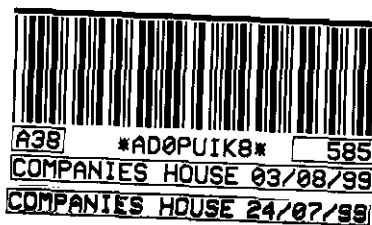


**J J Fox (St James's) Limited**  
**Regd No: 2890271**

**Accounts for the year**  
**ended 30 September 1998**



**J J FOX (ST JAMES'S) LIMITED****REPORT OF THE DIRECTORS****FOR THE YEAR ENDED 30 SEPTEMBER 1998****Accounts**

1. The directors present herewith the audited financial statements for the year ended 30 September 1998.
2. The company was incorporated in England on 21 January 1994.

**Directors' responsibilities for the financial statements**

3. Directors are required by UK Company Law to prepare financial statements for each financial year which 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. In preparing these financial statements 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 accounts 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements 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, error and non-compliance with law and regulations.

**Review of business and future developments**

4. The main activities of the company are principally those of an importer and distributor of tobacco products. The profit and loss account for the year is set out on page 4.

**Dividends**

5. The directors do not recommend the payment of a dividend in respect of the year ended 30 September 1998.

**J J FOX (ST JAMES'S) LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

**Directors**

6. The directors of the company at 30 September 1998, all of whom had been directors for the whole of the year ended on that date, were:

Mr R F W Fox (Irish)  
Mr J C Russell (British)  
Mr O Hill (Irish)  
Mr R Emery (British)

Mr RFW Fox holds 6,980 (1997: 106,980) ordinary shares of £1 each and 3,490 (1997: 53,490) redeemable preference shares of £1 each in JJ Fox International Limited, the ultimate parent company.

Mr JC Russell holds 12,500 (1997: 12,500) redeemable preference shares in JJ Fox International Limited. Mr JC Russell also holds 2,000 ordinary shares (1997: 2,000) in Fox International Properties Limited which is another company within the JJ Fox International Limited group.

Mr O Hill holds 10,500 (1997: 10,500) ordinary shares and 5,250 (1997: 5,250) redeemable preference shares in JJ Fox International Limited.

Mr R Emery holds 2,000 (1997: 2,000) redeemable preference shares in JJ Fox International Limited.

**Secretary**

7. The secretary of the company at 30 September 1998 was Mr K Costello.

**Auditors**

8. Our auditors, PricewaterhouseCoopers (formerly Coopers & Lybrand) (PwC), merged with PricewaterhouseCooper (formerly Price Waterhouse) on 1 January 1999 and the new firm of PricewaterhouseCoopers, Channel Islands was formed. Subsequently PwC resigned and the directors appointed the new firm of PricewaterhouseCoopers, Channel Islands as auditors to the company. A resolution to reappoint them will be proposed at the Annual General Meeting.

**Year 2000**

9. During the past 18 months, the directors conducted an extensive review of the potential impact of the year 2000 "millennium bug" upon the company. Most existing systems and processes appear to be millennium compliant, and a programme is in place to modify the remaining systems and processes. This programme should be completed by 31<sup>st</sup> March 1999. While we feel confident that our own systems will cope with the date change to year 2000, we are at this stage unable to express any opinion on the year 2000 compatibility of our suppliers or customers.

