

AUSTIN REED LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 1998



AUSTIN REED LIMITED

REPORT OF THE DIRECTORS

for the year ended 31 January 1998

1. The directors present herewith the audited accounts for the year ended 31 January 1998.

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.

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 £4,966,352. An interim dividend of £193,786 was paid on 31 December 1997. A second interim dividend of £1,421,030 was paid on 31 January 1998.

The directors recommend that no final dividend be paid for the year ended 31 January 1998, thus leaving £3,351,536 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 1998, all of whom have served throughout the year, unless otherwise stated were :-

C M L Evans - Chairman	A J Briggs
G Gibson	C A Houlihan
R W Jennings	M A Tiffin

C N Thomson resigned on 1 October 1997.

C A Houlihan and R W Jennings were appointed on 10 November 1997.

C A Houlihan and R W Jennings, having been appointed during the year, retire and offer themselves 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 1998 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			
	<u>1 Feb 97</u>	<u>31 Jan 98</u>	<u>1 Feb 97</u>	<u>Granted</u>	<u>Exercised</u>	<u>31 Jan 98</u>
A J Briggs	809	1724	10,505	20,000	5,870	24,635

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.

The company's average credit payment period at 31 January 1998 was 29 days (1997 : 29 days).

By Order of the Board


Miss J Anders
Secretary
16 April 1998

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 1998, 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 dark ink, appearing to read 'J Anders', written over a horizontal line.

Miss J Anders
Secretary

16 April 1998

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.

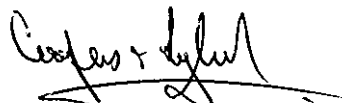
Basis of opinion

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 1998 and of its profit and total recognised gains for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



COOPERS & LYBRAND

Chartered Accountants and Registered Auditors

London

29th April 1998

AUSTIN REED LIMITED
PROFIT & LOSS ACCOUNT

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For the year ended 31 January 1998

	Notes	1998 £	1997 £
Turnover	1 & 2	81,361,055	77,528,971
Cost of sales		45,810,703	43,869,478
Gross profit		35,550,352	33,659,493
Net operating expenses	3	28,328,080	28,500,739
Profit on ordinary activities before taxation	4	7,222,272	5,158,754
Taxation	1 & 7	2,255,920	1,756,509
Profit for the financial year		4,966,352	3,402,245
Dividends on equity shares paid and proposed		1,614,816	1,401,238
Retained profit for the year	14	3,351,536	2,001,007

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 January 1998

	Notes	1998 £	1997 £
Profit for the financial year		4,966,352	3,402,245
Unrealised surplus on property revaluation	15	34,000	34,000
Total recognised gains		5,000,352	3,436,245

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 equivalents.

AUSTIN REED LIMITED
BALANCE SHEET

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at 31 January 1998

	Notes	1998	1997
		£	£
FIXED ASSETS			
Tangible assets	1 & 9	30,162,179	30,577,284
CURRENT ASSETS			
Stocks	1 & 10	21,763,400	20,464,764
Debtors	11	9,032,811	9,626,205
Cash in hand		94,030	304,003
		<u>30,890,241</u>	<u>30,394,972</u>
CREDITORS			
Amounts falling due within one year		<u>33,092,154</u>	<u>36,003,520</u>
		(2,201,913)	(5,608,548)
Total assets less current liabilities		<u>27,960,266</u>	<u>24,968,736</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	1 & 8	<u>1,568,904</u>	<u>1,962,910</u>
		1,568,904	1,962,910
		<u>26,391,362</u>	<u>23,005,826</u>
CAPITAL AND RESERVES			
Called up share capital	13	45,000	45,000
Retained profit	14	11,481,764	8,130,228
Share premium account		1,627,681	1,627,681
Revaluation reserve	15	13,231,917	13,197,917
Capital redemption reserve		5,000	5,000
Total shareholder's funds	16	<u>26,391,362</u>	<u>23,005,826</u>
Equity shareholder's funds		26,356,362	22,970,826
Non-equity shareholder's funds		35,000	35,000
Total shareholder's funds		<u>26,391,362</u>	<u>23,005,826</u>

The accounts on pages 5 to 15 were approved by the Board of Directors on 16 April 1998 and are signed on its behalf by :

G Gibson



Director

at 31 January 1998

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 1998

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. SEGMENT ANALYSIS

The analysis by class of business of turnover and profit before taxation is set out below.

