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G.U.S. CATALOGUE ORDER LIMITED

REPORTS AND ACCOUNTS

FOR THE YEAR ENDED 31st MARCH 1986



G.U.S. CATALOGUE ORDER LIMITED

REPORTS AND ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1986

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G.U.S. CATALOGUE ORDER LIMITED

DIRECTORS' REPORT

The directors present their report and the accounts for the year ended 31st March 1986.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continued to be agency mail order trading. The company has benefited during the year from an increase in the agency base. It is anticipated that the increase will continue next year.

PROFITS AND DIVIDENDS

The profit for the year after taxation was £12,467,601. It is recommended that this amount be dealt with as follows:

	£
Dividend on first preference shares	168
Proposed final dividend on ordinary shares	4,823,750
Retained in the business	7,643,683
	<hr/>
	£12,467,601

The directors recommend that a dividend of £4,823,750 be paid on the ordinary shares.

SIGNIFICANT CHANGES IN TANGIBLE FIXED ASSETS

The significant changes to tangible fixed assets are set out in Note 8 to the accounts.

DIRECTORS

The directors who held office during the year were:

A. T. Spittle	-	(Chairman)
M. J. C. Harris		
M. A. G. Barber		
P. M. Harris		
T. W. Head		
A. Hutchinson		
C. Kramer		
J. M. Maile		
P. L. Weigh		
J. H. Brown	-	(appointed 25th April 1985)
B. W. Taylor	-	(appointed 24th July 1985)
E. G. Bentley	-	(appointed 24th July 1985)

Mr. A. T. Spittle is a director of The Great Universal Stores p.l.c., of which the company is a wholly-owned subsidiary.

G.U.S. CATALOGUE ORDER LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS (Continued)

The other directors had no interests, either at the beginning of the year, or date of appointment, or at the end of the year, in any shares or debentures of the company or any other subsidiary of the ultimate holding company.

The only interests of the other directors who held office at 31st March 1986, in the share capital of the ultimate holding company, The Great Universal Stores p.l.c., were:

	<u>31st March 1986</u>	<u>1st April 1985</u>
C. Kramer		
Ordinary stock units of 25p each	10	10
'A' Ordinary stock units of 25p each	3,007	3,007
M. J. C. Harris		
Ordinary stock units of 25p each	1,000	-
'A' Ordinary stock units of 25p each	100	-

EMPLOYEE INVOLVEMENT

The company has a long tradition of close contact, negotiation and consultation with its employees. The main methods by which this process is conducted are, Consultative Committees, Joint Strategy Committees and various standing and ad hoc committees. The company recognises and has sole negotiating rights agreements with USDAW, SATA, EEPTU and AUEW.

The company has encouraged the development, training and participation of informed trade union representatives and meetings have taken place frequently throughout the year on a wide range of topics including the following:

Company performance and operational matters
Health and safety
Catering facilities
Productivity schemes, bonus payments, job evaluation and salary systems
Absenteeism
Manpower levels and working systems
Pensions

The company also operates an equal opportunities policy in relation to its total employment policy.

DISABLED PERSONS

The company discharges equitably its statutory and social duties in respect of the employment of disabled persons.

G.U.S. CATALOGUE ORDER LIMITED

DIRECTORS' REPORT (Continued)

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

A handwritten signature in dark ink, appearing to read "J.W. Carter", with a horizontal line underneath the name.

Secretary

AUDITORS' REPORT
TO THE MEMBERS OF G.U.S. CATALOGUE ORDER LIMITED

We have audited the accounts on pages 6 to 15 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 1986 and of its profit and source and application of funds for the year then ended, and comply with the Companies Act 1985.

Melville Hartman & Sells

Chartered Accountants

Manchester

17th September 1986

G.U.S. CATALOGUE ORDER LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31st MARCH 1986

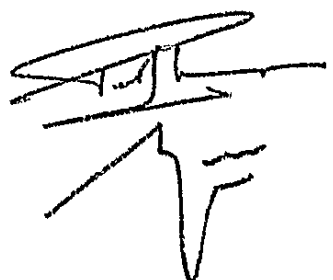
	<u>Notes</u>	<u>1986</u> <u>£000's</u>	<u>1985</u> <u>£000's</u>
TURNOVER		356,501	328,462
Cost of sales		249,964	232,867
GROSS PROFIT		106,537	95,595
Other operating expenses (net)	2	90,972	84,752
OPERATING PROFIT		15,565	10,843
Interest receivable	3	4,924	3,154
PROFIT BEFORE INTEREST PAYABLE		20,489	13,997
Interest payable	4	6	10
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	20,483	13,987
Taxation	7	8,015	5,135
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		12,468	8,852
Dividends	17	4,824	3,542
RETAINED PROFIT FOR THE YEAR	15	7,644	5,310

