

SHUBETTE OF LONDON LIMITED

(Company number 622183)

FINANCIAL STATEMENTS
30 September 1996

NYMAN LIBSON PAUL
CHARTERED ACCOUNTANTS
REGINA HOUSE
124 FINCHLEY ROAD
LONDON NW3 5JS



SHUBETTE OF LONDON LIMITED

FINANCIAL STATEMENTS

Year ended 30 September 1996

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SHUBETTE OF LONDON LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the company for the year ended 30 September 1996.

PRINCIPAL ACTIVITY

The principal activity of the company is the manufacture of ladies' outerwear.

BUSINESS REVIEW

The results for the year shown on page 4 of the financial statements.

DIVIDENDS

The directors do not propose the payment of a dividend (1995: nil).

FIXED ASSETS

Changes in fixed assets are shown in note 7 to the financial statements.

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

DIRECTORS

The directors who served during the year were as follows:

H M Offenbach	(Chairman)
G B Offenbach	(Managing director)
C D Offenbach	
H I Asmal	(Retired 30 June 1996)

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.

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SHUBETTE OF LONDON LIMITED

REPORT OF THE DIRECTORS (continued)

STATEMENT OF 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 the affairs of the company and of the profit or loss of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare 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.

AUDITORS

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

BY ORDER OF THE BOARD

P A WEBER



Secretary

10 December 1996

Registered Office:
124 Finchley Road
London NW3 5JS



Nyman Libson Paul

Chartered Accountants

Regina House, 124 Finchley Road, London NW3 5JS

AUDITORS' REPORT TO THE SHAREHOLDERS OF

SHUBETTE OF LONDON 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 judgments 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 are 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 at 30 September 1996 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

NYMAN LIBSON PAUL
Chartered Accountants
& Registered Auditors

10 December 1996

SHUBETTE OF LONDON LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 September 1996

	Note	1996	1995
		£	£
TURNOVER	2	9,669,926	9,679,913
Cost of sales		(6,783,571)	(7,030,115)
GROSS PROFIT		2,886,355	2,649,798
Distribution costs	1,230,704		1,102,109
Administrative expenses	1,501,488		1,564,712
		(2,732,192)	(2,666,821)
		154,163	(17,023)
Interest receivable		800	7,504
		154,963	(9,519)
Interest payable	4	(178,526)	(184,683)
LOSS ON ORDINARY ACTIVITIES before taxation		(23,563)	(194,202)
Taxation	6	(157)	(94)
LOSS ON ORDINARY ACTIVITIES after taxation		(23,720)	(194,296)
Retained profit brought forward		1,556,678	1,750,974
RETAINED PROFIT carried forward		1,532,958	1,556,678

All results recognised in the year are reflected in the Profit and Loss Account and arise from continuing activities

The notes on pages 6 to 14 form part of these financial statements

SHUBETTE OF LONDON LIMITED

BALANCE SHEET

At 30 September 1996

	Note	1996	1995
		£	£
FIXED ASSETS			
Tangible assets	7	1,889,600	1,942,719
CURRENT ASSETS			
Stock	8	1,824,453	1,294,993
Debtors	9	2,837,529	1,975,376
Cash at bank and in hand		48,877	83,967
		<u>4,710,859</u>	<u>3,354,336</u>
CREDITORS - amounts falling due within one year	10	<u>2,497,266</u>	<u>1,086,995</u>
Net current assets		<u>2,213,593</u>	<u>2,267,341</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,103,193	4,210,060
CREDITORS - amounts falling due after more than one year	11	<u>(1,570,235)</u>	<u>(1,653,382)</u>
NET ASSETS		<u><u>2,532,958</u></u>	<u><u>2,556,678</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	1,000,000	1,000,000
Profit and loss account		<u>1,532,958</u>	<u>1,556,678</u>
SHAREHOLDERS' FUNDS	13	<u><u>2,532,958</u></u>	<u><u>2,556,678</u></u>

Approved by the Board and signed on its behalf by

G B OFFENBACH

C D OFFENBACH

Directors

10 December 1996

The notes on pages 6 to 14 form part of these financial statements

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 1996

1 ACCOUNTING POLICIES

The following policies have been used in dealing with items which are considered material in relation to the company's financial statements.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

