

LOUIS CARING (SALES) LIMITED

34

REPORT AND ACCOUNTS

31st JULY 1976

COMINS & CO.
Chartered Accountants,
22 St. Andrew Street,
London EC4A3AN.



DIRECTORS

L.N. Caring - Chairman
R.A. Caring - Managing Director
Mrs. S. Caring
P. Brisebois

SECRETARY

L.N. Caring

REPORT OF THE DIRECTORS

The directors present their annual report and the audited accounts for the year ended 31st July 1976.

1. PRINCIPAL ACTIVITY

The principal activity of the Group is the manufacture and distribution of mens and womens outer garments.

2. TRADING RESULTS

The Group loss before tax relief amounted to £924,462 (1975 : profit £624,643) and the Group loss after tax relief and extraordinary items amounted to £760,376 (1975 : Profit £430,541).

The internal management and accounting systems proved inadequate to cope with the rapid expansion which occurred during the twelve months ended 31st July 1976. This resulted in:-

- (a) Irreconcilable differences in the accounting records of the Group, (see Note 5 to the Accounts).
- (b) A lack of sales documentation leading to a breakdown in credit control with the resultant loss of revenue.
- (c) An increase in administration expenses.

These problems continued through the twelve months ended 31st July 1977 but with effect from 1st August 1977 improved management and accounting systems have been developed and the directors do not anticipate a recurrence of the problems of the two years to 31st July 1977.

The Group's major creditor has agreed to subordinate its claim to that of all other creditors and to defer its claim until such time as the Group is in a position to repay the amount owing without detriment to its other creditors.

During the year to 31st July 1977 a loss of £706,783 was incurred.

Following the re-organisation of the Group's trading activities in July 1977, the Group made a profit of £435,988 in the period to 19th July 1978.

3. DIVIDEND

The directors do not recommend the payment of a dividend (1975 - nil).

LOUIS CARING (SALES) LIMITED

REPORT OF THE DIRECTORS (Continued)

4. FIXED ASSETS

During the year a subsidiary company purchased a new freehold property to provide increased warehouse and office facilities. This property was disposed of in March 1977 at a loss of £44,734 and accordingly has been included in the Balance Sheet at its realisable value.

5. EXPORTS

The value of the Group's direct exports from the United Kingdom was £2,487,937 (1975 : £938,526).

6. DONATIONS

The Group's charitable donations amounted to £163.

7. DIRECTORS AND THEIR INTERESTS


The names of those who have been directors during the year and their interests in the shares of the Company are as follows:-

	£1 Ordinary Shares	
	31st July 1976	31st July 1975
L.N. Caring	3,333	3,333
R.A. Caring	3,333	3,333
Mrs. S. Caring	3,333	3,333
P. Brisebois	-	-
G. Lanzkron (resigned 21st February 1977)	-	-

8. AUDITORS

In accordance with section 14 of the Companies Act 1976, a resolution proposing the re-appointment of Messrs. Comins & Co. as auditors of the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD


L.N. Caring
Secretary

Registered Office:
22 St. Andrew Street,
London, EC4A 3AN.

11th December 1978

LOUIS CARING (SALES) LIMITED

STATEMENT OF ACCOUNTING POLICIES

(i) BASIS OF CONSOLIDATION

The Group accounts include the accounts of the parent company and its wholly-owned subsidiary, Jump Knitwear Limited but exclude the results of Acorn Dress Limited, which ceased to trade in March 1976, and Topcoat (London) Limited, which was sold in May 1977.

(ii) TURNOVER

Turnover represents sales invoiced and excludes inter-company sales and value added tax.

(iii) FIXED ASSETS

Freehold Property has been included at net realisable value. Leasehold property is amortised by equal instalments over the period of the lease.

Depreciation of other fixed assets is provided over the anticipated life of assets on the reducing balance basis, with the exception of trademarks, which are depreciated on a straight line basis.

(iv) STOCK

Stock is valued at the lower of cost or net realisable value. Cost includes outworkers charges, duty, commission and carriage. There are no material attributable overheads to be included.

(v) EXCHANGE RATES

Liabilities in respect of imported goods have been expressed at sterling rates ruling at 31st July 1976.

