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# **Florence Clothiers (Scotland) Limited**

## **Annual report for the year ended 29 August 1999**

Registered number: 71477

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# **Florence Clothiers (Scotland) Limited**

## **Annual report for the year ended 29 August 1999**

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# **Florence Clothiers (Scotland) Limited**

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## **Directors and advisers**

### **Directors**

**P B Stern**

**A G Ross**

**K K McCarthy**

### **Registered Auditors**

**PricewaterhouseCoopers**

Kintyre House

209 West George Street

GLASGOW

G2 2LW

### **Secretary and registered office**

**M M Lovat**

1 Jubilee Court

Montrose Avenue

Hillington

GLASGOW

G52 4LB

### **Solicitors**

**Golds**

8 Newton Terrace

GLASGOW

G3 7PJ

### **Bankers**

**National Westminster Bank plc**

14 Blythswood Square

GLASGOW

G2 4AQ

**Directors' report  
for the year ended 29 August 1999**

The directors present their report and the audited financial statements for the year ended 29 August 1999.

**Principal activity**

The principal activity of the company is the retail sale of leisure clothing and footwear.

**Review of business and future developments**

The profit and loss account for the year is set out on page 6. The directors consider both the results for the year and the year end financial position to be satisfactory in the circumstances and expect the company to make progress during the coming year.

**Dividends**

No dividends were paid during the year (1998: £1,000,000). The loss for the year of £488,000 (1998: £117,000) has been deducted from reserves.

**Directors**

The directors of the company at 29 August 1999, who held office throughout the year then ended, were:-

P B Stern  
A G Ross  
K K McCarthy (appointed 1 September 1998)

Mr J Kerr-Muir resigned as a director on 2 November 1998.

**Directors' interests**

The directors of the company at 29 August 1999 held no interests in the shares of the company at that date. Their interests in the parent company, Sports Connection Limited, are disclosed, where applicable, in that company's directors' report.

## **Employees**

It is the company's policy to consult and discuss with employees any matter likely to affect their interests. In addition, it is the company's policy to recruit disabled workers for those vacancies that they are able to fill. Arrangements are made, where possible, for re-training employees who become disabled.

## **Year 2000**

Many computer systems express dates using only the last two digits of the year. These systems require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers. There is, therefore, an exposure to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company has conducted a risk based review of its computer systems and computer controlled processes in collaboration with the system suppliers to identify those which could be affected. The directors are satisfied that business critical hardware and software is Year 2000 compliant.

The risk analysis also considered the impact on our business of Year 2000 related failures by our significant suppliers. In appropriate cases, formal assurance has been sought from these other parties.

## **Changes in fixed assets**

The movements in fixed assets during the year are set out in notes 10 and 11 to the financial statements.

## **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 of the company 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 29 August 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

# **Florence Clothiers (Scotland) Limited**

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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.

## **Charitable and political conditions**

The company made charitable contributions of £12,200 (1998: £9,735) during the year. No political contributions were made.

## **Auditors**

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the Annual General Meeting.

**By order of the board**

A handwritten signature in black ink, appearing to read 'M M Lovat', is written over a horizontal line.

**M M Lovat**  
**Company secretary**

28 January 2000

## **Auditors' report to the members of Florence Clothiers (Scotland) Limited**

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

### **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 financial statements, 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 financial statements 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 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.

### **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.

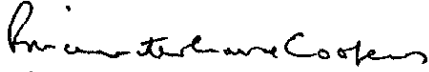
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# **Florence Clothiers (Scotland) Limited**

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## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29 August 1999 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**

Glasgow

28 January 2000



# Florence Clothiers (Scotland) Limited

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## Profit and loss account for the year ended 29 August 1999

	Notes	1999 £'000	1998 £'000
<b>Turnover</b>	2	33,751	33,096
Cost of sales		(20,538)	(19,883)
<b>Gross profit</b>		<u>13,213</u>	<u>13,213</u>
Net operating expenses	3	(13,324)	(11,770)
<b>Operating profit</b>		(111)	1,443
Interest receivable		-	2
Interest payable	6	(373)	(267)
<b>(Loss)/profit on ordinary activities before taxation</b>	7	(484)	1,178
Tax on (loss)/profit on ordinary activities	8	(4)	(61)
<b>(Loss)/profit on ordinary activities after taxation</b>		(488)	1,117
Dividends	9	-	(1,000)
<b>(Loss)/profit for the year</b>	20	<u>(488)</u>	<u>117</u>

All items dealt with in arriving at the above results relate to continuing operations.

