

SHUBETTE OF LONDON LIMITED

(Company number 622183)

FINANCIAL STATEMENTS
30 September 1994

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



SHUBETTE OF LONDON LIMITED

FINANCIAL STATEMENTS

Year ended 30 September 1994

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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 1994.

PRINCIPAL ACTIVITY

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

BUSINESS REVIEW

The results for the year shown on page 5 have been affected by the recession in the fashion industry both in the UK and Continental Europe.

Shortly before the year end various changes to certain operations within the company were made to secure future profitability and, as a result, the work force has been reduced from 124 to 90. The redundancy costs of £92,000 incurred have contributed directly to the loss of £184,000 for the year.

The directors are confident that these and other steps leave the company well placed to take advantage of its long established brand names and return to profit in 1995.

DIVIDENDS

The directors do not propose the payment of a dividend (1993: interim £197,000).

FIXED ASSETS

Changes in fixed assets are shown in note 8 to the financial statements.

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

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SHUBETTE OF LONDON LIMITED

REPORT OF THE DIRECTORS (continued)

DIRECTORS

The directors who served during the year were as follows:

H M Offenbach	(Chairman)
G B Offenbach	(Managing director)
R Taiano	
C D Offenbach	
H I Asmal	

Mr Taiano retired as a director of the company on 4 October 1994.

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.

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.

CHARITABLE DONATIONS

During the year the company made charitable contributions of £1,300 (1993: £586).

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SHUBETTE OF LONDON LIMITED

REPORT OF THE DIRECTORS (continued)

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

H I ASMAL

Joint secretaries

30 January 1995

Registered Office:
124 Finchley Road
London NW3 5JS

Handwritten signatures of P A Weber and H I Asmal. The signature of P A Weber is written above the signature of H I Asmal.



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 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 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 1994 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

30 January 1995

SHUBETTE OF LONDON LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 September 1994

	Note	1994	1993
		£	£
TURNOVER	2	11,021,385	12,125,490
Cost of sales		(8,228,961)	(8,758,464)
GROSS PROFIT		2,792,424	3,367,026
Distribution costs	1,273,490		1,225,237
Administrative expenses	1,533,524		2,079,327
		(2,807,014)	(3,304,564)
		(14,590)	62,462
Other operating income		4,252	47,297
OPERATING (LOSS) PROFIT	3	(10,338)	109,759
Interest receivable		1,582	785
		(8,756)	110,544
Interest payable	4	(175,954)	(200,569)
LOSS ON ORDINARY ACTIVITIES before taxation		(184,710)	(90,025)
Taxation	6	(135)	(8,500)
LOSS ON ORDINARY ACTIVITIES after taxation		(184,845)	(98,525)
Dividends	7	-	(197,000)
DEFICIT for the year		(184,845)	(295,525)
Retained profit brought forward		1,935,819	2,231,344
RETAINED PROFIT carried forward		1,750,974	1,935,819

The company has no recognised gains or losses other than the results for the above financial years.

The notes on pages 7 to 13 form part of these financial statements

SHUBETTE OF LONDON LIMITED

BALANCE SHEET

At 30 September 1994

	Note	1994	1993
		£	£
FIXED ASSETS			
Tangible assets	8	2,034,923	2,087,467
CURRENT ASSETS			
Stock	9	1,809,116	1,620,951
Debtors	10	2,488,333	2,731,467
Cash at bank and in hand		58,818	93,410
		<u>4,356,267</u>	<u>4,445,828</u>
CREDITORS - amounts falling due within one year	11	<u>1,937,840</u>	<u>2,297,683</u>
Net current assets		<u>2,418,427</u>	<u>2,148,145</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,453,350</u>	<u>4,235,612</u>
CREDITORS - amounts falling due after more than one year	12	<u>(1,702,376)</u>	<u>(1,299,793)</u>
NET ASSETS		<u><u>2,750,974</u></u>	<u><u>2,935,819</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	1,000,000	1,000,000
Profit and loss account		<u>1,750,974</u>	<u>1,935,819</u>
SHAREHOLDERS' FUNDS	15	<u><u>2,750,974</u></u>	<u><u>2,935,819</u></u>

Approved by the Board and signed on its behalf by

G B OFFENBACH

Director

30 January 1995

The notes on pages 7 to 13 form part of these financial statements

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 1994

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 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.

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.

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 contributes to a number of fully insured pension schemes operated by major insurance companies. The pension cost charge represents contributions payable by the company during the year.

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 1994

2 SEGMENT INFORMATION

	1994 £	1993 £
Geographical analysis of turnover:		
United Kingdom	5,708,219	5,838,601
Overseas	5,313,166	6,286,889
	<u>11,021,385</u>	<u>12,125,490</u>

3 OPERATING (LOSS) PROFIT

	1994 £	1993 £
This is stated after charging and (crediting):		
Directors' emoluments (Note 5)	96,176	301,657
Depreciation of tangible fixed assets	97,735	98,247
(Profit) loss on sale of fixed assets	(117)	6,039
Rent receivable	(4,000)	(41,283)
Auditors' non-audit remuneration	8,631	7,814
Auditors' remuneration	<u>27,750</u>	<u>29,000</u>

4 INTEREST PAYABLE

	1994 £	1993 £
Bank overdraft and loans wholly repayable within five years	55,628	72,145
Other loans	<u>120,326</u>	<u>128,424</u>
	<u>175,954</u>	<u>200,569</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 1994

5 DIRECTORS' EMOLUMENTS

	1994 £	1993 £
Remuneration	74,000	270,930
Pension costs	22,176	30,727
	<u>96,176</u>	<u>301,657</u>
Chairman's emoluments	<u>17,300</u>	<u>17,300</u>
Highest paid director	<u>43,700</u>	<u>88,017</u>

Other directors - by number within each band

	Number of directors	
nil - £5,000	2	-
£ 5,001 - £10,000	1	-
£40,001 - £45,000	-	1
£60,001 - £65,000	-	2

6 TAXATION

	1994 £	1993 £
U.K. corporation tax at 25% (1993: 25%) on taxable profits for the year	-	8,500
Adjustment relating to prior years	135	-
	<u>135</u>	<u>8,500</u>

No liability to U.K. Corporation tax arises as a result of losses incurred in the year.