G.U.S. CATALOGUE ORDER LIMITED

BALANCE SHEET AT 31st MARCH 1986

	<u>Notes</u>	<u>1986</u> <u>£000's</u>	<u>1985</u> <u>£000's</u>
TANGIBLE FIXED ASSETS	8	24,638	21,433
CURRENT ASSETS			
Stocks		96,175	91,627
Debtors	10	118,261	111,340
Cash at bank and in hand		2,199	1,686
		216,635	204,653
CURRENT LIABILITIES - CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	138,764	134,041
NET CURRENT ASSETS		77,871	70,612
TOTAL ASSETS LESS CURRENT LIABILITIES		102,509	92,045
PROVISIONS FOR LIABILITIES AND CHARGES	13	17,367	14,547
NET ASSETS		85,142	77,498
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	14	5	5
Share premium account	15	1,927	1,927
Other reserves	15	1	1
Profit and loss account	15	83,209	75,565
		85,142	77,498
		=====	=====

The accounts on pages 6 to 15 were approved by the board of directors on
17 September 1986 and signed on its behalf by:

 } Directors

G.U.S. CATALOGUE ORDER LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31st MARCH 1986

	<u>1986</u> <u>£000's</u>	<u>1985</u> <u>£000's</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	20,483	13,987
Adjustments for items not involving the movement of funds:		
Depreciation of tangible fixed assets	2,064	1,885
Loss/(profit) on disposal of tangible fixed assets	1	(16)
TOTAL SOURCE OF FUNDS	<u>22,548</u>	<u>15,856</u>
APPLICATION OF FUNDS		
Taxation paid	4,909	449
Dividend paid	3,542	2,552
Purchases less proceeds of disposals of tangible fixed assets	5,270	5,118
TOTAL APPLICATION OF FUNDS	<u>13,721</u>	<u>8,119</u>
NET SOURCE OF FUNDS	<u>8,827</u>	<u>7,737</u>
THE NET SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASE IN WORKING CAPITAL		
Stocks	4,548	7,839
Debtors	7,429	7,399
Creditors falling due within one year (excluding dividends payable and corporation tax)	(798)	(5,888)
V.A.T. suspense account	(2,865)	(1,493)
	<u>8,314</u>	<u>7,857</u>
Movement in net liquid funds:		
Cash at bank and in hand	<u>513</u>	<u>(120)</u>
INCREASE IN WORKING CAPITAL	<u>8,827</u>	<u>7,737</u>

G.U.S. CATALOGUE ORDER LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31st MARCH 1986

1. ACCOUNTING POLICIES

Basis of accounting

The accounts are drawn up on the historical cost basis of accounting.

Depreciation

Tangible assets are stated at cost less accumulated depreciation, with the exception of office freehold land and buildings, which are not depreciated as the amount is not considered material in the context of the company.

Other assets have been depreciated as follows:

Freehold warehouses - on a straight line basis at the rate of 2% per annum.

Long and short leasehold land and buildings - on a straight line basis over the period of the lease with a minimum rate of 2% per annum.

Fixtures and other equipment on a straight line basis over the estimated useful lives of the assets, which are estimated at between four and ten years, depending on the type of asset concerned.

Stocks

Stocks are valued consistently at the lower of cost and net realisable value.

Provision is made to reduce cost to net realisable value having regard to the age, condition and saleability of stock. All stocks are goods held for re-sale.

Deferred taxation

Full provision is made for deferred taxation on timing differences at the rate anticipated to be applicable at the expected date of crystallisation.

Value added tax (V.A.T.)

V.A.T. is included in the accounts on the basis of the V.A.T. content of sales at the rate applicable on the date the sale is recorded. As the company is using a special retailer's scheme, the difference between V.A.T. so computed and the amount payable on collections, is included in the provisions for liabilities and charges.

Turnover

Turnover represents the amount received or receivable, excluding value added tax, for goods sold to customers during the year.

Leased assets

The company has applied the permitted transitional provisions of the accounting standard for leased assets. The following policy has so far been adopted for transactions as lessee; rentals payable under both operating and finance leases are charged against operating profit by equal instalments over the period of each lease.