(vi) DEBTORS

Known bad debts are written off and specific provision is made for debts considered to be doubtful of collection. In addition, general provisions have been made on the balance of trade debts.

(vii) DESIGN EXPENDITURE

Group Expenditure on new designs is written off when incurred.

(viii) DEFERRED TAXATION

It is the Group's policy to provide for the effect of the allocation of income, expenditure and depreciation for taxation purposes to periods different from those used for accounting purposes. However, at 31st July 1976 there is no liability to deferred tax on account of trading losses to be carried forward.

LOUIS CARING (SALES) LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended

31st JULY 1976

	<u>Notes</u>	<u>1976</u>	<u>1975</u>
<u>GROUP TURNOVER</u>		£8,120,899	£5,228,876
<u>GROUP (LOSS)/PROFIT BEFORE TAX</u>	2	(924,462)	624,653
<u>TAXATION</u>	3	213,446	(315,081)
<u>GROUP (LOSS)/PROFIT AFTER TAX</u> (of which £(236,643) (1975:£309,572) is dealt with in the accounts of the parent company).		(711,016)	309,572
<u>EXTRAORDINARY ITEMS</u>	4	(49,360)	120,969
		(760,376)	430,541
<u>BONUS ISSUE</u> made during 1975		-	(9,996)
		(760,376)	420,545
<u>BALANCE BROUGHT FORWARD</u>		880,573	460,028
<u>BALANCE CARRIED FORWARD</u>			
Parent Company		124,842	366,111
Subsidiary		(4,645)	514,462
		£ 120,197	£ 880,573

The notes on pages 7 to 11 form part of these accounts.

LOUIS CARING (SALES) LIMITED

CONSOLIDATED BALANCE SHEET

31st JULY 1976

	<u>Notes</u>	<u>1976</u>	<u>1975</u>
Employment of Capital:			
	1	314,326	93,671
<u>FIXED ASSETS</u>			
<u>SUBSIDIARY COMPANY NOT CONSOLIDATED</u>	11		70
Shares at Cost		51	
		106,898	106,949
Amount owing from Subsidiary			7,726
			101,467
<u>CURRENT ASSETS</u>			
Stock		371,846	375,955
Debtors		828,910	1,045,879
Directors' Loan Accounts	12	56,478	-
Taxation Recoverable		26,725	-
Cash		49,861	367,217
		1,333,820	1,789,051
<u>CURRENT LIABILITIES</u>			
Creditors		1,489,081	617,885
Directors' Current Accounts		-	4,499
Taxation		35,968	278,697
		1,525,049	901,081
		(191,229)	887,970
		£230,046	£ 989,437
Financed by:			
<u>SHARE CAPITAL</u>	7	9,999	9,999
<u>PROFIT AND LOSS ACCOUNT</u>		120,197	880,573
Shareholders Funds		130,196	890,572
<u>DEFERRED TAXATION</u>	8	-	98,865
<u>MORTGAGE (Secured)</u>		99,850	-
		£230,046	£ 989,437

L.N. CARING

R.A. CARING

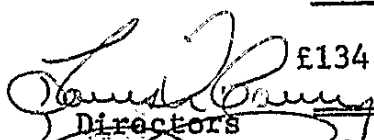

Directors

The notes on pages 7 to 11 form part of these accounts.

BALANCE SHEET

31st JULY 1976

	<u>Notes</u>	<u>1976</u>	<u>1975</u>
Employment of Capital:			
<u>FIXED ASSETS</u>	1	51,812	44,087
<u>SUBSIDIARY COMPANIES</u>			
Shares at Cost	9	<u>5,051</u>	<u>5,070</u>
		56,863	<u>49,157</u>
<u>CURRENT ASSETS</u>			
Stock		169,609	174,463
Debtors		303,474	398,606
Directors' Loan Accounts	12	56,478	-
Taxation Recoverable		4,468	-
Cash		<u>44,682</u>	<u>104,461</u>
		<u>578,711</u>	<u>677,530</u>
<u>CURRENT LIABILITIES</u>			
Creditors		376,280	205,115
Directors' Current Accounts		-	4,499
Taxation		-	<u>91,334</u>
		<u>376,280</u>	<u>300,948</u>
		<u>202,431</u>	<u>376,582</u>
		259,294	327,425
<u>INTER GROUP INDEBTEDNESS</u>	10	(124,453)	(29,483)
		<u>£134,841</u>	<u>£396,256</u>
Financed by:			
<u>SHARE CAPITAL</u>	7	9,999	9,999
<u>PROFIT AND LOSS ACCOUNT</u>		<u>124,842</u>	<u>366,111</u>
Shareholders Funds		134,841	376,110
<u>DEFERRED TAXATION</u>		-	<u>20,146</u>
		<u>£134,841</u>	<u>£396,256</u>
L.N. CARING			
R.A. CARING			