Turnover

	1998	1997
Class of business	£	£
Retail	66,968,846	62,166,942
Manufacturing	19,185,683	20,976,132
Inter-segment sales	(7,438,000)	(8,147,341)
Licensing	2,644,526	2,533,238
	<u>81,361,055</u>	<u>77,528,971</u>

	1998	1997
Sales by destination	£	£
United Kingdom	72,154,529	66,931,601
Rest of Europe	3,622,000	4,203,000
North America	3,134,030	3,799,097
Far East	2,206,496	2,450,141
Rest of World	244,000	145,132
	<u>81,361,055</u>	<u>77,528,971</u>

A segment analysis of profit before taxation is not provided as in the opinion of the Directors the information would be misleading and detrimental to the interests of the company.

at 31 January 1998

3. NET OPERATING EXPENSES

Net operating expenses are analysed as follows :-

	1998 £	1997 £
Selling expenses	24,081,723	24,100,116
Administration expenses	4,241,158	4,191,246
Other operating (income)/charges:		
From fellow subsidiaries	(493,610)	(473,516)
From other sources	304,377	170,857
Interest payable on bank loans and overdrafts wholly repayable within five years	194,432	512,036
	<u>28,328,080</u>	<u>28,500,739</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £	1997 £
Profit on ordinary activities before taxation is stated after charging/(crediting) :		
Property rentals	5,471,939	5,191,916
Depreciation	2,972,751	2,937,299
(Gain)/loss on sale of fixed assets	(14,477)	17,734
Equipment leases - Note 5	491,565	492,513
Auditors' remuneration - Audit fees	60,000	49,250
Auditors' remuneration - Non-Audit fees	-	-
Loss/(gain) on translation of foreign currencies	133,795	(43,116)

5. OPERATING LEASE COMMITMENTS

	1998		1997	
	Land & Buildings £	Plant & Machinery £	Land & Buildings £	Plant & Machinery £
Annual commitments under operating leases at 31 January 1998 are as follows :				
Expiring within one year	205,000	491,565	205,000	-
Expiring between two and five years	1,840,000	-	1,583,600	492,513
Expiring in over five years	3,514,350	-	3,678,719	-
	<u>5,559,350</u>	<u>491,565</u>	<u>5,467,319</u>	<u>492,513</u>

at 31 January 1998

6. EMPLOYEES

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

	1998 Number	1997 Number
Production	554	626
Selling and administration	668	646
	<u>1,222</u>	<u>1,272</u>

Staff costs during the year amounted to :

	£	£
Wages and salaries	16,416,403	15,813,130
Social security costs	1,336,352	1,385,832
Other pension costs	477,769	472,594
	<u>18,230,524</u>	<u>17,671,556</u>

Directors' Remuneration

	£	£
Aggregate emoluments	<u>57,160</u>	<u>54,638</u>

One director exercised share options in the year. Retirement benefits are accruing to one director under a defined benefit scheme.

7. TAXATION

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

	1998 £	1997 £
Current year :		
UK Corporation tax at 31.3% (1997 - 33.0%)	2,746,018	2,119,071
Less relief for overseas tax	(196,559)	(249,905)
	<u>2,549,459</u>	<u>1,869,166</u>
Overseas taxation	196,559	249,905
Deferred taxation	(306,081)	(232,716)
	<u>2,439,937</u>	<u>1,886,355</u>
Prior year adjustment :		
Corporation tax	(96,092)	(203,499)
Deferred tax	41,446	73,653
Adjustment to deferred tax balances due to change in tax rates	(129,371)	-
	<u>2,255,920</u>	<u>1,756,509</u>

at 31 January 1998

8. DEFERRED TAXATION

Deferred taxation provided for in the accounts at 30.0% (1997 - 33.0%) is as follows :-

	1998	1997
	£	£
Amount provided at beginning of year	1,962,910	2,121,973
Transfer to profit and loss account	(394,006)	(159,063)
	<u>1,568,904</u>	<u>1,962,910</u>

Deferred taxation is provided on :