Unutilised trading losses carried forward at the balance sheet date amount to £40,000.

7 DIVIDENDS

	1994 £	1993 £
Interim	<u>-</u>	<u>197,000</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 1994

8 TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & machinery £	Fixtures, equipment & motor vehicles £	Total £
Cost:				
At 1 October 1993	2,102,788	202,668	585,803	2,891,259
Additions	-	1,559	57,565	59,124
Disposals	-	(5,000)	(63,362)	(68,362)
At 30 September 1994	<u>2,102,788</u>	<u>199,227</u>	<u>580,006</u>	<u>2,882,021</u>
Accumulated depreciation:				
At 1 October 1993	249,901	177,966	375,925	803,792
Provision for the year	45,946	3,883	47,906	97,735
Eliminated on disposals	-	(4,606)	(49,823)	(54,429)
At 30 September 1994	<u>295,847</u>	<u>177,243</u>	<u>374,008</u>	<u>847,098</u>
Net book value:				
At 30 September 1994	<u>1,806,941</u>	<u>21,984</u>	<u>205,998</u>	<u>2,034,923</u>
At 30 September 1993	<u>1,852,887</u>	<u>24,702</u>	<u>209,878</u>	<u>2,087,467</u>

Land and buildings

	Freehold £	Short leasehold £	Total £
Cost:			
At 1 October 1993 and 30 September 1994	<u>2,073,394</u>	<u>29,394</u>	<u>2,102,788</u>
Accumulated depreciation:			
At 1 October 1993	238,441	11,460	249,901
Provision for the year	41,467	4,479	45,946
At 30 September 1994	<u>279,908</u>	<u>15,939</u>	<u>295,847</u>
Net book value:			
At 30 September 1994	<u>1,793,486</u>	<u>13,455</u>	<u>1,806,941</u>
At 30 September 1993	<u>1,834,953</u>	<u>17,934</u>	<u>1,852,887</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)
Year ended 30 September 1994

9	STOCK	1994 £	1993 £
	Raw materials and consumables	737,892	770,504
	Finished goods and goods for resale	1,071,224	850,447
		<u>1,809,116</u>	<u>1,620,951</u>
10	DEBTORS	1994 £	1993 £
	Trade debtors	2,009,590	2,155,425
	Amount owed by parent undertaking	426,292	426,292
	Other debtors	24,252	123,039
	Prepayments and accrued income	28,199	26,711
		<u>2,488,333</u>	<u>2,731,467</u>
11	CREDITORS - amounts falling due within one year	1994 £	1993 £
	Bank loan and overdraft (note 12)	968,412	801,050
	Other loans	12,667	12,603
	Trade creditors	671,172	915,494
	Corporation tax	-	294
	Other taxation and social security	87,026	146,009
	Other creditors	54,172	328,053
	Accruals	144,391	94,180
		<u>1,937,840</u>	<u>2,297,683</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 1994

12 CREDITORS - amounts falling due after more than one year

	1994 £	1993 £
Bank loan	1,600,250	1,185,000
Other loans	102,126	114,793
	<u>1,702,376</u>	<u>1,299,793</u>

The bank loan and overdraft are secured by way of a debenture granting fixed and floating charges over the assets of the company.

The bank loan is repayable in quarterly instalments of £21,625.

The other loans are repayable by instalments between 1995 and 2011 of which £76,983 is repayable after five years.

Interest charged on all loans is at current rates.

13 DEFERRED TAXATION

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

14 CALLED UP SHARE CAPITAL

	1994 £	1993 £
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>

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1994 £	1993 £
Loss for the financial year	(184,845)	(98,525)
Dividends	-	(197,000)
	<u>(184,845)</u>	<u>(295,525)</u>
Opening shareholders' funds	<u>2,935,819</u>	<u>3,231,344</u>
Closing shareholders' funds	<u>2,750,974</u>	<u>2,935,819</u>

SHUBETTE OF LONDON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year ended 30 September 1994

16 FORWARD COMMITMENTS

	1994 £	1993 £
At the balance sheet date:		
Liabilities for documentary credits	<u>63,010</u>	<u>103,020</u>

17 OPERATING LEASE COMMITMENTS

At 30 September 1994, the company had non-cancellable annual operating lease commitments as follows:

	1994 £	1993 £
Land and buildings leases which expire:		
Within two to five years	39,750	39,750
After five years	13,500	10,500
	<u>53,250</u>	<u>50,250</u>

18 STAFF NUMBERS AND COSTS

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

	1994	1993
Management	4	4
Administration, production and sales	117	119
	<u>121</u>	<u>123</u>

The aggregate payroll costs of these persons were as follows:

	1994 £	1993 £
Salaries	1,706,873	1,959,498
Social security costs	162,599	199,425
Pension costs	26,936	33,987
	<u>1,896,408</u>	<u>2,192,910</u>

19 ULTIMATE PARENT COMPANY

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