

REPORT AND ACCOUNTS

Ottakar's plc

25 JANUARY 1993



 **ERNST & YOUNG**

# Ottakar's plc

---

Registered No. 2133199

## DIRECTORS

M Ellis-Jones (Non-executive) (Chairman)  
J A Heneage (Managing Director)  
G L Barnes (Non-executive)  
P M Dunne (Non-executive)

## SECRETARY

P M Dunne

## AUDITORS

Ernst & Young  
Becket House  
1 Lambeth Palace Road  
London SE1 7EU

## BANKERS

Bank of Scotland  
Head Office  
The Mound  
Edinburgh EH1 1YZ

## SOLICITORS

Manches & Co  
3 Worcester Street  
Oxford OX1 2PZ

## REGISTERED OFFICE

Aura House  
53 Oldridge Road  
London SW12 8PJ



## DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 25 January 1993.

## RESULTS AND DIVIDENDS

The trading profit for the year to 25 January 1993, which after taxation, amounted to £90,946 (1992 — £442,831 loss) has been transferred to reserves.

The directors do not recommend the payment of a final ordinary dividend.

## PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity is book retailing.

During the period under review the company traded from eight shops in the south and west of England. During this period the company has sublet its only loss making shop in Brighton and opened a new shop in Tunbridge Wells. These measures, together with a fund raising and capital reorganisation undertaken in December 1992, enable the directors to anticipate continued profitable performance in the coming year.

## EVENTS SINCE THE BALANCE SHEET DATE

Following the year end the company has applied to the High Court for confirmation of a Special Resolution to reduce the capital of the company by cancelling the deferred shares in issue. An order to that effect was made by the High Court on 31 March 1993 and is being submitted to Companies House for registration, whereupon it will become effective.

## FIXED ASSETS

The changes in fixed assets during the year are shown in the notes to the accounts.

## DIRECTORS AND THEIR INTERESTS

The directors at the year ended 25 January 1993 and their interests in the share capital of the company at 25 January 1993, all beneficially held, were as follows:

	25 January 1993			25 January 1992		
	Ordinary share options	Deferred shares	Preference shares	Ordinary shares	Ordinary share options	Ordinary shares
M Ellis-Jones	—	3,000	420	843	1,000	1,000
J A Heneage	—	35,390	3,235	6,465	47,500	35,390
G L Barnes	—	—	—	—	—	—
P M Dunne	—	35,280	1,335	2,670	40,500	35,280

Mr P M Cheney resigned as a director of the company on 28 February 1992.

## AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board

P M Dunne

Secretary

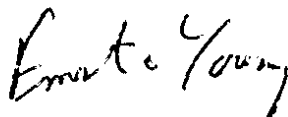
15 April 1993



**REPORT OF THE AUDITORS  
to the members of Ottakar's plc**

We have audited the accounts on pages 5 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 25 January 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

15 April 1993

**Ottakar's plc****GROUP PROFIT AND LOSS ACCOUNT**

for the year ended 25 January 1993

	Notes	1993 £	1992 £
<b>TURNOVER</b>	<b>2</b>	<b>3,982,044</b>	<b>3,720,087</b>
Cost of sales		(2,530,603)	(2,357,110)
Gross profit		1,451,441	1,362,977
Administration expenses		(1,391,687)	(1,448,449)
		59,754	(85,472)
Exceptional items	<b>3</b>	62,169	(255,000)
<b>OPERATING PROFIT/(LOSS)</b>	<b>4</b>	<b>121,923</b>	<b>(340,472)</b>
Bank interest receivable		2,297	3,077
Interest payable	<b>7</b>	(33,274)	(105,436)
		(30,977)	(102,359)
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>90,946</b>	<b>(442,831)</b>
Tax on profit/(loss) on ordinary activities	<b>8</b>	-	-
<b>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</b>	<b>9</b>	<b>90,946</b>	<b>(442,831)</b>
Accumulated losses brought forward		(1,351,667)	(908,836)
Accumulated losses carried forward		(1,260,721)	(1,351,667)