G.U.S. CATALOGUE ORDER LIMITED

NOTES TO THE ACCOUNTS (Continued)

2.	OTHER OPERATING EXPENSES (NET)	<u>1986</u> £000's	<u>1985</u> £000's
	Distribution costs	63,051	56,695
	Administrative expenses	28,059	28,169
		<u>91,110</u>	<u>84,864</u>
	Other operating income	(138)	(112)
		<u>90,972</u>	<u>84,752</u>
3.	INTEREST RECEIVABLE	<u>1986</u> £000's	<u>1985</u> £000's
	Interest receivable from group companies	4,515	3,044
	Taxation repayment supplement received	409	110
		<u>4,924</u>	<u>3,154</u>
4.	INTEREST PAYABLE	<u>1986</u> £000's	<u>1985</u> £000's
	On bank overdrafts and group loans repayable within 5 years:		
	To group companies	6	10
5.	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1986</u> £000's	<u>1985</u> £000's
	This is stated after crediting:		
	Rent receivable	139	96
	And after charging:		
	Auditors' remuneration	57	50
	Depreciation of tangible fixed assets	2,064	1,885
	Hire of plant and machinery - operating leases	460	523
	Hire of other assets - operating leases	4	4
6.	DIRECTORS AND EMPLOYEES	<u>1986</u> £000's	<u>1985</u> £000's
	Staff costs during the year:		
	Wages and salaries	23,105	23,984
	Social security costs	2,103	2,490
	Other pension costs	329	314
		<u>25,537</u>	<u>26,788</u>

G.U.S. CATALOGUE ORDER LIMITED

NOTES TO THE ACCOUNTS (Continued)

6. DIRECTORS AND EMPLOYEES (Continued)

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

	1986		1985	
	Number full-time	Number part-time	Number full-time	Number part-time
Buying	-	-	117	-
Production	1,521	1,001	1,702	1,130
Distribution/Sales	57	82	70	78
Administrative	1,495	582	1,585	455
	<u>3,073</u>	<u>1,665</u>	<u>3,474</u>	<u>1,663</u>

Staff costs include the following remuneration in respect of directors:

Management remuneration and pension contributions

	1986 £000's	1985 £000's
	381	301

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

The chairman

	NIL	NIL
--	-----	-----

The highest-paid director

	50	47
--	----	----

The number of other directors who received emoluments in the following ranges was:

£ NIL	- £ 5,000
£25,001	- £30,000
£30,001	- £35,000
£35,001	- £40,000
£40,001	- £45,000

Number	Number
2	1
2	1
3	2
2	2
1	1

7. TAXATION

U.K. Corporation tax at 40% (1985 - 45%):

Current

Deferred

Under/(over) provision in respect of prior years

	1986	1985
	£000's	£000's
Current	7,583	5,629
Deferred	(45)	424
Under/(over) provision in respect of prior years	477	(918)
	<u>8,015</u>	<u>5,135</u>

G.U.S. CATALOGUE ORDER LIMITED

NOTES TO THE ACCOUNTS (Continued)

8. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000's	Long leasehold land and buildings £000's	Fixtures and other equipment £000's	Assets in the course of construction £000's	Total £000's
COST					
At 1st April 1985	13,807	839	17,622	1,300	33,568
Inter-group additions	118	-	-	-	118
Additions	682	4	1,906	2,672	5,264
Reclassification	-	-	876	(876)	-
Disposals	-	-	(314)	-	(314)
At 31st March 1986	14,607	843	20,090	3,096	38,636
DEPRECIATION					
At 1st April 1985	1,276	136	10,723	-	12,135
Inter-group transfers	43	-	-	-	43
Charge for year	216	12	1,836	-	2,064
Eliminated in respect of disposals	-	-	(244)	-	(244)
At 31st March 1986	1,535	148	12,315	-	13,998
NET BOOK VALUE					
At 31st March 1986	13,072	695	7,775	3,096	24,638
At 31st March 1985	12,531	703	6,899	1,300	21,433

9. CAPITAL COMMITMENTS

	1986 £000's	1985 £000's
Capital expenditure that has been contracted for but has not been provided for in the accounts	9,479	1,522
Capital expenditure that has been authorised by the directors but has not yet been contracted for	3,374	6,260
Commitments under finance leases entered into, but not yet provided for in the accounts	139	150

G.U.S. CATALOGUE ORDER LIMITED

NOTES TO THE ACCOUNTS (Continued)

