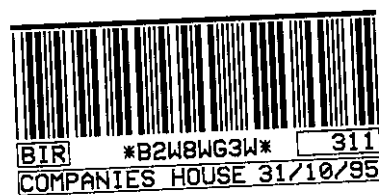


DILLONS NEWSAGENTS LIMITED
(REGISTERED NUMBER 140624)

DIRECTORS' REPORT AND ACCOUNTS

31 December 1994



DILLONS NEWSAGENTS LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 1994

The directors present the report and accounts of the company for the 52 weeks ended 31 December 1994.

PRINCIPAL ACTIVITIES

The principal activities of the company during the period were the retailing of tobacco, confectionery, newspapers, books, greetings cards, stationery, groceries and associated products, together with the operation of sub-post offices in certain retail branches.

1994 DEVELOPMENTS

In January Gibbs Newsagents Limited was purchased for £6,725,000. The company trades from 74 stores in the southern counties. In March, 27 convenience stores, trading as Macs, were purchased for £7,140,000.

RESULTS AND DIVIDENDS

The profit on ordinary activities before taxation amounted to £9,844,000 (1993 - £4,396,000). After providing for taxation and the recommended final dividend of £6,000,000 (28.02p per share), the retained profit for the year of £668,000 (1993 - £3,143,000) has been taken to reserves.

FIXED ASSETS

The movements in fixed assets during the course of the period are shown in notes 9 and 10 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were as follows:

FJ Hayward	
JJ McCarthy	
KP Threlfall	
S Boddice	(resigned on 31 December 1994)
TL Gordon	
DR Turner	
G Purdy	(appointed on 1 August 1994)
D Crellin	(appointed on 1 January 1995)

The directors are also directors of the ultimate parent undertaking, T&S Stores PLC. They have had no interests in the share capital of Dillons Newsagents Limited during the period. The director's interests in the shares of the parent undertaking are shown in the group accounts.

DILLONS NEWSAGENTS LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 31 DECEMBER 1994 (CONTINUED)

DISABLED PERSONS

It is the policy of the company to support the employment of disabled people where practicable and to ensure there is no unfair discrimination of any kind in considering job applications.

EMPLOYEE INVOLVEMENT

The company recognises the importance of good communications and relations with its employees.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 financial statements;
- 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 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 and other irregularities.

The directors confirm that these financial statements comply with these requirements.

AUDITORS

Price Waterhouse, having indicated their willingness, will be proposed for re-appointment at the forthcoming Annual General Meeting.

By Order of the Board



MW COWELL

Registered number 140624

29 September 1995

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF DILLONS NEWSAGENTS LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 the company's affairs as at 31 December 1994 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

29 September 1995

DILLONS NEWSAGENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE 52 WEEKS ENDED 31 DECEMBER 1994

	<u>Notes</u>	52 weeks ended <u>31 December 1994</u> £'000	52 weeks ended <u>1 January 1994</u> £'000
TURNOVER	2	211,586	181,491
Cost of sales		<u>(166,935)</u>	<u>(143,580)</u>
GROSS PROFIT		44,651	37,911
Distribution costs		<u>(22,951)</u>	<u>(19,452)</u>
Administrative expenses		<u>(15,372)</u>	<u>(16,977)</u>
Other operating income	4	<u>3,276</u>	<u>2,764</u>
OPERATING PROFIT BEFORE BUSINESS DISPOSALS		9,604	4,246
Business disposals		<u>245</u>	<u>164</u>
OPERATING PROFIT		9,849	4,410
Interest payable and similar charges	6	<u>(5)</u>	<u>(14)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	9,844	4,396
Tax on profit on ordinary activities	8	<u>(3,176)</u>	<u>(1,253)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		6,668	3,143
Dividends	7	<u>(6,000)</u>	<u>-</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>668</u>	<u>3,143</u>

All recognised gains and losses are included in the profit and loss account and arise from continuing activities.