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

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## Balance sheet as at 29 August 1999

	Notes	1999 £'000	1998 £'000
<b>Fixed assets</b>			
Tangible assets	10	4,084	4,110
Investments	11	14	16
		<u>4,098</u>	<u>4,126</u>
<b>Current assets</b>			
Stocks	12	4,290	4,397
Debtors	13	4,992	2,568
Cash at bank and in hand		12	9
		<u>9,294</u>	<u>6,974</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(9,143)</u>	<u>(6,679)</u>
<b>Net current assets</b>		<u>151</u>	<u>295</u>
<b>Total assets less current liabilities</b>		<u>4,249</u>	<u>4,421</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>(1,554)</u>	<u>(1,282)</u>
<b>Provision for liabilities and charges</b>	16	<u>(105)</u>	<u>(61)</u>
<b>Net assets</b>		<u><u>2,590</u></u>	<u><u>3,078</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	44	44
Share premium account	19	1,582	1,582
Capital redemption reserve	19	35	35
Profit and loss account	20	929	1,417
		<u>2,590</u>	<u>3,078</u>
<b>Equity shareholders' funds</b>	21	<u><u>2,590</u></u>	<u><u>3,078</u></u>

The financial statements on pages 7 to 19 were approved by the board of directors on 28 January 2000 and were signed on its behalf by:



**P B Stern**  
Director

## **Notes to the financial statements for the year ended 29 August 1999**

### **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 is set out below.

#### **Basis of accounting**

The accounts are prepared in accordance with the historical cost convention.

#### **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 over the expected useful economic lives of the assets concerned. The following rates are used on the reducing balance basis:

Fixtures and fittings	20%
Expenses on lease	10%

Freehold property is depreciated at 2% per annum on the straight-line basis.

#### **Landlords' inducements**

Landlords' inducements to enter leases are amortised through the profit and loss account over the shorter of the period of the lease or the period to the first rent review.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value with appropriate provision being made for obsolete and slow moving items.

#### **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.

## Turnover

Turnover represents the invoiced value of goods and services supplied, net of value added tax.

## Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the term of the lease. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding.

## Pension costs

The group operates money purchase pension schemes covering certain directors and senior employees. The assets of the individual funds within the schemes are held separately from those of the group. Contributions are charged through the profit and loss account in the period in which they are payable.

## Cash flow statement

The cash flows of the company are included in the consolidated cash flow statement in the financial statements of the parent company. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 (Revised) from publishing a cash flow statement.

## 2 Turnover

Turnover consists entirely of sports and leisure retail sales made in the United Kingdom.

## 3 Net operating expenses

	1999 £'000	1998 £'000
Distribution costs	11,210	9,579
Administrative expenses	2,114	2,191
	<u>13,324</u>	<u>11,770</u>

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## 4 Directors' emoluments

	1999 £'000	1998 £'000
Aggregate emoluments	343	356
Company pension contributions to money purchase schemes	25	30

Retirement benefits are accruing to two directors under money purchase pension schemes.

	1999 £'000	1998 £'000
Highest paid director Emoluments	202	210
Company pension contributions to money purchase schemes	14	16

## 5 Employee information

The average monthly number of persons (including directors) employed by the company during the year was:

	1999 Number	1998 Number
By activity		
Administration	35	42
Distribution	30	32
Retailing	419	397
	484	471

Staff costs (for the above persons) comprise:

	1999 £'000	1998 £'000
Wages and salaries	3,936	3,662
Social security costs	260	256
Pension costs (note 17)	42	53
	4,238	3,971

## 6 Interest payable

	1999 £'000	1998 £'000
On short term borrowings	205	109
On bank loans:		
Repayable within five years, by instalments	33	112
On parent company loan	133	42
On hire purchase contracts	2	4
	<u>373</u>	<u>267</u>

## 7 (Loss)/profit on ordinary activities before taxation

(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):

