>(1,015)</u>	<u>(884)</u>
<b>Net assets</b>		<u><u>1,186,511</u></u>	<u><u>1,186,511</u></u>
<b>Capital and reserves</b>			
Called up share capital	13	30,810	30,810
Share premium account	14	1,087,033	1,087,033
Profit and loss account	14	68,668	68,668
<b>Total equity shareholders' funds</b>	15	<u><u>1,186,511</u></u>	<u><u>1,186,511</u></u>

Approved by the Board and signed on their behalf on 1 June 2001.

  
T Duddy



## **Accounting Policies**

### **Basis of accounting**

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards in the UK and the Companies Act 1985.

The Company is a wholly owned subsidiary of GUS Catalogues Limited, whose ultimate parent company is The Great Universal Stores P.L.C., ("GUS"). The cash flows of the Company are included in the consolidated group cash flow statement of GUS. Consequently, the Company is exempt under the terms of FRS1 (revised 1996) from publishing a cash flow statement.

As the Company is a wholly owned subsidiary of a parent undertaking incorporated in the European Community, advantage has been taken of S228 of the Companies Act 1985 not to prepare group accounts.

The Company is also exempt under the terms of FRS8 from disclosing related party transactions with entities that are part of the GUS group.

### **Investments in group undertakings**

Investments in group undertakings are stated at cost. Where investments are acquired through group reconstructions, by means of a share for share exchange, the Company takes advantage of the relief afforded under section 132 of the Companies Act 1985 and consequently has calculated a minimum share premium in respect of shares issued.

### **Deferred taxation**

Deferred taxation is provided at anticipated corporation tax rates using the liability method, on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the accounts. Provision is made to the extent that the liability or asset is expected to crystallise in the foreseeable future.

The prior year deferred taxation balance has been carried forward and reflects the current balance sheet presentation.

### **Contributions to pension scheme**

The Company contributes to the Argos Pension Scheme, a defined benefit pension scheme open to the majority of its permanent employees. The funds of the scheme are administered by trustees and are separate from the Company. The scheme is funded by contributions partly from the employee and partly from the Company at rates determined in accordance with the advice of an independent actuary. The cost of these and any variations from regular cost arising from regular actuarial valuations are charged or credited to the profit and loss account on a systematic basis over the estimated remaining service life of employees.

## Notes to the Accounts

### 1. Operating result

The audit fee of the Company is borne by Argos Limited.

### 2. Directors' emoluments

	2001 £000	2000 £000
Aggregate emoluments	891	542
	<u>891</u>	<u>542</u>

Retirement benefits are accruing to one (2000: two) director under a defined benefit scheme. During the year no (2000: nil) directors exercised share options.

#### Highest paid director:

	2001 £000	2000 £000
Aggregate emoluments and benefits	<u>891</u>	<u>542</u>

The accrued pension of the highest paid director under the defined benefit scheme at 24 March 2001 was £7,650 (2000: £5,000).

### 3. Employee Information

	2001 £000	2000 £000
Employee costs include the costs of directors		
Wages and salaries	891	531
Social security costs	72	51
Other pension costs	154	141
	<u>1,117</u>	<u>723</u>

The average number of persons employed by the Company during the period including directors and those employed on a part-time basis was:

	2001 Number	2000 Number
Administration and other	<u>1</u>	<u>1</u>

### 4. Interest receivable

	2001 £000	2000 £000
Bank deposit interest and similar income	-	1
	<u>-</u>	<u>1</u>

### 5. Taxation

	2001 £000	2000 £000
Taxation on the profit for the period:		
Deferred taxation	-	(23)
	<u>-</u>	<u>(23)</u>
Prior year adjustments:		
Deferred taxation	-	103
	<u>-</u>	<u>80</u>

## Notes to the Accounts

### 6. Dividends

	2001 £000	2000 £000
<b>Equity – Ordinary</b>		
Interim dividend paid 15.66p per share	45,036	-
Interim proposed 173.88p (2000: 31.3p) per share	500,000	90,000
	<u>545,036</u>	<u>90,000</u>

### 7. Interests in principal subsidiary undertakings

	£000
<b>At 25 March 2000</b>	<b>1,090,437</b>
Acquisitions	1,182,479
Disposals	(1,182,479)
<b>At 24 March 2001</b>	<b><u>1,090,437</u></b>