Directors


The notes on pages 7 to 11 form part of these accounts.

LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS

1. FIXED ASSETS

	<u>Freehold</u>	<u>Short</u>	<u>Plant and</u>	<u>Trade</u>	
	<u>Property</u>	<u>Leasehold</u>	<u>Equipment</u>	<u>Marks</u>	<u>Total</u>
(i) <u>Group</u>					
<u>Cost or Valuation</u>					
1st August 1975	-	27,307	125,744	1,198	154,249
Additions	236,035	-	61,186	-	297,221
Valuation Adjustment	(44,734)	-	-	-	(44,734)
Sales	-	-	(16,342)	-	(16,342)
	<u>£191,301</u>	<u>£27,307</u>	<u>£170,588</u>	<u>£1,198</u>	<u>£390,394</u>
<u>Depreciation</u>					
1st August 1975	-	9,364	51,144	70	60,578
Sales	-	-	(6,808)	-	(6,808)
Charge for the Year	-	3,576	18,651	71	22,298
	<u>£ -</u>	<u>£12,940</u>	<u>£ 62,987</u>	<u>£ 141</u>	<u>£ 76,068</u>
<u>Net Book Value 31st July 1976</u>					
Cost less					
Depreciation	<u>£ -</u>	<u>£14,367</u>	<u>£107,601</u>	<u>£1,057</u>	<u>£123,025</u>
At Valuation	<u>£191,301</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£191,301</u>
					<u>£314,326</u>

Freehold property has been valued at the net sale proceeds on disposal in March 1977.

LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

1.(ii) Parent Company

	<u>Short Leasehold Property</u>	<u>Plant and Equipment</u>	<u>Total</u>
<u>Cost</u>			
1st August 1975	17,307	67,377	84,684
Additions	-	19,024	19,024
Sales	-	(6,367)	(6,367)
	<u>£17,307</u>	<u>£80,034</u>	<u>£97,341</u>
<u>Depreciation</u>			
1st August 1975	3,364	37,233	40,597
Sales	-	(2,756)	(2,756)
Charge for the Year	<u>1,576</u>	<u>6,112</u>	<u>7,688</u>
	<u>£ 4,940</u>	<u>£40,589</u>	<u>£45,529</u>
<u>Net Book Value 31st July 1976</u>			
Cost less Depreciation	<u>£12,367</u>	<u>£39,445</u>	<u>£51,812</u>

2.(i) GROUP LOSS BEFORE TAX

The Group loss has been arrived at after charging:

	<u>1976</u>	<u>1975</u>
Depreciation	22,298	21,881
Emoluments of the directors of the parent company	72,693	57,350
Audit Fee (Company - £5,000)	10,000	9,925
Mortgage Interest	2,091	-
Factoring Interest	102,778	-
Bank Interest	<u>9,503</u>	<u>-</u>

and after crediting:

Bank Interest Receivable	<u>23,731</u>	<u>30,293</u>
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LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

2.(ii) DIRECTORS' REMUNERATION

The total directors' remuneration amounted to £72,693 (1975 : £57,350) of which the Chairman's emoluments were £15,000 (1975 : £15,000). The remuneration of the highest paid director was £15,000 (1975 : £15,000). The directors received the following emoluments:

	<u>1976</u>	<u>1975</u>
£ 5,001 - £ 7,500	-	2
£ 7,501 - £10,000	-	-
£10,001 - £12,500	-	3
£12,501 - £15,000	5	-

No directors fees were payable (1975 : Nil).