DILLONS NEWSAGENTS LIMITED

BALANCE SHEET - 31 DECEMBER 1994

	Notes	52 weeks ended 31 December 1994		52 weeks ended 1 January 1994	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	9		15,478		9,602
Investments	10		<u>9,401</u>		<u>2,676</u>
			24,879		12,278
CURRENT ASSETS					
Stock	11	13,682		10,310	
Debtors	12	3,587		10,221	
Cash at bank and in hand		<u>3,746</u>		<u>23</u>	
		21,015		20,554	
CREDITORS (amounts falling due within one year)	13	<u>(40,461)</u>		<u>(20,721)</u>	
NET CURRENT LIABILITIES			<u>(19,446)</u>		<u>(167)</u>
			5,433		12,111
Provision for liabilities and charges	14		<u>(335)</u>		<u>(335)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,098</u>		<u>11,776</u>
CAPITAL AND RESERVES					
Called up share capital	15		5,353		5,353
Share premium account	16		28,931		28,931
Other reserve	16		160		160
Profit and loss account	16		<u>(29,346)</u>		<u>(22,668)</u>
			5,098		11,776

Approved by the Board on 29 September 1995

DIRECTOR

D Crellin

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994

1 ACCOUNTING POLICIES

(1) Accounting convention

The accounts have been prepared under the historical cost convention, and in accordance with UK Statements of Standard Accounting Practice.

The company is exempted under Section 228 of the Companies Act 1985 from preparing group accounts as a consequence of its inclusion in the accounts of its ultimate parent undertaking (see note 23).

(2) Cash flow statement

The company is exempted from producing a cash flow statement since a consolidated cash flow statement prepared in accordance with the requirements of Financial Reporting Standard 1 is included in the accounts of its ultimate parent undertaking.

(3) Depreciation

Depreciation of tangible fixed assets is provided at annual rates calculated to write off the assets over the term of their useful lives. The annual rates generally used for the classes of assets are as follows:

Long leasehold property	Over the unexpired period of the lease
Short leasehold property	Over the unexpired period of the lease
Motor vehicles	25% on a reducing balance basis
Fixtures and fittings	20% on a reducing balance basis

(4) Goodwill

Goodwill relating to the acquisition of businesses acquired is set off immediately against reserves. On disposal of a business, any goodwill previously written off on acquisition is included in determining the profit and loss on disposal.

(5) Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated normal selling prices, less any further costs to be incurred to disposal.

Provision is made for obsolete and defective items where appropriate.

(6) Deferred taxation

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

(7) Leasing commitments

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

1 ACCOUNTING POLICIES (CONTINUED)

(8) Pension costs

Pension contributions are charged to the profit and loss account on an accruals basis in accordance with the advice of qualified actuaries.

2 TURNOVER

Turnover represents the amount derived from the provision of goods and services and is stated net of value added tax. Turnover for the period arises solely within the United Kingdom and it is from a single class of business.

3 STAFF COSTS

	52 weeks ended 31 December 1994 £'000	52 weeks ended 1 January 1994 £'000
Wages and salaries	22,006	18,681
Social security costs	762	553
Other pension costs	<u>59</u>	<u>69</u>
	22,827	19,303
	<u><u>22,827</u></u>	<u><u>19,303</u></u>

The average weekly number of employees during the period was made up as follows:

	<u>Number</u>	<u>Number</u>
Administration	10	9
Sales and distribution	<u>3,360</u>	<u>2,243</u>
	3,370	2,252
	<u><u>3,370</u></u>	<u><u>2,252</u></u>

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

4 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION - is stated after charging/(crediting):

	52 weeks ended 31 December <u>1994</u> £'000	52 weeks ended 1 January <u>1994</u> £'000
Auditors' remuneration	24	28
Depreciation of owned fixed assets	2,160	1,650
Operating lease rentals:		
Land and buildings	5,873	4,848
Other	101	13
Net rental income	(254)	(238)
	<u> </u>	<u> </u>

Other operating income includes income from the operation of sub-post offices.