# Ottakar's plc

## GROUP BALANCE SHEET

at 25 January 1993

	Notes	1993 £	1992 £
<b>FIXED ASSETS</b>			
Tangible assets	10	866,739	855,780
<b>CURRENT ASSETS</b>			
Stock	13	1,006,020	720,482
Debtors	14	122,312	139,616
Cash at bank and in hand		146,534	80,105
		1,274,866	940,203
<b>CREDITORS: amounts falling due within one year</b>	15	(961,473)	(837,638)
<b>NET CURRENT ASSETS</b>		313,391	102,565
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,180,130	958,345
<b>CREDITORS: amounts falling due after more than one year</b>	16	(246,973)	(134,764)
Provisions	17	(18,173)	(255,000)
		(265,146)	(389,764)
		914,984	568,581
<b>Unsecured subordinated loan stock</b>	19	—	(500,000)
		914,984	68,581
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	2,491,216	1,680,816
Share premium account	21	2,750	57,693
Profit and loss account		(1,260,721)	(1,351,667)
Goodwill		(318,261)	(318,261)
		914,984	68,581

J A Heneage

)

) Directors

P M Dunne

)

15 April 1993




# Ottakar's plc

## BALANCE SHEET

at 25 January 1993

	Notes	1993 £	1992 £
<b>FIXED ASSETS</b>			
Tangible assets	11	708,406	682,406
Investment in subsidiaries	12	200,102	200,102
		<u>908,508</u>	<u>882,508</u>
<b>CURRENT ASSETS</b>			
Stock	13	1,006,020	720,482
Debtors	14	122,312	139,616
Cash at bank and in hand		146,534	282,411
		<u>1,274,866</u>	<u>1,142,509</u>
<b>CREDITORS: amounts falling due within one year</b>	15	<u>(1,003,662)</u>	<u>(1,067,090)</u>
<b>NET CURRENT ASSETS</b>		<u>271,204</u>	<u>75,419</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,179,712</u>	<u>957,927</u>
<b>CREDITORS: amounts falling due after more than one year</b>	16	<u>(246,973)</u>	<u>(134,764)</u>
Provisions for liabilities and charges	17	<u>(18,173)</u>	<u>(255,000)</u>
		<u>(265,146)</u>	<u>(389,764)</u>
		<u>914,566</u>	<u>568,163</u>
Unsecured subordinated loan stock	19	<u>—</u>	<u>(500,000)</u>
		<u>914,566</u>	<u>68,163</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20	2,491,216	1,680,816
Share premium account		2,750	57,693
Profit and loss account		(1,261,139)	(1,352,085)
Goodwill		(318,261)	(318,261)
		<u>914,566</u>	<u>68,163</u>

J A Heneage

) Directors

P M Dunne

15 April 1993

## NOTES TO THE ACCOUNTS

at 25 January 1993

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

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

#### *Basis of consolidation*

The group accounts comprises the accounts of Ottakar's plc and its subsidiaries drawn up to 25 January 1993.

No profit and loss account is presented for Ottakar's plc as provided by Section 230 of the Companies Act 1985.

The company has dispensed with the need to prepare a statement of cash flows under FRS1, under the small company exemption.

#### *Goodwill*

Purchased goodwill has been written off to reserves.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value, of each asset evenly over its estimated useful life, as follows:

Leasehold premises	-	over the period of the lease
Fixtures and fitting	-	over 10 years
Office equipment	-	over 5 years
Motor vehicles	-	over 4 years

#### *Stocks*

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

#### *Deferred taxation*

Deferred taxation is provided on the liability method on all timing differences to the extent that they are likely to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

#### *Leased assets*

Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element is charged to the profit and loss account over the period of the lease.

Operating lease rentals are charged to the profit and loss account as incurred.

### 2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities as a book retailer, and is stated net of value added tax. Turnover is derived solely in the United Kingdom.