Accelerated capital allowances	1,478,079	1,734,447
Deferred capital gains on properties	150,825	260,531
Short term timing differences	(60,000)	(32,068)
	<u>1,568,904</u>	<u>1,962,910</u>

Potential liability not provided for corporation
tax on heldover capital gains

<u>157,500</u>	<u>181,500</u>
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Potential liability not provided for corporation
tax if properties were disposed of at their
revalued amounts

<u>479,001</u>	<u>518,208</u>
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at 31 January 1998

9. FIXED ASSETS

	Freehold Property £	Leasehold Property £	Plant £	Motor Vehicles £	Total £
Cost (or Valuation) :					
At 1 February 1997					
- Valuation at 31 January 1997	13,327,000	5,650,000	-	-	18,977,000
- Cost	-	-	28,184,021	1,342,799	29,526,820
Additions	-	-	2,320,130	266,251	2,586,381
Disposals	-	-	(4,260,340)	(185,227)	(4,445,567)
At 31 January 1998	<u>13,327,000</u>	<u>5,650,000</u>	<u>26,243,811</u>	<u>1,423,823</u>	<u>46,644,634</u>
Depreciation :					
At 1 February 1997	-	-	17,234,227	692,309	17,926,536
Charges in the year	-	-	2,697,099	275,652	2,972,751
Disposals	-	-	(4,263,837)	(152,995)	(4,416,832)
At 31 January 1998	<u>-</u>	<u>-</u>	<u>15,667,489</u>	<u>814,966</u>	<u>16,482,455</u>
Net book value :					
At 31 January 1998	<u>13,327,000</u>	<u>5,650,000</u>	<u>10,576,322</u>	<u>608,857</u>	<u>30,162,179</u>
At 1 February 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>

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 1998

10. STOCK

	1998	1997
	£	£
Raw Materials	3,235,940	3,342,382
Work in Progress	1,475,010	1,247,970
Finished Goods	17,052,450	15,874,412
	<u>21,763,400</u>	<u>20,464,764</u>

11. DEBTORS

Amounts falling due within one year

	1998	1997
	£	£
Trade debtors	4,198,199	4,061,740
Amounts due from fellow subsidiaries	963,388	1,119,415
Other debtors	1,042,837	1,369,287
Prepayments	2,828,387	3,075,763
	<u>9,032,811</u>	<u>9,626,205</u>

12. CREDITORS

Amounts falling due within one year

	1998	1997
	£	£
Trade creditors	4,704,667	4,583,193
Amount due to parent company	19,946,613	23,929,266
Amount owed to fellow subsidiaries	837,252	656,138
Other taxation and social security	1,648,746	2,878,773
Corporation tax payable	2,501,331	1,940,828
Accruals	3,453,545	2,015,322
	<u>33,092,154</u>	<u>36,003,520</u>

at 31 January 1998

13. SHARE CAPITAL

	Authorised 1998 & 1997 £	Issued & Fully Paid 1998 & 1997 £
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

	1998 £	1997 £
At 1 February 1997	8,130,228	6,129,221
Retained profit for the year	3,351,536	2,001,007
At 31 January 1998	<u>11,481,764</u>	<u>8,130,228</u>

15. REVALUATION RESERVE

	1998 £	1997 £
At 1 February 1997	13,197,917	13,163,917
Revaluation of properties	34,000	34,000
At 31 January 1998	<u>13,231,917</u>	<u>13,197,917</u>

at 31 January 1998

16 MOVEMENT IN SHAREHOLDER'S FUNDS

	1998	1997
	£	£
Opening shareholder's funds	23,005,826	20,970,819
Other recognised gains	34,000	34,000
Retained profit for the year	3,351,536	2,001,007
Closing shareholder's funds	<u>26,391,362</u>	<u>23,005,826</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 (1997 - £Nil)

18. CONTINGENT LIABILITY

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

19. ULTIMATE CONTROLLING PARTY

The company is a wholly owned subsidiary of Austin Reed Group PLC, a company registered in England. Under the terms of Financial Reporting Statement No. 8 Austin Reed Limited is exempt from disclosing related party transactions and balances with entities within Austin Reed Group PLC. Copies of the consolidated accounts of Austin Reed Group PLC may be obtained from The Secretary, PO Box 2, Thirsk, North Yorkshire YO7 1PF.