3. TAXATION

	<u>1976</u>	<u>1975</u>
Corporation Tax liability of previous year extinguished by trading losses of the year (1975 : Corporation Tax based on profits of the year at 52%)	114,194	248,163
Adjustment in respect of previous year	387	-
Deferred tax provision no longer required (1975 : Charge)	<u>98,865</u>	<u>66,918</u>
Taxation Relief (1975 : Charge)	<u>£213,446</u>	<u>£315,081</u>

4. EXTRAORDINARY ITEMS

The amounts included under extraordinary items are as follows:

	<u>1976</u>	<u>1975</u>
Adjustment arising on valuation of freehold property	44,734	-
Cost of Shares in Acorn Dress Ltd. written off	70	-
Amount owing by Acorn Dress Ltd. written off	4,556	-
Loan interest paid not charged in profit and loss account		304,413
Less: Tax relief thereon		<u>158,294</u>
		146,119
Surplus on disposal of liability	<u>£49,360</u>	<u>267,088</u>
		<u>£120,969</u>

LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

5. DIFFERENCES IN THE ACCOUNTING RECORDS

A number of irreconcilable differences arose during the year. Although it has been impossible to identify the individual transactions to which the differences relate, the directors are of the opinion that they arose in the following areas:

Sales	115,942
<u>Less: Purchases</u>	<u>7,297</u>
	<u>£108,645</u>

Accordingly sales and purchases have been reduced by these amounts.

6. FACTORING OF TRADE DEBTS

In order to increase the liquidity of the Group, the trade debts were factored during the year. The Group has a liability to re-imburse the factors for debts which prove to be irrecoverable and accordingly full provision has been made for the liability. The factors have a charge over the freehold property of a subsidiary company in respect of any monies owing to them.

7. SHARE CAPITAL

Authorised

10,000 Ordinary Shares of £1 each

<u>1976</u>	<u>1975</u>
<u>£10,000</u>	<u>£10,000</u>

Issued

9,999 Ordinary Shares of £1 each

<u>£ 9,999</u>	<u>£ 9,999</u>
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8. DEFERRED TAXATION

The Group's deferred tax balance represented provisions for:

	<u>1976</u>	<u>1975</u>
Timing Differences	-	19,973
Stock Relief	-	78,892
	<u>£ -</u>	<u>£98,865</u>

No deferred tax provision is required in respect of the current year on account of the substantial trading losses to be carried forward.

9. SUBSIDIARY COMPANIES

The subsidiary companies, which are all registered in England and the proportion of the share capital held by the parent company are as follows:

	<u>Class of Shares</u>	<u>%</u>
Jump Knitwear Limited	Ordinary	100
Acorn Dress Limited	Ordinary	70
Topcoat (London) Limited	Ordinary	51

LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

10. INTER GROUP INDEBTEDNESS

	<u>1976</u>	<u>1975</u>
Amount owing by parent company	231,351	37,209
Amount owing to parent company	<u>106,898</u>	<u>7,726</u>
	<u>£124,453</u>	<u>£29,483</u>

11. SUBSIDIARY COMPANY NOT CONSOLIDATED

Acorn Dress Limited ceased trading during the year. This company's results have not been consolidated as the directors consider that they are not material in the context of the Group's activities.

Topcoat (London) Limited traded for only three months of the year and no audited accounts were prepared at 31st July 1976. The interest in the company was sold after the year end and the directors are of the opinion that it would be misleading to consolidate the results of this company.

12. DIRECTORS' LOAN ACCOUNTS

Two directors had debit balances on loan accounts with the company at 31st July 1976. Both directors have undertaken to repay the balance owing during the year ended 19th July 1979.

13. CAPITAL COMMITMENTS

There were no capital commitments authorised or contracted for at 31st July 1976.

14. TAX STATUS

The company is a close company as defined by the Income and Corporation Taxes Act, 1970.

