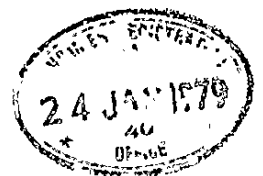


REPORT AND ACCOUNTS

31st JULY 1977

COMINS & CO.,
Chartered Accountants,
22 St. Andrew Street,
London, EC4A 3AN.



LOUIS CARING (SALES) LIMITED

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 1977.

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 £601,212 (1976 : £924,462) and the Group loss after tax relief and extraordinary items amounted to £706,783 (1976 : £760,376).

The internal management and accounting systems proved inadequate to cope with the rapid expansion which occurred during the two years to 31st July 1977. This resulted in:-

- (a) A lack of sales documentation leading to a breakdown in credit control with the resultant loss of revenue.
- (b) An increase in administration expenses.

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.

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 (1976 - nil).

LOUIS CARING (SALES) LIMITED

REPORT OF THE DIRECTORS (Continued)

4. FIXED ASSETS

During the year a subsidiary company sold its freehold property. There were no other significant changes in the fixed assets of the Group other than in the normal course of business.

5. EXPORTS

The value of the Group's direct exports from the United Kingdom was £1,718,451 (1976 : £2,487,937).

6. DONATIONS

The Group's charitable donations amounted to £227.

7. DIRECTORS AND THEIR INTERESTS

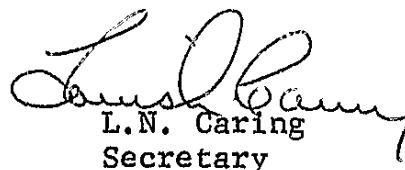
The names of those who have been directors during the year and their interests in the shares of the Company are as follows:-

| | <u>£1 Ordinary Shares</u> | |
|---|---------------------------|-----------------------|
| | <u>31st July 1977</u> | <u>31st July 1976</u> |
| 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 subsidiaries, Jump Knitwear Limited and Bombay Ducks 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

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 the 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 1977.

(vi) DEBTORS

Known bad debts are written off and specific provision is made for debts considered to be doubtful of collection.

(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 1977 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 1977

| | <u>Notes</u> | <u>1977</u> | <u>1976</u> |
|---|--------------|--------------------|-------------------|
| <u>GROUP TURNOVER</u> | | <u>£6,011,484</u> | <u>£8,120,899</u> |
| <u>GROUP LOSS BEFORE TAX</u> | 2 | (601,212) | (924,462) |
| <u>TAXATION</u> | 3 | <u>1,967</u> | <u>213,446</u> |
| <u>GROUP LOSS AFTER TAX</u> (of which £(104,797) (1976: £236,643) is dealt with in the accounts of the parent company). | | (599,245) | (711,016) |
| <u>EXTRAORDINARY ITEMS</u> | 4 | <u>(107,538)</u> | <u>(49,360)</u> |
| | | (706,783) | (760,376) |
| <u>BALANCE BROUGHT FORWARD</u> | | <u>120,197</u> | <u>880,573</u> |
| <u>BALANCE CARRIED FORWARD</u> | | | |
| Parent Company | | 20,045 | 124,842 |
| Subsidiary Company | | <u>(606,631)</u> | <u>(4,645)</u> |
| | | <u>£ (586,586)</u> | <u>£ 120,197</u> |

The notes on pages 7 to 10 form part of these accounts.