Amounts paid to auditors for non-audit services in the year totalled £46,000.

5 DIRECTORS' EMOLUMENTS

No emoluments were paid to directors in respect of their services to the company. The emoluments are paid by the parent undertaking, T & S Stores plc.

6 INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 31 December <u>1994</u> £'000	52 weeks ended 1 January <u>1994</u> £'000
Interest payable to Group Companies	5	14
	<u> </u>	<u> </u>

7 DIVIDENDS

	52 weeks ended 31 December <u>1994</u> £'000	52 weeks ended 1 January <u>1994</u> £'000
Proposed final dividend of 28.02p per share	6,000	-
	<u> </u>	<u> </u>

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 31 December 1994 £'000	52 weeks ended 1 January 1994 £'000
Based on the profit for the period:		
Corporation tax at 33%	3,176	1,253

9 TANGIBLE FIXED ASSETS

	Land and buildings Long leasehold £'000	Short leasehold £'000	Fixtures, fittings, plant and equipment £'000	Total £'000
<u>Cost</u>				
At 1 January 1994	23	1,774	15,426	17,223
Additions	-	716	7,683	8,399
Disposals	-	(6)	(400)	(406)
Inter-company transfers	(23)	-	8	(15)
At 31 December 1994	-	2,484	22,717	25,201
<u>Depreciation</u>				
At 1 January 1994	-	469	7,152	7,621
Provided during the year	-	121	2,160	2,281
Disposals	-	(2)	(182)	(184)
Inter-company transfers	-	-	5	5
At 31 December 1994	-	588	9,135	9,723
<u>Net book value</u>				
At 31 December 1994	-	1,896	13,582	15,478
At 1 January 1994	23	1,305	8,274	9,602

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

10 INVESTMENTS

	Shares in group <u>undertaking</u> £'000
At 1 January 1994	2,676
Additions	<u>6,725</u>
At 31 December 1994	<u>9,401</u>

The company holds 100% of the equity and the voting.

Particulars of subsidiary undertakings

	Type of shares	Proportion of shares held %	Principal activity
Gibbs Newsagents Limited	Ordinary Preference Deferred	100 100 100	Non-trading holding company for Gibbs News Limited
Gibbs News Limited	Ordinary	100	Retailer of tobacco, confectionery, newspapers and allied goods
Barnbys Limited	Ordinary	100	Dormant
Alfred Preedy & Sons Limited	Ordinary	100	Dormant
Ideas Limited	Ordinary	100	Dormant
Ideas (UK) Limited	Ordinary	100	Dormant
T & S Management Limited	Ordinary	100	Dormant
MECO Properties Limited	Ordinary	100	Dormant
Milton Webber Limited	Ordinary	100	Dormant
Paperback Publishers Limited	Ordinary	100	Dormant
Pell's Confectionery (Wholesale) Limited	Ordinary	100	Dormant
Perryland Limited	Ordinary	100	Dormant
Peter B Harris Limited	Ordinary	100	Dormant
Preedy Wholesale Limited	Ordinary	100	Dormant
Precedent Limited	Ordinary	100	Dormant
West Mercian Wholesalers Limited	Ordinary	100	Dormant

All of the subsidiaries are registered in England and the Company holds 100% of the voting rights.

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

11 STOCK

	52 weeks ended 31 December 1994 £'000	52 weeks ended 1 January 1994 £'000
Goods for resale	13,682	10,310

The replacement cost of stock is not materially different from that disclosed above.