	1999 £'000	1998 £'000
Depreciation charge for the year - tangible fixed assets		
- owned	815	718
- leased	2	8
Auditors' remuneration for:-		
Audit services	23	22
Other services	37	37
Hire of plant and machinery - operating leases	17	12
Hire of other assets - operating leases	78	24
(Gain)/loss on disposal of tangible fixed assets	(3)	181
	<u></u>	<u></u>

## 8 Tax on (loss)/profit on ordinary activities

	1999 £'000	1998 £'000
United Kingdom corporation tax payable/(receivable) at 30% (1998: 31%)		
Current	(53)	87
Deferred	52	9
Under/(over) provision in respect of prior years:		
Current	13	(18)
Deferred	(6)	(17)
Adjustment to deferred tax balance due to changes in tax rates	(2)	-
	<u>4</u>	<u>61</u>

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## 9 Dividends

	1999 £'000	1998 £'000
Ordinary shares of £1 each		
Final dividend paid of £Nil (1998: £28.57 per share)	-	1,000
	<u>-</u>	<u>1,000</u>

## 10 Tangible fixed assets

	Freehold land and buildings £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Leasehold Expenditure £'000	Total £'000
<b>Cost</b>					
At 31 August 1998	106	4,518	183	950	5,757
Additions	-	654	-	330	984
Disposals	-	-	(183)	(70)	(253)
<b>At 29 August 1999</b>	<u>106</u>	<u>5,172</u>	<u>-</u>	<u>1,210</u>	<u>6,488</u>
<b>Depreciation</b>					
At 31 August 1998	6	1,450	33	158	1,647
Charge for year	30	673	15	99	817
Disposals	-	-	(48)	(12)	(60)
<b>At 29 August 1999</b>	<u>36</u>	<u>2,123</u>	<u>-</u>	<u>245</u>	<u>2,404</u>
<b>Net book value</b>	<u>70</u>	<u>3,049</u>	<u>-</u>	<u>965</u>	<u>4,084</u>
<b>At 29 August 1999</b>	<u><u>70</u></u>	<u><u>3,049</u></u>	<u><u>-</u></u>	<u><u>965</u></u>	<u><u>4,084</u></u>
<b>At 30 August 1998</b>	<u>100</u>	<u>3,068</u>	<u>150</u>	<u>792</u>	<u>4,110</u>

The net book value of tangible fixed assets includes an amount of £9,936 (1998: £12,420) in respect of assets held under finance leases.

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## 11 Investments

	£'000
<b>Cost</b>	
At 31 August 1998 and 29 August 1999	16
<b>Amortisation</b>	
At 31 August 1998	-
Provided for in the year	2
<b>At 29 August 1999</b>	<b>2</b>
<b>Net book value at 29 August 1999</b>	<b>14</b>
Net book value at 30 August 1998	16

The investments are listed on a recognised investment exchange. The market value of the investments held at 29 August 1999 was £10,000.

## 12 Stocks

	1999 £'000	1998 £'000
Goods for resale	4,290	4,397

## 13 Debtors

	1999 £'000	1998 £'000
<b>Amounts falling due within one year</b>		
Trade debtors	60	29
Amounts due by parent undertaking	3,137	1,036
Corporation tax recoverable	40	-
Other debtors	144	121
Prepayments	1,611	1,382
	<b>4,992</b>	<b>2,568</b>



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## 14 Creditors: amounts falling due within one year

	1999 £'000	1998 £'000
Bank overdraft (note 15 (a) (iv) below)	3,080	1,877
Bank loans (note 15(a))	710	415
Trade creditors	4,601	3,783
Corporation tax payable	48	68
Other taxation and social security	228	184
Hire purchase creditors (note 15(b))	6	5
Director's loan	2	2
Accruals and deferred income	468	345
	<u>9,143</u>	<u>6,679</u>

## 15 Creditors: amounts falling due after more than one year

	1999 £'000	1998 £'000
Bank loans ((a) below)	85	171
Loan from parent company	1,400	1,000
Hire purchase creditors ((b) below)	8	12
Accruals and deferred income	61	99
	<u>1,554</u>	<u>1,282</u>

### (a) Bank loans

Bank loans are repayable as follows:

	1999 £'000	1998 £'000
In one year or less	710	415
Between one and two years	41	85
Between two and five years	44	86
	<u>795</u>	<u>586</u>

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An analysis of the loans by due date of repayment is set out below:

	1999 £'000	1998 £'000
<b>(i) Business development loan 1995</b>		
Repayable within one year	37	34
Repayable between one and two years	41	37
Repayable between two and five years	44	86
	<u>122</u>	<u>157</u>

Interest is charged on this loan from National Westminster Bank plc at 9.625% per annum fixed.