# Ottakar's plc

## NOTES TO THE ACCOUNTS

at 25 January 1993

### 3. EXCEPTIONAL ITEMS

	1993 £	1992 £
(a) Provision for closure of Brighton shop	-	(255,000)
(b) Interest on unsecured sub-ordinated loan (1992) now waived	80,342	-
(c) Provision for loss of rental and associated legal fees resultant from acquiring premises of sub-tenants	(18,173)	-
	<u>62,169</u>	<u>(255,000)</u>

### 4. OPERATING PROFIT/(LOSS)

The profit/(loss) is stated after charging/(crediting):

	1993 £	1992 £
Auditors' remuneration – audit services	12,000	13,500
– non audit services	8,575	-
Depreciation of owned tangible fixed assets	81,377	81,959
Depreciation of assets held under finance leases	8,589	9,316
Operating lease rentals – other	487,613	536,935
Rental income	<u>(54,902)</u>	<u>(33,520)</u>

### 5. DIRECTORS' REMUNERATION

	1993 £	1992 £
Fees	-	625
Other emoluments (including pension contributions)	40,584	50,074
	<u>40,584</u>	<u>50,699</u>

The emoluments of the chairman excluding pension contributions, was £nil (1992 – £625).

The emoluments of the highest paid director, excluding pension contributions, was £37,084 (1992 – £25,424). The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1993 No.	1992 No.
£nil – £5,000	4	2
£20,001 – £25,000	-	1
£35,001 – £40,000	1	-
	<u>5</u>	<u>3</u>

## NOTES TO THE ACCOUNTS

at 25 January 1993

## 6. STAFF COSTS

	1993	1992
	£	£
Wages and salaries	400,161	424,342
Social security costs	33,400	33,536
	<u>433,561</u>	<u>457,878</u>

The average weekly number of employees during the year was as follows:

	No.	No.
Administration	4	5
Sales	42	46
	<u>46</u>	<u>51</u>

## 7. INTEREST PAYABLE

	1993	1992
	£	£
Bank overdrafts and other loans wholly repayable within five years	31,053	105,436
Finance charges payable under finance leases and hire purchase contracts	2,221	2,664
	<u>33,274</u>	<u>108,100</u>

## 8. TAXATION

	1993	1992
	£	£
Corporation tax	-	-

In view of the previous trading losses incurred there is no charge to taxation for the current year.

## 9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

The profit dealt within the accounts of the parent undertaking was £90,946 (1992 - £442,831).

# NOTES TO THE ACCOUNTS

at 25 January 1993

## 10. GROUP TANGIBLE FIXED ASSETS

	<i>Short leasehold land and buildings</i> £	<i>Fixtures and fittings</i> £	<i>Office equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
<b>Cost:</b>					
At 26 January 1992	706,591	326,170	74,814	13,518	1,121,093
Additions	146,257	113,901	33,213	—	293,371
Disposals	(234,184)	(36,333)	(100)	(2,150)	(272,767)
At 25 January 1993	618,664	403,738	107,927	11,368	1,141,697
<b>Depreciation:</b>					
At 26 January 1992	109,988	110,341	41,187	3,797	265,313
Provided in the year	36,463	33,226	17,435	2,842	89,966
Disposals	(57,334)	(21,194)	(15)	(1,778)	(80,321)
At 25 January 1993	89,117	122,373	58,607	4,861	274,958
<b>Net book value:</b>					
At 25 January 1993	529,547	281,365	49,320	6,507	866,739
At 26 January 1992	596,603	215,829	33,627	9,721	855,780

The net book values of office equipment and motor vehicles include amounts of £1,916 (1992 – £13,535) and £6,507 (1992 – £9,472) respectively in respect of assets acquired under finance leases.

All land and buildings are held under short leaseholds of up to 25 years.

# Ottakar's plc

## NOTES TO THE ACCOUNTS

at 25 January 1993

### 11. COMPANY TANGIBLE FIXED ASSETS

	Short leasehold land and buildings £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
Cost:					
At 26 January 1992	506,591	326,170	74,814	13,518	921,093
Additions	146,257	113,901	33,213	—	293,371
Disposals	(234,184)	(36,333)	(100)	(2,150)	(272,767)
At 25 January 1993	418,664	403,738	107,927	11,368	941,697
Depreciation:					
At 26 January 1992	83,362	110,341	41,187	3,797	238,687
Provided in the year	21,422	33,226	17,435	2,842	74,925
Disposals	(57,334)	(21,194)	(15)	(1,778)	(80,321)
At 25 January 1993	47,450	122,373	58,607	4,861	233,291
Net book value:					
At 25 January 1993	371,214	281,365	49,320	6,507	708,406
At 26 January 1992	423,229	215,829	33,627	9,721	682,406

The net book values of office equipment and motor vehicles include amounts of £1,916 (1992 – £13,535) and £6,507 (1992 – £9,472) respectively in respect of assets acquired under finance leases.

