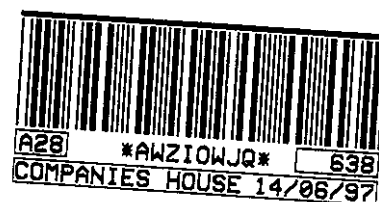


AUSTIN REED LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 1997

399575



AUSTIN REED LIMITED

REPORT OF THE DIRECTORS

for the year ended 31 January 1997

1. The directors present herewith the audited accounts for the year ended 31 January 1997.

Business Activities

2. The company manufactures and sells high quality apparel for both ladies and men and also provides ancillary services through its retail outlets in the U.K.

On 31 January 1996 the company acquired the business, assets and liabilities of several subsidiary companies. The results for the year ended 31 January 1997 reflect the combined results of the enlarged company.

Both the level of business and the year end financial position were satisfactory and the directors expect that the present level of activity will be sustained for the foreseeable future.

3. **Results and Dividends**

The profit and loss account for the year is set out on page 5. The profit for the year, after taxation, amounted to £5,158,754. An interim dividend of £63,029 was paid on 31 December 1996. A second interim dividend of £1,338,209 was paid on 31 January 1997.

The directors recommend that no final dividend be paid for the year ended 31 January 1997, thus leaving £2,001,007 to be added to retained profits.

The Environment

4. The company has made further progress in improving its environmental performance, using the best practicable means. The working party, headed by the Company Secretary, reviews the achievements of the company, sets new targets and encourages individuals to ensure that environmental issues are given careful consideration when planning operational activities. In addition to our own commitment, we encourage our suppliers to meet the environmental standards set by the company.

Directors

5. The directors of the company at 31 January 1997, all of whom have served throughout the year, unless otherwise stated were :-

C M L Evans - Chairman
C N Thomson
G Gibson

M A Tiffin
A J Briggs

G Gibson was appointed on 15 July 1996.

G Gibson, having been appointed during the year, retires and offers himself for re-election.

M A Tiffin retires by rotation and offers himself for re-election.

Directors' Interests

6. According to the register required to be kept by Section 325 of the Companies Act 1985, no director at 31 January 1997 had any interest in the shares of the company.

The interests of the directors in the shares of the company's Holding Company at the beginning and end of the financial year and the movements in their share options for the year were :-

	Ordinary Shares		Share Options			
	1 Feb 96	31 Jan 97	1 Feb 96	Granted	Exercised	31 Jan 97
A J Briggs	326	809	10,505	-	-	10,505

As permitted by Statutory Instrument the register does not include any shareholdings of directors who are also directors of the Holding Company.

Employment of Disabled Persons

7. It remains the policy of the company to give full and sympathetic consideration to the employment, training, career development and promotion of disabled persons including those becoming disabled after their employment has commenced.

Employee Involvement

8. The company has maintained its arrangements for employee involvement.

Auditors

9. A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

10. Payment of Suppliers

It is the company's policy to pay its suppliers in accordance with the terms of trade which may be agreed at the time of order.

By Order of the Board



Miss J Anders
Secretary
8 April 1997

AUSTIN REED LIMITED

DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

The directors are required by UK Company Law to prepare accounts 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 of the company for that period.

In preparing the accounts for the year ended 31 January 1997, suitable accounting policies have been used and applied consistently, framed by reference to reasonable and prudent judgements and estimates. Applicable accounting standards have been followed and the accounts have been prepared on a going concern basis. The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and for ensuring that steps are taken to prevent and detect fraud and other irregularities.

By Order of the Board

A handwritten signature in black ink, appearing to read 'J Anders', with a stylized flourish underneath.

Miss J Anders
Secretary

8 April 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF AUSTIN REED LIMITED

We have audited the accounts on pages 5 to 15

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of accounts. 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 January 1997 and of its profit and total recognised gains and losses for the year ended and have been properly prepared in accordance with the Companies Act 1985.