10. DEBTORS

	<u>1986</u> <u>£000's</u>	<u>1985</u> <u>£000's</u>
Amounts falling due within one year:		
Amounts owed by group companies	116,541	108,929
Other debtors	1,131	1,347
Prepayments and accrued income	589	556
Tax recoverable	-	508
	<u>118,261</u>	<u>111,340</u>
	=====	=====

11. INSTALMENT DEBTS

Instalment debts due to the company at 31st March 1986 amounted to £110,162,000 (1985 - £94,925,000), the beneficial interest in the whole of which has been sold to a fellow subsidiary. The company collects such debts, which it guarantees, on behalf of the fellow subsidiary, which, in return, pays the company a monthly commission based on the instalments collected.

12. CREDITORS

	<u>1986</u> <u>£000's</u>	<u>1985</u> <u>£000's</u>
Amounts falling due within one year:		
Trade creditors	969	1,151
Amounts owed to group companies	63,951	64,605
Dividends payable	4,824	3,542
Corporation tax	8,272	5,629
Other taxation and social security payable	21,558	20,856
Other creditors	33,353	32,341
Accruals and deferred income	5,837	5,917
	<u>138,764</u>	<u>134,041</u>
	=====	=====

13. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>Deferred</u> <u>taxation</u> <u>£000's</u>	<u>VAT</u> <u>suspense</u> <u>account</u> <u>£000's</u>	<u>Total</u> <u>£000's</u>
At 1st April 1985	2,473	12,074	14,547
Transfers from profit and loss account	(45)	2,865	2,820
At 31st March 1986	<u>2,428</u>	<u>14,939</u>	<u>17,367</u>
	=====	=====	=====

In addition to the provision for deferred taxation there is a potential liability which has not been provided for in respect of chargeable gains rolled over on fixed asset disposals of approximately £1,523,000 (1985 - £1,523,000).

G.U.S. CATALOGUE ORDER LIMITED

NOTES TO THE ACCOUNTS (Continued)

14. CALLED-UP SHARE CAPITAL

	<u>1986</u> £	<u>1985</u> £
Authorised:		
4,000 4.2% (formerly 6%) cumulative first preference shares of £1 each	4,000	4,000
500 4.2% (formerly 6%) redeemable cumulative participating second preference shares of £1 each	500	500
874 Ordinary shares of £1 each	874	874
	<u>£ 5,374</u> =====	<u>£ 5,374</u> =====
Allotted, called-up and fully paid:		
4,000 4.2% (formerly 6%) cumulative first preference shares of £1 each	4,000	4,000
874 Ordinary shares of £1 each	874	874
	<u>£ 4,874</u> =====	<u>£ 4,874</u> =====

15. RESERVES

	<u>Share premium account</u> £000's	<u>Other reserves</u> £000's	<u>Profit and loss account</u> £000's
At 1st April 1985	1,927	1	75,565
Retained profit for the year	-	-	7,644
At 31st March 1986	<u>1,927</u> =====	<u>1</u> =====	<u>83,209</u> =====

16. OTHER FINANCIAL COMMITMENTS

At 31st March 1986 the company had annual commitments under non-cancellable operating leases as follows:

	<u>1986</u>		<u>1985</u>	
	<u>Land and buildings</u> £000's	<u>Other</u> £000's	<u>Land and buildings</u> £000's	<u>Other</u> £000's
Expiring within one year	-	470	-	460
Expiring between two and five years inclusive	4	-	4	-
Expiring in over five years	-	-	-	-
	<u>4</u> =====	<u>470</u> =====	<u>4</u> =====	<u>460</u> =====

G.U.S. CATALOGUE ORDER LIMITED

NOTES TO THE ACCOUNTS (Continued)

16. OTHER FINANCIAL COMMITMENTS (Continued)

At 31st March 1986 the company had annual commitments under finance leases as follows:

	<u>1986</u> <u>£000's</u>	<u>1985</u> <u>£000's</u>
Expiring within one year	1,944	1,750
Expiring between two and five years inclusive	2,157	3,255
Expiring in over five years	22	25
	<u>4,123</u>	<u>5,030</u>
	=====	=====

17. DIVIDENDS

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Dividend on first preference shares	168	168
Proposed final dividend on ordinary shares	4,823,750	3,542,000
	<u>4,823,918</u>	<u>3,542,168</u>
	=====	=====

18. ULTIMATE HOLDING COMPANY

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