All land and buildings are held under short leaseholds of up to 25 years.

### 12. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	1993 £	1992 £
Investment in subsidiary undertakings	200,102	200,102

Ottakar's Town Limited is registered in England and is 100% owned. The company is dormant.

Town Booksellers Limited is registered in England and is 100% owned. Its sole activity is to hold the leases on those shops formerly trading as Town Booksellers.

## NOTES TO THE ACCOUNTS

at 25 January 1993

## 13. STOCKS

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Goods purchased for resale	1,001,086	716,551	1,001,086	716,551
Other stock	4,934	3,931	4,934	3,931
	<u>1,006,020</u>	<u>720,482</u>	<u>1,006,020</u>	<u>720,482</u>

In the opinion of the directors the difference between replacement cost and book value is not material.

## 14. DEBTORS

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Trade debtors	25,733	12,237	25,733	12,237
Other debtors	17,284	31,603	17,284	31,603
Prepayments	79,295	95,776	79,295	95,776
	<u>122,312</u>	<u>139,616</u>	<u>122,312</u>	<u>139,616</u>

## 15. CREDITORS: amounts falling due within one year

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Bank overdraft	-	-	-	-
Obligations under finance leases	4,520	9,046	4,520	9,046
Trade creditors	822,432	685,225	822,432	685,225
Other creditors	579	61,468	579	56,126
Other taxation and social security	12,348	21,899	12,348	20,899
Accruals	74,929	30,000	74,929	36,342
Deferred income	46,667	30,000	46,667	30,000
Amounts due to subsidiaries	-	-	42,187	229,432
	<u>961,475</u>	<u>837,638</u>	<u>1,003,662</u>	<u>1,067,090</u>

# Ottakar's plc

## NOTES TO THE ACCOUNTS

at 25 January 1993

### 16. CREDITORS: amounts falling due after more than one year

	1993	Group 1992	1992	Company 1992
	£	£	£	£
Deferred interest on unsecured loan	-	80,342	-	80,342
Deferred income	245,696	48,162	245,696	48,162
Obligations under finance leases	1,277	6,260	1,277	6,260
	<u>246,973</u>	<u>134,764</u>	<u>246,973</u>	<u>134,764</u>

### 17. PROVISION FOR LIABILITIES AND CHARGES

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Provision for loss of rental and legal fees (see 3c)	18,173	-	18,173	-
Shop closure provision	-	255,000	-	255,000
	<u>-</u>	<u>255,000</u>	<u>-</u>	<u>255,000</u>

### 18. OBLIGATIONS UNDER FINANCE LEASES

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Amounts payable:				
Within one year	5,903	9,966	5,903	9,966
In the second to fifth years inclusive	1,660	7,564	1,660	7,564
	<u>7,563</u>	<u>17,530</u>	<u>7,563</u>	<u>17,530</u>
Less: Finance charges allocated to future periods	(1,766)	(2,223)	(1,766)	(2,223)
	<u>5,797</u>	<u>15,307</u>	<u>5,797</u>	<u>15,307</u>
Finance leases are analysed as follows:				
Current obligations	4,520	9,046	4,520	9,046
Non-current obligations	1,277	6,261	1,277	6,261
	<u>5,797</u>	<u>15,307</u>	<u>5,797</u>	<u>15,307</u>

Commitments under non-cancellable operating leases, all land and buildings, are as follows:

	1993	Group 1992	1993	Company 1992
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
Over five years	481,750	476,750	481,750	476,750
	<u>481,750</u>	<u>476,750</u>	<u>481,750</u>	<u>476,750</u>

## NOTES TO THE ACCOUNTS

at 25 January 1993

## 19. UNSECURED SUBORDINATED LOAN STOCK

	Group and Company 1993 £	Group 1992 £	Company 1992 £
Aggregate amounts repayable			
Between one to two years	-	300,000	300,000
Between two and five years	-	200,000	200,000
	-	500,000	500,000

The unsecured subordinated loan was made available by a shareholder, Baronsmead Venture Capital Fund, which has been released and discharged in consideration for the issue and allotment of shares.