LOUIS CARING (SALES) LIMITED

SOURCE AND APPLICATION OF GROUP FUNDS

for the year ended

31st JULY 1976

	<u>1976</u>	<u>1975</u>
<u>SOURCE</u>		
(Loss)/Profit before taxation and extraordinary items	(924,462)	624,653
Extraordinary items (before tax relief)	<u>(49,360)</u>	<u>(37,325)</u>
	(973,822)	587,328
Adjustment for items not involving the movement of funds:		
Depreciation	22,298	21,881
Loss on sale of fixed assets	34	(212)
Surplus on disposal of liability	-	(267,088)
Valuation adjustment	<u>44,734</u>	<u>-</u>
	67,066	(245,419)
	(906,756)	341,909
Funds from other sources:		
Sales of fixed assets	9,500	17,660
Loan	-	2,002,000
Mortgage on freehold property	<u>99,850</u>	<u>-</u>
	109,350	2,019,660
	(797,406)	2,361,569
<u>APPLICATION</u>		
Purchase of fixed assets	297,221	64,845
Taxation paid	154,873	57,064
Repayment of loan	-	1,734,912
Investment in subsidiary not consolidated	<u>99,153</u>	<u>-</u>
	(551,247)	(1,856,821)
	<u>£(1,348,653)</u>	<u>£ 504,748</u>
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>		
Stock	(4,109)	190,822
Debtors	(216,969)	483,995
Creditors	(871,196)	(239,460)
Directors' Current accounts	<u>60,977</u>	<u>15,502</u>
	(1,031,297)	450,859
Movement in net liquid funds:		
Cash	<u>(317,356)</u>	<u>53,889</u>
	<u>£(1,348,653)</u>	<u>£ 504,748</u>

REPORT OF THE AUDITORS
TO THE MEMBERS OF LOUIS CARING (SALES) LIMITED

We have examined the Accounts set out on pages 3 to 12.

These Accounts have been prepared under the historical cost convention on the basis of the Group being a going concern, which assumes the continuing support of the major creditor (to which reference is made in paragraph 2 of the Report of the Directors).

The purchase day book analysis for invoices posted to the Bought Ledger during the period from 1st August 1975 to 31st January 1976 was lost. The expenditure for this period was apportioned to the relevant accounts in the ratio of the purchase day book analysis of the previous year.

During the course of our audit we were unable to verify expenditure on a subsidiary's freehold property of £9,805. In addition we were unable to verify certain other income and expenditure as the relevant documents were not produced to us; it is not possible to quantify the amount involved with any degree of precision.

We were also unable to satisfy ourselves as to the figures of certain assets and liabilities at 1st August 1975.

The parent company was unable to reconcile the amount owing by a subsidiary with the books of that subsidiary and as it had ceased to trade and had insufficient funds to settle its liabilities, the amount appearing in the parent company's books was written off (see Note 4 on the Accounts).

We were not appointed auditors until after the end of the Group's accounting year and, therefore, did not attend as auditors during the Group's stocktaking. We have been unable to satisfy ourselves by other auditing procedures that the physical stocktaking was properly carried out and that purchases and sales have been reflected in the correct financial period.

In our opinion, the stock and costing records were inadequate to enable us to satisfy ourselves that the basis of valuation as set out in the Statement of Accounting Policies was adopted at the beginning and end of the accounting year.

At 31st July 1976 two directors were indebted to the Company in the sum of £56,478, contrary to Section 190 of the Companies Act 1948. This indebtedness arose mainly as a result of providing Income Tax on remuneration voted to directors for the year under review and also for prior years. If Income Tax on directors' remuneration had been provided at 31st July 1975 on this basis, the amounts owing from the directors would have been £40,787.

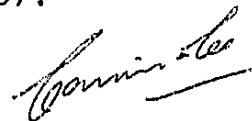
REPORT OF THE AUDITORS
TO THE MEMBERS OF LOUIS CARING (SALES) LIMITED
(Continued)

For the reasons set out on the preceding page, and as we were not appointed auditors until after the end of the Group's accounting year we are unable to report that:-

- (a) we have received all the information and explanations we require;
- (b) the books have been properly kept (see Note 5 on the Accounts).

Accordingly we are unable to express an opinion as to whether or not the accounts show a true and fair view of the state of affairs of the Company and the Group at 31st July 1976, and of the loss and of the Source and Application of Group Funds for the year ended on that date.

In all other respects these Accounts and notes thereon comply with the Companies Acts 1948 and 1967.



COMINS & CO.

CHARTERED ACCOUNTANTS.

22 St. Andrew Street,
London, EC4A 3AN.

11th December 1978