BY ORDER OF THE BOARD

Registered office:

19 St James's Street  
London  
SW1A 1ES



K COSTELLO  
Secretary

**Report of the auditors to the members of  
J J FOX (ST JAMES'S) LIMITED**

We have audited the financial statements on pages 4 to 13, which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

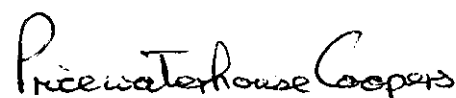
**Basis of opinion**

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 affairs of the company at 30 September 1998 and of its profit and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Jersey

26 March 1999

**J J FOX (ST JAMES'S) LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 1998**

	Note	1998	1997
		£	£
TURNOVER		4,491,358	5,316,176
COST OF SALES		(3,039,827)	(3,558,578)
		<hr/>	<hr/>
GROSS PROFIT		1,451,531	1,757,598
ADMINISTRATIVE EXPENSES		(1,430,059)	(1,505,018)
OTHER OPERATING INCOME		289,045	296,276
		<hr/>	<hr/>
OPERATING PROFIT	2	310,517	548,856
INTEREST PAYABLE AND SIMILAR CHARGES	5	(49,130)	(27,671)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		261,387	521,185
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	(56,225)	(171,862)
		<hr/>	<hr/>
RETAINED PROFIT FOR THE YEAR	12	205,162	349,323
		<hr/>	<hr/>

Continuing operations: All the items dealt with in arriving at profit on ordinary activities before taxation for 1997 and 1998 relate to continuing operations.

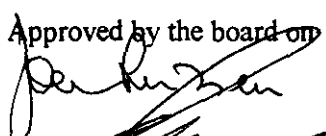
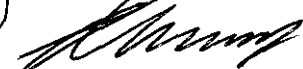
The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.

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

The notes on pages 6 to 13 form part of these accounts  
Auditors' report, page 3

**J J FOX (ST JAMES'S) LIMITED**  
**BALANCE SHEET - 30 SEPTEMBER 1998**

	Note	1998	1997
		£	£
<b>FIXED ASSETS</b>			
Intangible assets		-	5,300
Tangible assets	7	127,054	48,294
<b>CURRENT ASSETS</b>			
Stock		842,431	924,626
Debtors:			
Amounts falling due within one year	8	368,294	450,574
Amounts falling due after one year	8	134,515	198,862
Cash		1,126	296
		<u>1,346,366</u>	<u>1,574,358</u>
<b>CREDITORS:</b>			
Amounts falling due within one year	9	(481,246)	(840,940)
<b>NET CURRENT ASSETS</b>			
		<u>865,120</u>	<u>733,418</u>
Total assets less current liabilities		<u>992,174</u>	<u>787,012</u>
<b>CREDITORS:</b>			
Amounts falling due after more than one year	10	(30,164)	(30,164)
<b>NET ASSETS</b>			
		<u>962,010</u>	<u>756,848</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	2	2
Profit and loss account	12	962,008	756,846
Equity shareholders' funds		<u>962,010</u>	<u>756,848</u>

Approved by the board on 8th February 1999  
 )JC Russell  
 )R Emery

The notes on pages 6 to 13 form part of these accounts  
Auditors' report, page 3

**J J FOX (ST JAMES'S) LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 SEPTEMBER 1998**

	Note	1998 £	1997 £
<b>Net cash inflow from operating activities</b>	14	485,260	267,801
<b>Returns on investments and servicing of finance</b>			
Interest paid		(49,130)	(27,671)
Net cash outflow from returns on investments and servicing of finance		(49,130)	(27,671)
<b>Taxation</b>			
UK Corporation tax paid		(175,998)	(139,694)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(94,931)	(8,212)
Net cash outflow from investing activities		(94,931)	(8,212)
Net cash inflow before use of liquid resources and financing		165,201	92,224
Increase in cash in the year	16	165,201	92,224

## J J FOX (ST JAMES'S) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1998

#### PRINCIPAL ACCOUNTING POLICIES

1. The financial statements have been prepared in accordance with the applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below.

(a) Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

(b) Depreciation of fixed assets

Depreciation is calculated to write down the cost of tangible fixed assets over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose were:

Leasehold improvements	10% Straight line
Furniture and equipment	10% Straight line
Computer equipment	20% Straight line

(c) Purchased goodwill

Purchased goodwill is amortised on a straight line basis over a period of five years from the date of acquisition, being its useful economic life.