	1999 £'000	1998 £'000
<b>(ii) Business development loan 1997</b>		
Repayable within one year	48	381
Repayable between one and two years	-	48
	<u>48</u>	<u>429</u>

Interest is charged on this loan from National Westminster Bank plc at 9% per annum fixed.

	1999 £'000	1998 £'000
<b>(iii) National Westminster Bank 1999 loan</b>		
Repayable within one year	625	-
	<u>625</u>	<u>-</u>

Interest is charged on this loan from National Westminster Bank plc at 1.75% above base rate.

(iv) The bank loans and overdraft are secured by:

- (a) A floating charge debenture over all the assets of the company.
- (b) Standard security over the properties at:  
Unit 19, Kyle Centre, High Street, Ayr, and 441 Dumbarton Road, Glasgow.

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## (b) Hire purchase creditors

The net hire purchase contract obligations to which the company is committed are repayable:

	1999 £'000	1998 £'000
<i>In one year or less</i>	6	5
Between two and five years	8	12
	<u>14</u>	<u>17</u>

## 16 Provision for liabilities and charges

Deferred taxation provided in the financial statements represents the full potential liability in respect of the tax effect of timing differences because of excess capital allowances over depreciation. The movements in the provision during the year were as follows:

	1999 £'000	1998 £'000
Balance at 31 August 1998	61	69
Charge/(release) to profit and loss account	44	(8)
	<u>105</u>	<u>61</u>

## 17 Pensions and similar obligations

The company participates in a number of money purchase pension schemes. The total pension cost for the company was £41,456 (1998: £53,000).

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## 18 Called up share capital

	1999 £'000	1998 £'000
<b>Authorised</b>		
35,000 ordinary shares of £1 each	35	35
4,700 'A' ordinary shares of £1 each	5	5
405,700 'A' ordinary shares of 1p each	4	4
	<u>44</u>	<u>44</u>
<b>Allotted, called up and fully paid</b>		
35,000 ordinary shares of £1 each	35	35
4,700 'A' ordinary shares of £1 each	5	5
405,000 'A' ordinary shares of 1p each	4	4
	<u>44</u>	<u>44</u>

## 19 Share premium account and capital redemption reserve

	Share premium account £'000	Capital redemption reserve £'000
At 30 August 1998 and 29 August 1999	<u>1,582</u>	<u>35</u>

## 20 Profit and loss account

	1999 £'000
At 31 August 1998	1,417
Loss for the year	<u>(488)</u>
At 29 August 1999	<u>929</u>

## 21 Reconciliation of movements in shareholders' funds

	1999 £'000	1998 £'000
Opening shareholders' funds	3,078	2,961
(Loss)/profit for the year	(488)	117
Closing shareholders' funds	<u>2,590</u>	<u>3,078</u>

## 22 Capital commitments

Capital expenditure which has been contracted for but not provided for in the financial statements amounted to £46,000 at 29 August 1999 (1998: £175,000).

## 23 Financial commitments

At 29 August 1999 the company had annual commitments under non-cancellable operating leases as follows:

	1999		1998	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiring within one year	54	24	-	17
Expiring between two and five years inclusive	-	86	54	-
Expiring in over five years	<u>3,773</u>	<u>-</u>	<u>3,032</u>	<u>55</u>
	<u>3,827</u>	<u>110</u>	<u>3,086</u>	<u>72</u>

## 24 Ultimate parent company and controlling party

The directors regard Sports Connection Limited, a company registered in Scotland, as the ultimate parent company and controlling party. Copies of the parent's consolidated financial statements can be obtained from the Secretary, Sports Connection Limited, 1 Jubilee Court, Montrose Avenue, Hillington, Glasgow, G52 4LB.