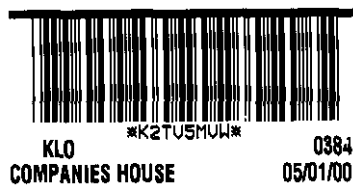


Company Registration No. 622183 (England and Wales)

SHUBETTE OF LONDON LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 1999



SHUBETTE OF LONDON LIMITED

COMPANY INFORMATION

Directors	H M Offenbach G B Offenbach C D Offenbach
Secretary	P A Weber
Company number	622183
Registered office	Regina House 124 Finchley Road London NW3 5JS
Auditors	Nyman Libson Paul Chartered Accountants Regina House 124 Finchley Road London NW3 5JS
Business address	Shubette House 5 Olympic Way Wembley Middlesex HA9 0NS
Bankers	Barclays Bank 8/9 Hanover Square London W1A 4ZW

SHUBETTE OF LONDON LIMITED

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SHUBETTE OF LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1999

The directors present their report and financial statements for the year ended 30 September 1999.

Principal activities and review of the business

The principal activity of the company is the manufacture of young and contemporary own-brand and private-label fashion clothing.

Results and dividends

The results for the year are set out on page 4.

Market value of land and buildings

The directors are of the opinion that the market value of freehold land and buildings exceeds its net book value.

Year 2000

The directors have considered whether the company's operations could be adversely affected by malfunctions in computer or other equipment arising from errors in processing dates in the year 2000 and beyond.

No part of the company's current operations are critically dependent on computer or other equipment which could be affected by year 2000 problems.

Directors

The following directors have held office since 1 October 1998:

H M Offenbach

G B Offenbach

C D Offenbach

Directors' interests

None of the directors had an interest in the shares of the company. Directors' interests in the shares of the parent company are shown in the Report of the Directors of that company.

Auditors

A resolution to re-appoint Nyman Libson Paul as auditors to the company will be proposed at the forthcoming Annual General Meeting.

SHUBETTE OF LONDON LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 SEPTEMBER 1999

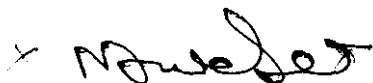
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year 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;
- 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.

By order of the board



P A Weber

Secretary

3 December 1999



Nyman Libson Paul

CHARTERED ACCOUNTANTS

Regina House, 124 Finchley Road, London NW3 5JS

SHUBETTE OF LONDON LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF SHUBETTE OF LONDON LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

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 30 September 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Nyman Libson Paul

3 December 1999

Chartered Accountants
& Registered Auditors

Regina House
124 Finchley Road
London
NW3 5JS

SHUBETTE OF LONDON LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 SEPTEMBER 1999

	Notes	1999 £	1998 £
Turnover	2	8,997,104	9,767,290
Cost of sales		(6,196,565)	(6,711,526)
Gross profit		2,800,539	3,055,764
Distribution costs		(1,216,488)	(1,238,340)
Administrative expenses		(1,447,186)	(1,487,250)
Operating profit	3	136,865	330,174
Other interest receivable and similar income	4	2,424	81
Interest payable and similar charges	5	(134,794)	(196,717)
Profit on ordinary activities before taxation		4,495	133,538
Tax on profit on ordinary activities	6	(22,058)	(17,800)
(Loss)/profit on ordinary activities after taxation	14	(17,563)	115,738

The profit and loss account has been prepared on the basis that all operations are continuing operations.


There are no recognised gains and losses other than those passing through the profit and loss account.


SHUBETTE OF LONDON LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 1999

	Notes	1999 £	£	1998 £	£
Fixed assets					
Tangible assets	7		1,762,605		1,789,313
Current assets					
Stocks	8	1,282,074		1,181,977	
Debtors	9	2,497,462		2,491,251	
Cash at bank and in hand		2,750		38,167	
		<u>3,782,286</u>		<u>3,711,395</u>	
Creditors: amounts falling due within one year	10	<u>(1,939,609)</u>		<u>(1,682,036)</u>	
Net current assets			1,842,677		2,029,359
Total assets less current liabilities			<u>3,605,282</u>		<u>3,818,672</u>
Creditors: amounts falling due after more than one year	11		<u>(1,204,375)</u>		<u>(1,400,203)</u>
			<u>2,400,907</u>		<u>2,418,469</u>
Capital and reserves					
Called up share capital	13	1,000,000		1,000,000	
Profit and loss account	14	1,400,907		1,418,469	
Shareholders' funds - equity interests	15		<u>2,400,907</u>		<u>2,418,469</u>

The financial statements were approved by the Board on 3 December 1999


G B Offenbach
Director

 X
C D Offenbach
Director

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents net amounts invoiced in respect of goods supplied during the year excluding Value Added Tax.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	- 2% on cost
Plant and machinery	- 15% on written down value
Computer equipment	- 33.3% on written down value
Motor vehicles	- 20% on written down value

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

1.5 Stock

Stock is valued on a first in first out basis at the lower of cost and net realisable value.