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

Depreciation and amortisation

This is calculated to write off the cost of tangible fixed assets over their estimated useful lives at the following rates per annum:

Freehold land and buildings	- 2% on cost
Leasehold land and buildings	- over period of lease
Fixtures, plant and equipment	- 15% on written down value
Motor vehicles	- 20% on written down value
Computer equipment	- 33.3% on written down value

Stock

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

Finance leases and hire purchase commitments

Assets which are the subject of finance leases or hire purchase contracts are capitalised at a value equal to the original cost. The capital element of future payments is included under "obligations under finance leases and hire purchase contracts" and the interest element is charged to the profit and loss account at a rate which apportions the finance charge on a constant basis.

Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred over the lease term.

Deferred taxation

Deferred taxation is provided, using the liability method, on all timing differences which are not expected to continue in the future.

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

1 ACCOUNTING POLICIES (continued)

Foreign currency

Transactions denominated in a foreign currency are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Year end balances denominated in a foreign currency are translated into sterling at the rate ruling on the balance sheet date.

Pension costs

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.

2 SEGMENT INFORMATION

	1996 £	1995 £
Geographical analysis of turnover:		
United Kingdom	4,711,642	5,118,863
Overseas	4,958,284	4,561,050
	<u>9,669,926</u>	<u>9,679,913</u>

3 OPERATING PROFIT (LOSS)

	1996 £	1995 £
This is stated after charging and (crediting):		
Depreciation of owned fixed assets	82,071	83,838
Depreciation of assets held under finance leases and hire purchase contracts	11,460	9,750
Loss on sale of fixed assets	5,644	6,034
Rent receivable	(2,000)	(2,000)
Operating lease rentals:		
Plant and machinery rentals	13,428	-
Other rentals	66,960	72,286
Auditors' remuneration	<u>24,800</u>	<u>24,800</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

4 INTEREST PAYABLE

	1996 £	1995 £
Bank borrowings	166,125	173,849
Other loans	10,541	10,557
Finance charges payable under finance leases and hire purchase contracts	1,860	277
	<u>178,526</u>	<u>184,683</u>

5 DIRECTORS' EMOLUMENTS

	1996 £	1995 £
Remuneration	94,139	96,442
Other emoluments	42,712	46,958
Pension costs	17,000	12,162
	<u>153,851</u>	<u>155,562</u>
Chairman's emoluments (excluding pension costs)	<u>20,264</u>	<u>20,508</u>
Highest paid director (excluding pension costs)	<u>46,436</u>	<u>51,237</u>

Other directors - by number within each band

	Number of directors	
£25,001 - £30,000	1	-
£35,001 - £40,000	-	2
£40,001 - £45,000	1	-

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

6 TAXATION

	1996 £	1995 £
Adjustment relating to prior years	-	(58)
Withholding tax	157	152
	<u>157</u>	<u>94</u>

No liability to U.K. Corporation tax arises as a result of the partial utilisation of tax losses brought forward.

Unutilised trading losses carried forward at the balance sheet date amount to approximately £10,000.

7 TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & machinery £	Fixtures, equipment & motor vehicles £	Total £
Cost:				
At 1 October 1995	2,102,788	141,227	548,434	2,792,449
Additions	-	9,618	43,916	53,534
Disposals	-	(3,754)	(70,209)	(73,963)
	<u>2,102,788</u>	<u>147,091</u>	<u>522,141</u>	<u>2,772,020</u>
At 30 September 1996				
Accumulated depreciation:				
At 1 October 1995	341,794	127,691	380,245	849,730
Provision for the year	45,947	3,416	44,168	93,531
Eliminated on disposal	-	(3,353)	(57,488)	(60,841)
	<u>387,741</u>	<u>127,754</u>	<u>366,925</u>	<u>882,420</u>
At 30 September 1996				
Net book value:				
At 30 September 1996	<u>1,715,047</u>	<u>19,337</u>	<u>155,216</u>	<u>1,889,600</u>
At 30 September 1995	<u>1,760,994</u>	<u>13,536</u>	<u>168,189</u>	<u>1,942,719</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