COOPERS & LYBRAND
Chartered Accountants and Registered Auditors

30 April 1997

AUSTIN REED LIMITED
PROFIT & LOSS ACCOUNT

Page 5

For the year ended 31 January 1997

	Notes	1997 £	1996 £
Turnover	1 & 2	77,528,971	58,111,182
Cost of sales		43,869,478	33,082,396
Gross profit		<u>33,659,493</u>	<u>25,028,786</u>
Net operating expenses	3	28,500,739	23,336,339
Profit on ordinary activities before taxation	4	<u>5,158,754</u>	<u>1,692,447</u>
Taxation	1 & 7	1,756,509	558,444
Profit for the financial year		<u>3,402,245</u>	<u>1,134,003</u>
Dividends on equity shares paid and proposed		1,401,238	156,690
Retained profit for the year	14	<u><u>2,001,007</u></u>	<u><u>977,313</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 January 1997

	Notes	1997 £	1996 £
Profit for the financial year		3,402,245	1,134,003
Unrealised surplus on property revaluation		34,000	1,257,147
		<u><u>3,436,245</u></u>	<u><u>2,391,150</u></u>

The company had no discontinued operations or acquisitions in either year.

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.

AUSTIN REED LIMITED
BALANCE SHEET

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at 31 January 1997

	Notes	1997		1996	
		£	£	£	£
FIXED ASSETS					
Tangible assets	1 & 9		30,577,284		31,515,432
CURRENT ASSETS					
Stocks	1 & 10	20,464,764		17,993,855	
Debtors	11	9,626,205		10,227,443	
Cash in hand		304,003		36,138	
		<u>30,394,972</u>		<u>28,257,436</u>	
CREDITORS					
Amounts falling due within one year		<u>36,003,520</u>	(5,608,548)	<u>36,680,076</u>	(8,422,640)
Total assets less current liabilities			<u>24,968,736</u>		<u>23,092,792</u>
PROVISION FOR LIABILITIES AND CHARGES					
Deferred taxation	1 & 8	<u>1,962,910</u>	1,962,910	<u>2,121,973</u>	2,121,973
			<u>23,005,826</u>		<u>20,970,819</u>
CAPITAL AND RESERVES					
Called up share capital	13		45,000		45,000
Retained profit	14		8,130,228		6,129,221
Share premium account			1,627,681		1,627,681
Revaluation reserve	15		13,197,917		13,163,917
Capital redemption reserve			5,000		5,000
Total shareholder's funds	16		<u>23,005,826</u>		<u>20,970,819</u>
Equity shareholder's funds			22,970,826		20,935,819
Non-equity shareholder's funds			35,000		35,000
Total shareholder's funds			<u>23,005,826</u>		<u>20,970,819</u>

The accounts on pages 5 to 15 were approved by the Board of Directors on 8 April 1997 and are signed on its behalf by :

G Gibson



Director

at 31 January 1997

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and Accounting Standards in the United Kingdom.

Turnover

Turnover is the amount receivable from customers and licensees. Turnover excludes Value Added Tax.

Licensing Income

The company accounts for royalties on an accruals basis taking a prudent view of the income earned by reference to agreed minimum payments and sales information provided by licensees.

Fixed Assets and Depreciation

Freehold and long leasehold properties were revalued at 31 January 1996 and the values have been included in these accounts. No value is attributed to short leaseholds. Plant and fittings are included at cost.

Provision is made for the depreciation of fixed assets over their useful lives where it is necessary to reflect a reduction from book value to estimated value.

It is the company's policy to maintain its properties in a state of good repair to prolong their useful lives, and in the case of freehold and long leasehold properties the Directors consider that the lives of these properties and their residual values are such that their depreciation is not significant. Accordingly, no depreciation is provided on freehold and long leasehold properties. In the event that the value of a property permanently diminishes, provision is made in the profit and loss account.

It is general policy to write off the historical cost of plant and fittings in even amounts over ten years and motor vehicles and computer equipment over four years.

Stocks

Stock of merchandise and materials are valued at the lower of cost and net realisable value.

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.

Foreign Currencies

Profit and loss items are translated at appropriate average rates and assets and liabilities are translated at the rates ruling at the end of the year. All other exchange differences are taken to the profit and loss account.

Pension Scheme

The company's pensionable employees are members of the Austin Reed Group contributory defined benefit scheme. Charges to the profit and loss account are made in accordance with the Group pension arrangements.

at 31 January 1997

1. ACCOUNTING POLICIES (Continued)

Operating Leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Cashflow Statement

The company is a wholly-owned subsidiary of Austin Reed Group PLC and the cash flows of the company are included in the consolidated group cash flow statement of Austin Reed Group PLC. Consequently the company is exempt under the terms of Financial Reporting Standard No. 1 from publishing a cashflow statement.