LOUIS CARING (SALES) LIMITEDCONSOLIDATED BALANCE SHEET31st JULY 1977

| | <u>Notes</u> | <u>1977</u> | <u>1976</u> |
|--|--------------|-------------|-------------|
| Employment of Capital: | | | |
| <u>FIXED ASSETS</u> | 1 | 98,830 | 314,326 |
| <u>SUBSIDIARY COMPANY NOT CONSOLIDATED</u> | 8 | - | 106,949 |
| <u>INVESTMENT</u> | 9 | 20,000 | - |
| | | 118,830 | 421,275 |
| <u>CURRENT ASSETS</u> | | | |
| Stock | | 122,181 | 371,846 |
| Debtors | | 403,907 | 828,910 |
| Directors' Loan Accounts | 10 | 53,297 | 56,478 |
| Taxation Recoverable | | 28,692 | 26,725 |
| Cash | | 5,596 | 49,861 |
| | | 613,673 | 1,333,820 |
| <u>CURRENT LIABILITIES</u> | | | |
| Creditors | | 1,257,378 | 1,489,081 |
| Taxation | | - | 35,968 |
| Bank Loan and Overdraft | | 51,712 | - |
| | | 1,309,090 | 1,525,049 |
| | | (695,417) | (191,229) |
| | | £(576,587) | £ 230,046 |
| Financed by: | | | |
| <u>SHARE CAPITAL</u> | 5 | 9,999 | 9,999 |
| <u>PROFIT AND LOSS ACCOUNT</u> | | (586,586) | 120,197 |
| | | (576,587) | 130,196 |
| | | - | 99,850 |
| <u>MORTGAGE (Secured)</u> | | £(576,587) | £ 230,046 |

L.N. CARING

R.A. CARING

Directors

The notes on pages 7 to 10 form part of these accounts.

LÓUIS CARING (SALES) LIMITED

BALANCE SHEET

31st JULY 1977

| | <u>Notes</u> | <u>1977</u> | <u>1976</u> |
|---------------------------------|--------------|-------------|-------------|
| Employment of Capital: | | | |
| <u>FIXED ASSETS</u> | 1 | 52,032 | 51,812 |
| <u>SUBSIDIARY COMPANIES</u> | | | |
| Shares at Cost | 6 | 5,000 | 5,051 |
| <u>INVESTMENT</u> | 9 | 20,000 | - |
| | | 77,032 | 56,863 |
| <u>CURRENT ASSETS</u> | | | |
| Stock | | - | 169,609 |
| Debtors | | 57,090 | 303,474 |
| Directors' Loan Accounts | 10 | 53,297 | 56,478 |
| Taxation Recoverable | | 5,238 | 4,468 |
| Cash | | 9 | 44,682 |
| | | 115,634 | 578,711 |
| <u>CURRENT LIABILITIES</u> | | | |
| Creditors | | 160,357 | 376,280 |
| Bank Loan and Overdraft | | 51,712 | - |
| | | 212,069 | 376,280 |
| | | (96,435) | 202,431 |
| | | (19,403) | 259,294 |
| <u>INTER GROUP INDEBTEDNESS</u> | 7 | 49,447 | (124,453) |
| | | £30,044 | £134,841 |
| Financed by: | | | |
| <u>SHARE CAPITAL</u> | 5 | 9,999 | 9,999 |
| <u>PROFIT AND LOSS ACCOUNT</u> | | 20,045 | 124,842 |
| | | £30,044 | £134,841 |

L.N. CARING

R.A. CARING

Directors

The notes on pages 7 to 10 form part of these accounts.

LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS

1. FIXED ASSETS

| | <u>Freehold Property</u> | <u>Short Leasehold Property</u> | <u>Plant and Equipment</u> | <u>Trade Marks</u> | <u>Total</u> |
|--------------------------------------|--------------------------|---------------------------------|----------------------------|--------------------|-----------------|
| <u>(i) Group</u> | | | | | |
| <u>Cost or Valuation</u> | | | | | |
| 1st August 1976 | 191,301 | 27,307 | 170,588 | 1,198 | 390,394 |
| Additions | 575 | - | 40,555 | - | 41,130 |
| Adjustments | (1,500) | - | 1,500 | - | - |
| Sales | (190,376) | (10,000) | (57,055) | - | (257,431) |
| | <u>£ -</u> | <u>£17,307</u> | <u>£155,588</u> | <u>£1,198</u> | <u>£174,093</u> |
| <u>Depreciation</u> | | | | | |
| 1st August 1976 | - | 12,940 | 62,987 | 141 | 76,058 |
| Sales | - | (10,000) | (10,253) | - | (20,253) |
| Charge for the Year | - | 3,321 | 16,057 | 70 | 19,448 |
| | <u>£ -</u> | <u>£ 6,261</u> | <u>£ 68,791</u> | <u>£ 211</u> | <u>£ 75,263</u> |
| <u>Net Book Value 31st July 1977</u> | | | | | |
| Cost less Depreciation | <u>£ -</u> | <u>£11,046</u> | <u>£ 86,797</u> | <u>£ 987</u> | <u>£ 98,830</u> |