The fixed asset investments above are stated at cost and represent the following:

Company name	Country of incorporation	Class of shares held	Proportion of nominal value of the shares /value of business held
GUS Home Shopping Group Limited	United Kingdom	Ordinary	100% of nominal share value

The acquisitions and disposals made during the year reflected the reorganisation of group companies as a consequence of the formation of Reality. The acquisitions and disposals, all made on 2 February 2001, relate to the following companies:

Issued share capital transferred	£000
Family Hampers Limited (100%)	160,742
Kay Company Limited (100%)	521,736
GUS Catalogue Order Limited (100%)	2
GUS Finance Limited (50%)	499,999
	<u>1,182,479</u>

### 8. Debtors

	2001 £000	2000 £000
<b>Due within one year:</b>		
Amounts owed by group undertakings	94,666	94,405
Dividend receivable	500,000	90,000
Other	-	131
	<u>594,666</u>	<u>184,536</u>
<b>Amounts falling due after one year:</b>		
Deferred taxation asset (see note 11)	265	265
	<u>594,931</u>	<u>184,801</u>

### 9. Cash at bank and in hand

Cash at bank and in hand include commercial paper and short-term deposits with banks and other financial institutions.

## Notes to the Accounts

<b>10. Creditors</b>	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Due within one year:		
Proposed dividend	500,000	90,000
Corporation tax	17	17
Other creditors	208	212
	<u>500,225</u>	<u>90,229</u>
<b>11. Deferred taxation</b>	<b>2001</b>	<b>2000</b>
<b>Amount provided:</b>	<b>£000</b>	<b>£000</b>
Other timing differences	(265)	(265)
Deferred taxation (asset)/liability	<u>(265)</u>	<u>(265)</u>
The company has no unprovided deferred taxation asset or liability.		
<b>12. Provisions for liabilities and charges</b>		<b>Pension provision £000</b>
<b>At 25 March 2000</b>		884
Pension charge accrual		131
<b>At 24 March 2001</b>		<u>1,015</u>
<b>13. Called up share capital</b>	<b>2001</b>	<b>2000</b>
	<b>£000</b>	<b>£000</b>
Authorised 373,333,333 ordinary shares of 10 5/7p each	<u>40,000</u>	<u>40,000</u>
Allotted and fully paid 287,555,488 ordinary shares of 10 5/7p each	<u>30,810</u>	<u>30,810</u>
<b>14. Reserves</b>	<b>Share premium Account £000</b>	<b>Profit and Loss Account £000</b>
<b>At 25 March 2000 and 24 March 2001</b>	<u>1,087,033</u>	<u>68,668</u>

## Notes to the Accounts

### 15. Reconciliation of movements in equity shareholders' funds

	2001 £000	2000 £000
Profit for the financial period	545,036	89,921
Dividend	(545,036)	(90,000)
Increase in share premium account	-	1,060,804
Increase in equity shareholders' funds	-	1,060,725
Equity shareholders' funds at beginning of period	1,186,511	125,786
Equity shareholders' funds at end of period	<u>1,186,511</u>	<u>1,186,511</u>

### 16. Pension costs

Argos operates a defined benefit pension scheme with assets held in a separate trustee administered fund. Contributions to the scheme are assessed in accordance with the advice of an independent qualified actuary using the projected unit method on the basis of regular valuations, and the total pension cost charged in these accounts amounted to £0.2m (2000: £0.1m).

An actuarial valuation of the scheme was undertaken as at 5 April 1998 which showed that the market value of the scheme's assets was £180.2 million and the actuarial value represented 106% of the benefits that had accrued to members after allowing for expected future increases in pensionable remuneration. The principle actuarial assumptions adopted are calculated by reference to an assumed rate of inflation of 3.5%, with future salary and wage increases averaging 5.25% per annum, the scheme's investments earning 7.75% and dividend growth averaging 4.0%. Pensions in course of payment are assumed to increase at 3.25% per annum. Valuations are normally carried out every three years. A valuation of the scheme is currently being computed.

### 17. Immediate and ultimate parent undertaking

The immediate parent undertaking is GUS Catalogues Limited, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is The Great Universal Stores P.L.C. ("GUS"), which is the largest and smallest group to consolidate these financial statements. Copies of the GUS consolidated financial statements can be obtained from the Company Secretary at Universal House, Devonshire Street, Manchester, M60 1XA.