2. TURNOVER

The analysis of turnover by geographical area is as follows :-

	1997 £	1996 £
United Kingdom	66,931,601	56,186,100
Rest of Europe	4,203,000	-
North America	3,799,097	579,889
Far East	2,450,141	1,345,193
Rest of World	145,132	-
	<u>77,528,971</u>	<u>58,111,182</u>

Included in turnover is £2,533,238 (1996 - £1,925,082) in respect of amounts due from licensees.

3. NET OPERATING EXPENSES

Net operating expenses are analysed as follows :-

	1997 £	1996 £
Selling expenses	24,100,116	21,202,827
Administration expenses	4,191,246	2,224,681
Other operating (income)/charges:		
From fellow subsidiaries	(473,516)	(845,747)
From other sources	170,857	234,042
Interest payable on sums wholly repayable within five years	512,036	520,536
	<u>28,500,739</u>	<u>23,336,339</u>

at 31 January 1997

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging/(crediting) :		
Property rentals	5,191,916	4,637,404
Depreciation	2,937,299	2,248,421
Loss on sale of fixed assets	17,734	100,185
Equipment leases - Note 5	492,513	391,486
Auditors' remuneration - Audit fees	49,250	32,000
Auditors' remuneration - Non-Audit fees	-	-
Directors' emoluments, including pension contributions	54,638	65,474
Loss/(Gain) on translation of foreign currencies	(43,116)	-

5. OPERATING LEASE COMMITMENTS

	1997		1996	
	Land & Buildings £	Plant & Machinery £	Land & Buildings £	Plant & Machinery £
Annual commitments under operating leases at 31 January 1997 are as follows :				
Expiring within one year	205,000	-	504,600	-
Expiring between two and five years	1,583,600	492,513	1,183,504	525,313
Expiring in over five years	3,678,719	-	3,431,385	-
	<u>5,467,319</u>	<u>492,513</u>	<u>5,119,489</u>	<u>525,313</u>

6. EMPLOYEES

The average number of persons employed by the company including Executive Directors during the year is analysed below:-

	1997 Number	1996 Number
Selling and administration	<u>1,272</u>	<u>593</u>
Staff costs during the year amounted to :		
	£	£
Wages and salaries	15,813,130	8,200,439
Social security costs	1,385,832	746,430
Other pension costs	472,594	221,268
	<u>17,671,556</u>	<u>9,168,137</u>

at 31 January 1997

6. EMPLOYEES (Continued)

Directors' Remuneration

The emoluments of the Directors, excluding pension contributions, were as follows :-

	1997 £	1996 £
Emoluments of the chairman	Nil	Nil
Emoluments of the highest paid Director	54,638	52,773
Compensation for loss of office paid to former director	-	55,000

The emoluments of all Directors fell within the following ranges :-

	Number	Number
£50,001 - £55,000	1	1
£10,001 - £15,000	-	1
Below £5,000	4	3

7. TAXATION

The taxation charge which is based on the profit for the year is made up as follows :-

	1997 £	1996 £
Current year :		
UK Corporation tax at 33.0% (1996 - 33.0%)	2,119,071	935,512
Less relief for overseas tax	(249,905)	(198,006)
	1,869,166	737,506
Overseas taxation	249,905	198,006
Deferred taxation	(232,716)	(357,260)
	1,886,355	578,252
Prior year adjustment :		
Corporation tax	(203,499)	71,943
Deferred tax	73,653	(91,751)
	1,756,509	558,444

at 31 January 1997

8. DEFERRED TAXATION

Deferred taxation provided for in the accounts at 33.0% (1996 - 33.0%) is as follows :-

	1997 £	1996 £
Amount provided at beginning of year	2,121,973	2,466,502
Transfer to profit and loss account	(159,063)	(449,011)
Transfer in	-	104,482
	<u>1,962,910</u>	<u>2,121,973</u>

Deferred taxation is provided on :

Accelerated capital allowances	1,734,447	1,898,651
Deferred capital gains on properties	260,531	316,052
Short term timing differences	(32,068)	(92,730)
	<u>1,962,910</u>	<u>2,121,973</u>

The potential liability not provided at
31 January 1997 for corporation tax on
heldover capital gains

<u>181,500</u>	<u>165,000</u>
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The potential liability not provided at
31 January 1997 for corporation tax if
properties were disposed of at their
revalued amounts

<u>518,208</u>	<u>555,863</u>
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at 31 January 1997