(ii) Parent Company

| | <u>Short Leasehold Property</u> | <u>Plant and Equipment</u> | <u>Total</u> |
|--------------------------------------|---------------------------------|----------------------------|-----------------|
| <u>Cost</u> | | | |
| 1st August 1976 | 17,307 | 80,034 | 97,341 |
| Additions | - | 20,326 | 20,326 |
| Group Transfers | - | (1,050) | (1,050) |
| Sales | - | (13,156) | (13,156) |
| | <u>£17,307</u> | <u>£86,154</u> | <u>£103,461</u> |
| <u>Depreciation</u> | | | |
| 1st August 1976 | 4,940 | 40,589 | 45,529 |
| Group Transfer | - | (44) | (44) |
| Sales | - | (4,043) | (4,043) |
| Charge for the Year | 1,321 | 8,666 | 9,987 |
| | <u>£ 6,261</u> | <u>£45,168</u> | <u>£ 51,429</u> |
| <u>Net Book Value 31st July 1977</u> | | | |
| Cost less Depreciation | <u>£11,046</u> | <u>£40,986</u> | <u>£ 52,032</u> |

LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

2.(i) GROUP LOSS BEFORE TAX

The Group loss has been arrived at after charging:

| | <u>1977</u> | <u>1976</u> |
|--|-------------------|-------------------|
| Depreciation | 19,448 | 22,298 |
| Emoluments of the directors of the parent company | 79,102 | 72,693 |
| Audit Fee (Company - £5,000) | 13,750 | 10,000 |
| Mortgage Interest | 19,394 | 2,091 |
| Factoring Interest | 127,848 | 102,778 |
| Bank and Loan Interest | 4,076 | 9,503 |
| | <u> </u> | <u> </u> |

and after crediting:

| | | |
|---------------------|--------------|---------------|
| Interest Receivable | <u>6,092</u> | <u>23,731</u> |
|---------------------|--------------|---------------|

(ii) DIRECTORS' REMUNERATION

The total directors' remuneration amounted to £79,102 (1976 : £72,693) of which the Chairman's emoluments were £15,000 (1976 : £15,000). The remuneration of the highest paid director was £20,515 (1976 : £15,000). The directors received the following emoluments:

| | <u>1977</u> | <u>1976</u> |
|-------------------|-------------|-------------|
| £12,501 - £15,000 | 4 | 5 |
| £20,001 - £22,500 | 1 | - |

No directors fees were payable (1976 : nil).

3. TAXATION

| | <u>1977</u> | <u>1976</u> |
|---|---------------|-----------------|
| Corporation tax liabilities of prior years extinguished by trading losses of the year | 1,967 | 114,194 |
| Adjustment in respect of previous year | - | 387 |
| Deferred tax provision no longer required | <u>-</u> | <u>98,865</u> |
| Taxation relief | <u>£1,967</u> | <u>£213,446</u> |

NOTES ON THE ACCOUNTS (Continued)

4. EXTRAORDINARY ITEMS

The amounts included under extraordinary items are as follows:-

| | <u>1977</u> | <u>1976</u> |
|--|-----------------|----------------|
| Loss on foreign exchange | 107,538 | - |
| Adjustment arising on valuation of freehold property | - | 44,734 |
| Cost of Shares in Acorn Dress Limited written off | - | 70 |
| Amount owing by Acorn Dress Limited written off | - | 4,556 |
| | <u>£107,538</u> | <u>£49,360</u> |

5. SHARE CAPITAL

| | <u>1977</u> | <u>1976</u> |
|-----------------------------------|----------------|----------------|
| <u>Authorised</u> | | |
| 10,000 Ordinary Shares of £1 each | <u>£10,000</u> | <u>£10,000</u> |
| <u>Issued</u> | | |
| 9,999 Ordinary Shares of £1 each | <u>£ 9,999</u> | <u>£ 9,999</u> |