1.6 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions paid to the fund during the year.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

2 Turnover

Geographical market

	Turnover	
	1999	1998
	£	£
United Kingdom	5,460,344	5,820,060
Overseas	3,536,760	3,947,230
	<u>8,997,104</u>	<u>9,767,290</u>

3 Operating profit

	1999	1998
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	87,366	84,884
Operating lease rentals		
- Plant and machinery	30,721	25,390
- Other assets	12,418	53,484
Auditors' remuneration	18,000	19,700
Loss on sale of fixed assets	3,170	17,962
	<u></u>	<u></u>

4 Other interest receivable and similar income

	1999	1998
	£	£
Bank interest	2,424	81
	<u></u>	<u></u>

5 Interest payable

	1999	1998
	£	£
On loans	15,435	11,850
Bank borrowings	116,860	182,368
Hire purchase interest	2,499	2,499
	<u>134,794</u>	<u>196,717</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

6	Taxation	1999 £	1998 £
	U.K. current year taxation		
	U.K. corporation tax at 20.50% (1998 - 21%)	21,100	17,800
	Prior years		
	U.K. corporation tax	958	-
		<hr/>	<hr/>
		22,058	17,800
		<hr/>	<hr/>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

7 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures, equipment & motor vehicles	Total
	£	£	£	£
Cost				
At 1 October 1998	2,073,394	150,121	545,149	2,768,664
Additions	23,240	2,650	39,068	64,958
Disposals	-	-	(23,543)	(23,543)
At 30 September 1999	2,096,634	152,771	560,674	2,810,079
Depreciation				
At 1 October 1998	445,776	133,957	399,618	979,351
On disposals	-	-	(19,243)	(19,243)
Charge for the year	41,467	2,828	43,071	87,366
At 30 September 1999	487,243	136,785	423,446	1,047,474
Net book value				
At 30 September 1999	1,609,391	15,986	137,228	1,762,605
At 30 September 1998	1,627,618	16,164	145,531	1,789,313

Included above are assets held under finance leases or hire purchase contracts as follows:

	Computer equipment £
Net book values	
At 30 September 1999	6,792
At 30 September 1998	10,188
Depreciation charge for the year	
30 September 1999	3,396
30 September 1998	5,093

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

8	Stocks	1999	1998
		£	£
	Raw materials and consumables	661,008	625,469
	Finished goods and goods for resale	621,066	556,508
		<u>1,282,074</u>	<u>1,181,977</u>
9	Debtors	1999	1998
		£	£
	Trade debtors	1,739,368	1,723,035
	Amounts owed by parent undertaking	723,292	723,292
	Other debtors	13,747	25,776
	Prepayments and accrued income	21,055	19,148
		<u>2,497,462</u>	<u>2,491,251</u>
10	Creditors: amounts falling due within one year	1999	1998
		£	£
	Bank loans and overdrafts (Note 11)	758,912	421,517
	Net obligations under finance lease and hire purchase contracts	9,329	9,329
	Trade creditors	869,867	993,508
	Corporation tax	21,100	17,800
	Other taxes and social security costs	97,536	92,198
	Other creditors	1,504	937
	Accruals and deferred income	181,361	146,747
		<u>1,939,609</u>	<u>1,682,036</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

11 Creditors: amounts falling due after more than one year	1999	1998
	£	£
Other loans	215,000	115,000
Bank loans	989,375	1,275,875
Net obligations under finance leases and hire purchase agreements	-	9,328
	<u>1,204,375</u>	<u>1,400,203</u>

Loan maturity analysis

Between two and five years	561,000	470,328
In five years or more	643,375	929,875
	<u> </u>	<u> </u>

Bank loans and overdraft are secured by way of a charge over the freehold property and a fixed and floating charge over all the assets of the company.

The bank loan is repayable in quarterly instalments.

Net obligations under finance leases and hire purchase contracts

Included in liabilities falling due within one year	(9,329)	(9,329)
	<u> </u>	<u> </u>

12 Provisions for liabilities and charges

No provision has been made for taxation of approximately £400,000 in respect of a capital gain made during 1988 which was deferred. In the opinion of the directors, it is unlikely that this will become payable in the foreseeable future.

13 Share capital	1999	1998
	£	£
Authorised		
1,000,000 Ordinary shares of £ 1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
1,000,000 Ordinary shares of £ 1 each	1,000,000	1,000,000
	<u> </u>	<u> </u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

14 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 October 1998	1,418,470
Retained loss for the year	(17,563)
	<hr/>
Balance at 30 September 1999	1,400,907
	<hr/>

15 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
(Loss)/Profit for the financial year	(17,563)	115,738
Opening shareholders' funds	2,418,469	2,302,731
	<hr/>	<hr/>
Closing shareholders' funds	2,400,907	2,418,469
	<hr/>	<hr/>

16 Financial commitments

At 30 September 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 1999 £	Land and buildings 1998 £	Other 1999 £	Other 1998 £
Expiry date:				
Within one year	-	-	10,009	1,017
Between two and five years	14,000	13,500	11,764	18,471
	<hr/>	<hr/>	<hr/>	<hr/>
	14,000	13,500	21,773	19,488
	<hr/>	<hr/>	<hr/>	<hr/>

17 Forward commitments

	1999 £	1998 £
At the balance sheet date:		
Liabilities for documentary credits	205,497	295,137
	<hr/>	<hr/>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1999

18 Directors' emoluments	1999 £	1998 £
Emoluments for qualifying services	88,641	90,081
Company pension contributions to money purchase schemes	100,000	5,000
	<u>188,641</u>	<u>95,081</u>

Retirement benefits are accruing to two directors under a money purchase pension scheme.

19 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1999 Number	1998 Number
Management	4	4
Administration, production and sales	73	78
	<u>77</u>	<u>82</u>

Employment costs

	£	£
Wages and salaries	1,411,019	1,370,011
Social security costs	138,649	136,831
Other pension costs	102,600	7,600
	<u>1,652,268</u>	<u>1,514,442</u>

20 Control

The ultimate parent company is Shubette Group of Companies Limited, a non-trading company registered in England and Wales.

21 Related party transactions

A loan of £215,000 (1998: £115,000) was outstanding at the balance sheet date from the Shubette of London Limited Pension Plan whose beneficiaries are G B Offenbach and C D Offenbach. Interest of £15,435 (1998: £11,850) was incurred during the year.