9. FIXED ASSETS

	Freehold Property £	Leasehold Property £	Plant £	Motor Vehicles £	Total £
Cost (or Valuation) : At 1 February 1996					
- Valuation at 31 January 1996	13,327,000	5,650,000	-	-	18,977,000
- Cost	-	-	26,789,687	1,330,188	28,119,875
Additions	-	-	1,821,609	266,668	2,088,277
Disposals	-	-	(427,275)	(254,057)	(681,332)
At 31 January 1997	<u>13,327,000</u>	<u>5,650,000</u>	<u>28,184,021</u>	<u>1,342,799</u>	<u>48,503,820</u>
Depreciation :					
At 1 February 1996	-	-	14,965,755	615,688	15,581,443
Charges in the year	-	-	2,669,908	267,391	2,937,299
Disposals	-	-	(401,436)	(190,770)	(592,206)
At 31 January 1997	<u>-</u>	<u>-</u>	<u>17,234,227</u>	<u>692,309</u>	<u>17,926,536</u>
Net book value :					
At 31 January 1997	<u>13,327,000</u>	<u>5,650,000</u>	<u>10,949,794</u>	<u>650,490</u>	<u>30,577,284</u>
At 1 February 1996	<u>13,327,000</u>	<u>5,650,000</u>	<u>11,823,932</u>	<u>714,500</u>	<u>31,515,432</u>

The freehold properties and the long leasehold of 103/113 Regent Street, London W1 were revalued on an open market basis at 31 January 1996 by Hillier Parker, Chartered Surveyors.

The excess of the revaluation of freehold and leasehold properties over their original cost is represented by the Revaluation Reserve.

at 31 January 1997

10. STOCK

	1997 £	1996 £
Raw Materials	3,342,382	3,035,878
Work in Progress	1,247,970	1,356,822
Finished Goods	15,874,412	13,601,155
	<u>20,464,764</u>	<u>17,993,855</u>

11. DEBTORS

Amounts falling due within one year

	1997 £	1996 £
Trade debtors	4,061,740	5,845,716
Amounts due from fellow subsidiaries	1,119,415	-
Other debtors	1,369,287	1,262,185
Corporation Tax Recoverable	-	30,238
Prepayments	3,075,763	3,089,304
	<u>9,626,205</u>	<u>10,227,443</u>

12. CREDITORS

Amounts falling due within one year

	1997 £	1996 £
Trade creditors	4,583,193	5,063,909
Amount due to parent company	23,929,266	24,432,531
Amount owed to fellow subsidiaries	656,138	720,951
Other taxation and Social security	2,878,773	3,583,804
Corporation tax payable	1,940,828	1,022,456
Accruals	2,015,322	1,856,425
	<u>36,003,520</u>	<u>36,680,076</u>

at 31 January 1997

13. SHARE CAPITAL

	Authorised 1997 & 1996 £	Issued & Fully Paid 1997 & 1996 £
15,000 ordinary shares of £1 each	15,000	10,000
35,000 second preference shares of £1 each	35,000	35,000
	<u>50,000</u>	<u>45,000</u>

Preference shares are non-redeemable, non-voting and have a preferential right to return of capital on winding up.

14. RETAINED PROFIT

	1997 £	1996 £
At 1 February 1996	6,129,221	5,151,908
Retained profit for the year	2,001,007	977,313
At 31 January 1997	<u>8,130,228</u>	<u>6,129,221</u>

15. REVALUATION RESERVE

	1997 £	1996 £
At 1 February 1996	13,163,917	11,906,770
Revaluation of properties	34,000	1,257,147
At 31 January 1997	<u>13,197,917</u>	<u>13,163,917</u>

16. MOVEMENT IN SHAREHOLDER'S FUNDS

	1997 £	1996 £
Opening shareholder's funds	20,970,819	18,736,359
Other recognised gains	34,000	1,257,147
Retained profit for the year	2,001,007	977,313
Closing shareholder's funds	<u>23,005,826</u>	<u>20,970,819</u>

17. CAPITAL COMMITMENTS

The company had no capital commitments at the year end in respect of expenditure authorised by the directors whether contracted for or not contracted for (1996 - £Nil)

at 31 January 1997

18. CONTINGENT LIABILITY

The company and a fellow subsidiary have guaranteed a loan to its holding company.

19. HOLDING COMPANY

The company is a wholly owned subsidiary of Austin Reed Group PLC, a company registered in England. Copies of the consolidated accounts of Austin Reed Group PLC may be obtained from The Secretary, PO Box 2, Thirsk, North Yorkshire YO7 1PF.