6. 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 |
| Bombay Ducks Limited | Ordinary | 100 |
| Acorn Dress Limited | Ordinary | 70 |

7. INTER GROUP INDEBTEDNESS

| | <u>1977</u> | <u>1976</u> |
|--------------------------------|----------------|-----------------|
| Amount owing by parent company | 85,600 | 231,351 |
| Amount owing to parent company | <u>36,153</u> | <u>106,898</u> |
| | <u>£49,447</u> | <u>£124,453</u> |

8. SUBSIDIARY COMPANY NOT CONSOLIDATED

Acorn Dress Limited ceased trading in March 1976. This Company's accounts have not been consolidated, as the directors consider that they are not material in the context of the Group's activities.

9. INVESTMENT

This is stated at cost and the directors are of the opinion that the market value is not less than that amount.

LOUIS CARING (SALES) LIMITED

NOTES ON THE ACCOUNTS (Continued)

10. DIRECTORS' LOAN ACCOUNTS

Two directors had debit balances on loan accounts with the Company at 31st July 1977. Both directors have undertaken to repay the balance owing during the year ended 19th July 1979.

11. CAPITAL COMMITMENTS

There were no capital commitments authorised or contracted for at 31st July 1977.

12. TAX STATUS

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

SOURCE AND APPLICATION OF GROUP FUNDS

for the year ended

31st JULY 1977

| <u>SOURCE</u> | <u>1977</u> | <u>1976</u> |
|---|-------------|--------------|
| Loss before taxation and extraordinary items | (601,212) | (924,462) |
| Extraordinary items (before tax relief) | (107,538) | (49,360) |
| | (708,750) | (973,822) |
| Adjustment for items not involving the movement of funds: | | |
| Depreciation | 19,448 | 22,298 |
| Loss on sale of fixed assets | 5,043 | 34 |
| Valuation adjustment | - | 44,734 |
| | 24,491 | 67,066 |
| | (684,259) | (906,756) |
| Funds from other sources: | | |
| Sales of fixed assets | 232,135 | 9,500 |
| Mortgage on freehold property | - | 99,850 |
| Amount repaid by former subsidiary | 106,949 | - |
| | 339,084 | 109,350 |
| | (345,175) | (797,406) |
| <u>APPLICATION</u> | | |
| Repayment of mortgage | 99,850 | - |
| Purchase of fixed assets | 41,130 | 297,221 |
| Taxation paid | 35,968 | 154,873 |
| Investment acquired | 20,000 | - |
| Investment in subsidiary not consolidated | - | 99,153 |
| | (196,948) | (551,247) |
| | £(542,123) | £(1,348,653) |
| <u>DECREASE IN WORKING CAPITAL</u> | | |
| Stock | (249,665) | (4,109) |
| Debtors | (425,003) | (216,969) |
| Creditors | 231,703 | (871,196) |
| Directors' Loan Accounts | (3,181) | 60,977 |
| | (446,146) | (1,031,297) |
| Movement in net liquid funds: | | |
| Cash | (44,265) | (317,356) |
| Bank Loan and Overdraft | (51,712) | - |
| | £(542,123) | £(1,348,653) |

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

We have examined the Accounts set out on pages 3 to 11.

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).

During the course of our audit we were unable to verify certain income and expenditure, the relevant documents not having been produced to us; it is not possible to quantify the amount with any degree of precision.

At 31st July 1977, two directors were indebted to the Company in the sum of £53,297 contrary to Section 190 of the Companies Act 1948 (see Note 10 on the Accounts).

Our report for the preceding year stated that we were unable to express an opinion on the Accounts at 31st July 1976.

In these circumstances we are unable to report that:-

- (a) we have received all the information and explanations we require;
- (b) the books have been properly kept;
- (c) in our opinion, the Accounts show a true and fair view of the loss of the Company and the Group and of the Source and Application of Group Funds for the year ended 31st July 1977.

However, in our opinion, the balance sheets give a true and fair view of the state of affairs of the Company and the Group at 31st July 1977.

Subject to the foregoing, in our opinion, the Accounts comply with the Companies Acts 1948 and 1967.

Comins & Co.
COMINS & CO.

CHARTERED ACCOUNTANTS

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

11 December 1978