12 DEBTORS

	52 weeks ended 31 December 1994 £'000	52 weeks ended 1 January 1994 £'000
Trade debtors	1,440	1,389
Amounts owed by parent undertaking	-	7,270
Amounts owed by subsidiary undertakings	71	-
Amounts owed by fellow subsidiary undertakings	66	-
Other debtors	32	69
Prepayments	1,978	1,493
	3,587	10,221

13 CREDITORS (amounts falling due within one year)

	52 weeks ended 31 December 1994 £'000	52 weeks ended 1 January 1994 £'000
Bank overdraft (repayable on demand)	-	899
Trade creditors	11,557	8,177
Amounts owed to parent undertaking	10,253	-
Amounts owed to subsidiary undertakings	4,137	4,137
Amounts owed to fellow undertakings	-	254
Corporation tax	2,787	2,290
Other taxes and social security costs	4,416	4,365
Accruals	1,311	599
Proposed dividends	6,000	-
	40,461	20,721

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

14 PROVISION FOR LIABILITIES AND CHARGES

Provision for re-organisation and integration costs:

	£'000
Balance at 1 January 1994 and 31 December 1994	335
	<u> </u>

15 CALLED UP SHARE CAPITAL

	52 weeks ended 31 December 1994 £'000	52 weeks ended 1 January 1994 £'000
Authorised:		
24,000,000 Ordinary shares of 25p each	6,000	6,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
21,412,000 Ordinary shares of 25p each	5,353	5,353
	<u> </u>	<u> </u>

16 RESERVES

	Share premium account £'000	Other reserve £'000	Profit and loss account £'000
At 1 January 1994	28,931	160	(22,668)
Retained profit for the period	-	-	668
Goodwill written-off	<u> </u>	<u> </u>	<u>(7,346)</u>
At 31 December 1994	<u>28,931</u>	<u>160</u>	<u>(29,346)</u>

Cumulative goodwill written off is £46,054,000.

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

17 CAPITAL COMMITMENTS

	52 weeks ended 31 December <u>1994</u> £'000	52 weeks ended 1 January <u>1994</u> £'000
Authorised, but not contracted	1,880	912
	<u> </u>	<u> </u>

18 OTHER FINANCIAL COMMITMENTS

At 31 December 1994, the company had annual commitments under non-cancellable, operating leases as follows:

	Land and buildings <u>£'000</u>	Other <u>£'000</u>
Operating leases which expire:		
Within one year	116	55
In the second to fifth years inclusive	607	9
In over five years	<u>5,050</u>	<u>-</u>
	5,773	64
	<u> </u>	<u> </u>

The majority of leases in respect of land and buildings are subject to periodic rent reviews.

19 DEFERRED TAXATION

No provision for deferred taxation is considered necessary at 31 December 1994. The full potential liability for deferred taxation, calculated at 33%, is as follows:

	52 weeks ended 31 December <u>1994</u> £'000	52 weeks ended 1 January <u>1994</u> £'000
Accelerated capital allowances	687	450
Other timing differences	<u>(191)</u>	<u>(111)</u>
	496	339
	<u> </u>	<u> </u>

DILLONS NEWSAGENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1994 (CONTINUED)

20 PENSION COMMITMENTS

The company participates in the T & S Stores Senior Executive Pension Scheme. The scheme is of a funded defined benefit type, providing benefits to certain employees within the T & S Stores Group at the invitation of the trustees. The pension contributions are based upon the pension costs across the group as a whole. The company's pension cost for the 52 weeks ended 31 December 1994 was £59,000 (1993 - £69,230). The latest actuarial valuation of the scheme was carried out as at 6 April 1994. Details of this valuation are contained in the group accounts of T & S Stores PLC.

21 MOVEMENT IN NET SHAREHOLDERS FUNDS

	<u>1994</u> £'000	<u>1993</u> £'000
At start of year	11,776	11,095
Profit for the financial year	6,668	3,143
Dividends	(6,000)	-
Goodwill written off	<u>(7,346)</u>	<u>(2,462)</u>
At end of year	<u>5,098</u>	<u>11,776</u>

22 BANK GUARANTEES

The company is party to cross guarantees given in respect of all bank borrowings of group undertakings. As at 31 December 1994 net group bank borrowings were £17,855,000.

23 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is T & S Stores Plc, a company registered in England. Copies of group accounts can be obtained from the Company Secretary, T & S Stores Plc, Apex Road, Brownhills, Walsall WS8 7HU.