In the event that a review of the value of purchased goodwill discloses a diminution in value, the reduction in value is written off against reserves.

(d) Stock

Stocks comprise tobacco and related goods for resale. Stocks are valued at the lower of average cost and net realisable value. Cost includes all expenditure directly involved in bringing stocks to their present location and condition.

(e) Pension scheme

The company contributes to a group pension scheme operated by J J Fox International Limited. Contributions and pension costs are based on pension costs across the group as a whole. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular costs are spread over the expected remaining working lifetime of members of the scheme after making suitable allowances for future withdrawals.



**J J FOX (ST JAMES'S) LIMITED****NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1998****(f) Taxation**

The charge for taxation is based on the profit for the year as adjusted for taxation purposes.

**(g) Foreign currency**

Foreign currency transactions are translated to sterling at the rate ruling at the date of the transactions. Differences arising on exchange translations are charged directly to the trading account.

**(h) Computer software**

Costs associated with the development and implementation of new software, specific to the retail business, are written off in the year in which they are incurred.

**(i) 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.

**J J FOX (ST JAMES'S) LIMITED**  
**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998**

**OPERATING PROFIT**

2	1998 £	1997 £
Operating profit is stated after charging		
Wages and salaries	456,771	495,174
Social security costs	52,406	49,064
Staff costs	<u>509,177</u>	<u>544,238</u>
Audit fee	3,615	3,445
Depreciation of owned fixed assets	16,171	12,621
Amortisation of goodwill	5,300	13,900

**DIRECTORS EMOLUMENTS**

3	1998 £	1997 £
Aggregate emoluments	<u>35,862</u>	<u>37,330</u>

Retirement benefits are accruing to one director under a defined benefit scheme.

**EMPLOYEE INFORMATION**

4	1998	1997
The average monthly number of persons (including executive directors) employed by the company during the year was:		
By activity		
Selling and distribution	38	42
Administration	4	3
Total	<u>42</u>	<u>45</u>

**INTEREST PAYABLE AND SIMILAR CHARGES**

5	1998 £	1997 £
Interest payable on bank overdrafts and similar charges	<u>49,130</u>	<u>27,671</u>

**TAX ON ORDINARY ACTIVITIES**

6	1998 £	1997 £
UK corporation tax at 22%	47,790	171,831
Under provision in previous years	124	31
Tax at source on interest received	8,311	-
	<u>56,225</u>	<u>171,862</u>

**J J FOX (ST JAMES'S) LIMITED**  
**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998**

**FIXED ASSETS**

7	Leasehold improve- ments £	Furniture and equipment £	Computer equipment £	Total £
Cost				
At 1 October 1997	30,511	61,858	21,168	113,537
Additions	69,000	4,173	21,758	94,931
At 30 September 1998	99,511	66,031	42,926	208,468
Depreciation				
At 1 October 1997	14,769	39,893	10,581	65,243
Charge for year	5,334	6,320	4,517	16,171
At 30 September 1998	20,103	46,213	15,098	81,414
Net book value				
At 30 September 1998	79,408	19,818	27,828	127,054
At 30 September 1997	15,742	21,965	10,587	48,294

**DEBTORS**

8	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	328,753	363,321
Other debtors	29,290	68,400
Prepayments and accrued income	10,251	18,853
	<u>368,294</u>	<u>450,574</u>
Amounts falling due after one year		
Parent company loan (see below)	134,515	198,862
	<u>134,515</u>	<u>198,862</u>

The loan due by J J Fox International Limited is unsecured and interest is charged at base rate plus 2.25%. There are no fixed terms of repayment.

**J J FOX (ST JAMES'S) LIMITED**  
**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998**

**CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

9	1998	1997
	£	£
Bank overdraft (see below)	-	164,371
Trade creditors	258,220	350,032
Other creditors	175,236	158,974
Current taxation	47,790	167,563
	<hr/> 481,246	<hr/> 840,940

The company has an overdraft facility of £600,000. Subsequent to the year end this facility was increased to £1,200,000 until the 30<sup>th</sup> April 1999. This facility is secured by an unlimited guarantee by JJ Fox International Limited.

**CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

10	1998	1997
	£	£
Deferred liability	30,164	30,164
	<hr/>	<hr/>

**CALLED UP SHARE CAPITAL**

11	1998	1997
	£	£
Authorised ordinary shares of £1 each	500,000	500,000
	<hr/>	<hr/>
Issued and fully paid ordinary shares of £1 each	2	2
	<hr/>	<hr/>

**RESERVES**

12	Profit and loss account
	£
At 1 October 1997	756,846
Retained profit for the year	205,162
	<hr/>
At 30 September 1998	962,008

In the opinion of the directors, a reconciliation of movements in shareholders' funds is not required as sufficient information is given within the note above.

**J J FOX (ST JAMES'S) LIMITED**  
**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998**

**CAPITAL COMMITMENTS**

13. The company has committed itself to the following capital expenditure in 1998/99: £75,000 as contribution to the fitting out of the new Tapas Bar within Harrods Department Store, London, £90,000 as contribution to the fitting out of the new Wine Department within Selfridges Department Store, London.

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

14	1998 £	1997 £
Operating profit	310,517	548,856
Amortisation of Goodwill	5,300	13,900
Depreciation charge	16,171	12,621
Decrease/(Increase) in stock	82,195	(247,727)
Decrease/(Increase) in debtors	146,627	(95,156)
(Decrease)/Increase in creditors	(75,550)	35,307
Net cash inflow from continuing operating activities	<u>485,260</u>	<u>267,801</u>

**ANALYSIS OF NET DEBT**

15	At 1 October 1997 £	Cash flow £	At 30 September 1998 £
Cash in hand, at bank	296	830	1,126
Overdrafts	(164,371)	164,371	-
At 30 September 1998	<u>(164,075)</u>	<u>165,201</u>	<u>1,126</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

16	£
<b>Increase in cash for the period</b>	<b>165,201</b>
Net debt at 1 October 1997	(164,075)
Net debt at 30 September 1998	<u>1,126</u> =====

**J J FOX (ST JAMES'S) LIMITED**  
**NOTES TO THE ACCOUNTS - 30 SEPTEMBER 1998**

**PENSION SCHEME**

17. The company operates a defined benefit pension scheme operated by Irish Life with assets held in a separately administered fund.

The total net pension cost of the company's scheme was nil (1997: £825). The cost is assessed in accordance with the advice of Buck Consultants Limited, consulting actuaries. The latest actuarial valuation of the scheme was performed as at 1 October 1996 using the aggregate costing method. The principal assumptions adopted in the valuation were that, over the long term, the investment return would be 9% per annum, the rate of salary increase would be 7% per annum and the rate of pension increase would be 7.5% per annum. The assumed rate of dividend growth was 5%.

At the date of the latest actuarial valuation at 1 October 1996, the market value of the assets of the scheme was £266,200 and the actuarial value of the assets was sufficient to cover 182% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

As the pension scheme is in surplus it was agreed the company should continue with a contribution holiday until the result of the next valuation.

**ULTIMATE PARENT COMPANY**

18 The directors regard J J Fox International Limited, incorporated in Jersey, C I, as the immediate and ultimate parent company. The company is a wholly owned subsidiary of JJ Fox International Limited.

**RELATED PARTY TRANSACTIONS**

19 Balances due from related parties at 30 September 1998 are disclosed in note 8. During the year the company received interest of £41,555 on its loans to J J Fox International Limited. The company paid management fees of £50,000 to J J Fox International Limited. Additionally the company paid rent of £42,250 to its fellow group undertaking Raleigh House Limited.

**ULTIMATE CONTROLLING PARTY**

20 The directors regard the Fox family as the ultimate controlling party.