7 TANGIBLE FIXED ASSETS (continued)

Land and buildings

	Freehold £	Short leasehold £	Total £
Cost:			
At 1 October 1995 and 30 September 1996	<u>2,073,394</u>	<u>29,394</u>	<u>2,102,788</u>
Accumulated depreciation:			
At 1 October 1995	321,375	20,419	341,794
Provision for the year	<u>41,467</u>	<u>4,480</u>	<u>45,947</u>
At 30 September 1996	<u>362,842</u>	<u>24,899</u>	<u>387,741</u>
Net book value:			
At 30 September 1996	<u>1,710,552</u>	<u>4,495</u>	<u>1,715,047</u>
At 30 September 1995	<u>1,752,019</u>	<u>8,975</u>	<u>1,760,994</u>

The net book value of fixed assets includes £22,920 (1995: £19,500) in respect of assets held under finance leases and hire purchase contracts.

8 STOCK

	1996 £	1995 £
Raw materials and consumables	1,103,202	658,817
Finished goods and goods for resale	<u>721,251</u>	<u>636,176</u>
	<u>1,824,453</u>	<u>1,294,993</u>

9 DEBTORS

	1996 £	1995 £
Trade debtors	1,873,484	1,221,543
Amount owed by parent undertaking	723,292	696,134
Other debtors	200,775	21,361
Prepayments and accrued income	<u>39,978</u>	<u>36,338</u>
	<u>2,837,529</u>	<u>1,975,376</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

10 CREDITORS - amounts falling due within one year

	1996 £	1995 £
Bank loan and overdraft (note 11)	1,160,444	226,156
Obligations under finance leases and hire purchase contracts (note 16)	9,328	4,618
Trade creditors	1,051,363	622,033
Other taxation and social security	167,589	117,427
Other creditors	10,523	21,413
Accruals	98,019	95,348
	<u>2,497,266</u>	<u>1,086,995</u>

11 CREDITORS - amounts falling due after
more than one year

	1996 £	1995 £
Loans:		
Wholly repayable within five years	115,000	115,000
Bank loan (secured):		
Not wholly repayable within five years	1,427,250	1,513,750
	<u>1,542,250</u>	<u>1,628,750</u>
Obligations under finance leases and hire purchase contracts (Note 16)	27,985	24,632
	<u>1,570,235</u>	<u>1,653,382</u>

The bank loan 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, of which £1,081,250 falls due after more than five years. Interest is charged at 2% above LIBOR.

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

12 CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Loss for the financial year	(23,720)	(194,296)
Opening shareholders' funds	<u>2,556,678</u>	<u>2,750,974</u>
Closing shareholders' funds	<u>2,532,958</u>	<u>2,556,678</u>

14 FORWARD COMMITMENTS

	1996 £	1995 £
At the balance sheet date: Liabilities for documentary credits	<u>64,316</u>	<u>133,915</u>

15 OPERATING LEASE COMMITMENTS

At 30 September 1996, the company had non-cancellable annual operating lease commitments as follows:

	1996 £	1995 £
Land and buildings leases which expire:		
Within two to five years	39,750	39,750
After five years	13,500	13,500
	<u>53,250</u>	<u>53,250</u>
Other leases which expire:		
Within two to five years	<u>22,536</u>	<u>-</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

16 OBLIGATIONS RELATING TO FINANCE LEASES
AND HIRE PURCHASE CONTRACTS

	1996 £	1995 £
Amounts payable:		
Within one year	11,827	5,993
Within two to five years	35,482	31,964
	<u>47,309</u>	<u>37,957</u>
Interest relating to future years	(9,996)	(8,707)
	<u>37,313</u>	<u>29,250</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations	9,328	4,618
Non-current obligations	27,985	24,632
	<u>37,313</u>	<u>29,250</u>

17 STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) was as follows:

	1996	1995
Management	4	4
Administration, production and sales	94	89
	<u>98</u>	<u>93</u>

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Salaries	1,501,191	1,402,701
Social security costs	148,809	141,115
Pension costs	19,860	14,422
	<u>1,669,860</u>	<u>1,558,238</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1996

18 ULTIMATE PARENT COMPANY

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