## 20. SHARE CAPITAL

	1993 £	Authorised 1992 £	Allotted, called up and fully paid 1993 £	1992 £
Ordinary shares of 50p each	53,382	-	33,550	-
Ordinary shares of £1 each	-	208,500	-	75,500
Convertible preferred ordinary shares of £1 each (CPO)	-	614,386	-	364,386
Redeemable preference shares of £1 each (RPS)	-	1,240,930	-	1,240,930
"A" Redeemable Preference shares of £1 each	957,382	-	287,500	-
"B" Redeemable Preference shares of £1 each	485,000	-	485,000	-
"C" Redeemable Preference shares of £1 each	30,850	-	30,850	-
"D" Redeemable Convertible Preference shares of £1 each	5,200	-	5,200	-
Deferred shares	1,649,116	-	1,649,116	-
	3,180,930	2,063,816	2,491,216	1,680,816

Pursuant to a Special Resolution of the company passed on 2 December 1992 the share capital of the company was registered in connection with the introduction of a new investor.

Redemption of the "A" Preference shares, if fully allotted, is due at par in three tranches of £250,000 on 31 March in each of the years 1997 to 1999 and the balance on 31 March 2000, or on a listing of the Ordinary share capital.

The "D" Preference shares are due to be redeemed at par in full on final redemption of the "A" Preference shares.

## NOTES TO THE ACCOUNTS

at 25 January 1993

## 20. SHARE CAPITAL (continued)

The "B" Preference shares are redeemable at par with 20p premium per share in two equal tranches on the first and second anniversaries of redemption of the "A" and "D" Preference shares subject to the prior redemption of the "A" and "D" Preference shares and the satisfaction by the company of all of its obligations to the "B" and "C" Preference shareholders.

The "C" Preference shares are redeemable at par on the first anniversary of the redemption of the "B" Preference shares.

The "D" Preference shares are convertible into Ordinary shares under certain circumstances.

All Preference shares are or may be subject to earlier redemption in the event of a disposal of 90% of the issued ordinary share capital or a listing of the ordinary share capital.

## 21. SHARE PREMIUM ACCOUNT

	£
At 26 January 1992	57,593
Share issue costs	(54,943)
At 25 January 1993	<u>2,750</u>

## 22. FLOATING CHARGE

The company's bank has a fixed and floating charge over the assets of the company in respect of an overdraft facility for the provision of working capital during the year.

## 23. FINANCIAL COMMITMENTS

At the balance sheet date the company had no financial commitments not already provided for in the accounts.

## 24. DEFERRED TAXATION

Due to the availability of taxation losses no provision for deferred taxation has been made. The potential amounts, computed at 33% are as follows:

	1993 £	1992 £	1993 £	1992 £
Capital allowances in advance of depreciation	21,218	20,790	21,218	20,790
Other short term timing differences	(514)	-	(514)	-
Taxation losses	<u>(20,704)</u>	<u>(20,790)</u>	<u>(20,704)</u>	<u>(20,790)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In addition to the above losses, there are taxation losses of approximately £1,006,000 (1992 - £850,000) available for carry forward against future profits.



---

NOTES TO THE ACCOUNTS

at 25 January 1993

**25. POST BALANCE SHEET EVENTS**

At an Extraordinary General Meeting of the company held on 18 February 1993, Special Resolutions were approved to reduce the share capital by writing-off the deferred shares against accumulated profit and loss account and goodwill reserves. The High Court confirmed such capital reduction at a hearing held on 31 March 1993. The reduction will be made effective from the date of registration of the order of the High Court with Companies House.