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David Howard (UK) Limited

Abbreviated Financial Statements

Year Ended

31 August 2007

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BDO Stoy Hayward
Chartered Accountants

David Howard (UK) Limited

Abbreviated financial statements for the year ended 31 August 2007

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Directors

V H Rawlinson
A P Shaw
J L Martin
C Sweeney
I Eberlein
J L Brunton
T J Prior

Secretary and registered office

A P Shaw, 17-19 Baldock Street, Ware, Hertfordshire, SG12 9DH

Company number

1368929

Auditors

BDO Stoy Hayward LLP, Prospect Place, 85 Great North Road
Hatfield, Herts, AL9 5BS

.Report of the directors for the year ended 31 August 2007

The directors present their report together with the audited financial statements for the year ended 31 August 2007

Results and dividends

The profit and loss account is set out on page 5 and shows gross profit of £4,620,951 and profit after tax of £940,039 for the year

The directors recommend the payment of a final dividend of £31 91 per ordinary share

Principal activities, review of business and future developments

The company's principal activity is the design, manufacture and sale of men's shirts to UK retailers

2007 has been a good growth year for the company adding two major customers, increasing turnover, unit sales and gross profit to produce an increase in net profit for the year. In order to support this growth an increase in administrative expenses was deemed necessary to provide our customers with a continued high quality service

The turnover growth has increased working capital requirements which have been funded through existing banking facilities

Our customer portfolio now has a good mix of different menswear sector retailers and we are reviewing our potential customer list carefully before making any approaches, so that we can plan our growth in line with the optimum mix

During 2007 the sales team has been expanded by way of a co-ordinated sales training programme, embracing existing staff and external recruitment

Although we anticipate 2008 to be a potentially more difficult trading year, given the uncertainty over the UK economy, we are confident of our ability to position our business to cope with the challenges that lie ahead

Financial risk management

The main financial risks arising from the company's activities are credit risk, interest rate risk, foreign exchange risk and liquidity risk. These are monitored by the board of directors and were not considered to be significant at the balance sheet date

The company's policy in respect of credit risk, is to require appropriate credit checks on potential customers before sales are made. For foreign exchange risk, payments in HK\$ and US\$ are managed by holding bank accounts in these relevant currencies and by buying currency using forward contracts

The directors regularly review the financial requirements of the company and the risks associated therewith. Company operations are primarily financed from a debt factoring arrangement. The company does not use complicated financial instruments nor does it use derivative financial instruments for trading purposes

Charitable and political contributions

During the year the company made charitable contributions of £365 (2006 - £NIL). There were no political contributions

Directors

The directors of the company during the year were

V H Rawlinson

A P Shaw

J L Martini

C Sweeney

I Eberlein (appointed 1 July 2007)

J L Brunton (appointed 1 July 2007)

T J Frior (appointed 1 July 2007)

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

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 year. 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, and
- 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

David Howard (UK) Limited

Report of the directors for the year ended 31 August 2007 (Continued)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board



A P Shaw
Director

Date

6/5/08 -

.Independent auditor's report

Independent auditor's report to David Howard (UK) Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes together with the financial statements of the company for the year ended 31 August 2007 prepared under section 226 of the Companies Act 1985

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the abbreviated financial statements have been properly prepared in accordance with that provision and to report our opinion to you.

Our report has been prepared pursuant to the requirements of Section 247B of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of Section 247B of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the full financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered have been properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated financial statements have been properly prepared in accordance with that provision.



BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors
Hatfield*

Date

15th May 2008

David Howard (UK) Limited

- Profit and loss account for the year ended 31 August 2007

	Note	2007 £	2006 £
Gross profit		4,620,951	3,505,951
Administrative expenses		3,195,627	2,771,499
Operating profit	2	1,425,324	734,452
Other interest receivable and similar income		330	72
Interest payable and similar charges	5	(73,388)	(78,034)
Profit on ordinary activities before taxation		1,352,266	656,490
Taxation on profit on ordinary activities	6	412,227	146,679
Profit on ordinary activities after taxation		940,039	509,811
All amounts relate to continuing activities			

The notes on pages 10 to 21 form part of these financial statements

David Howard (UK) Limited

-Statement of total recognised gains and losses for the year ended 31 August 2007

	2007 £	2006 £
Profit for the financial year	940,039	509,811
Unrealised surplus on revaluation of fixed asset investment	6,593	2,437
	<hr/>	<hr/>
Total recognised gains and losses for the financial year	946,632	512,248
	<hr/>	<hr/>

The notes on pages 10 to 21 form part of these financial statements

David Howard (UK) Limited

Balance sheet at 31 August 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	8		135,800		171,035
Fixed asset investments	9		168,049		154,580
			<u>303,849</u>		<u>325,615</u>
Current assets					
Stocks	10	1,964,478		2,119,064	
Debtors	11	4,466,044		4,685,411	
Cash at bank and in hand		4,095		1,249	
		<u>6,434,617</u>		<u>6,805,724</u>	
Creditors: amounts falling due within one year	12	4,401,387		5,615,586	
		<u>2,033,230</u>		<u>1,190,138</u>	
Net current assets			<u>2,033,230</u>		<u>1,190,138</u>
Total assets less current liabilities			<u>2,337,079</u>		<u>1,515,753</u>
Creditors: amounts falling due after more than one year	13	41,780		46,956	
Provisions for liabilities	14	-		3,878	
		<u>41,780</u>		<u>50,834</u>	
			<u>2,295,299</u>		<u>1,464,919</u>

The notes on pages 10 to 21 form part of these financial statements

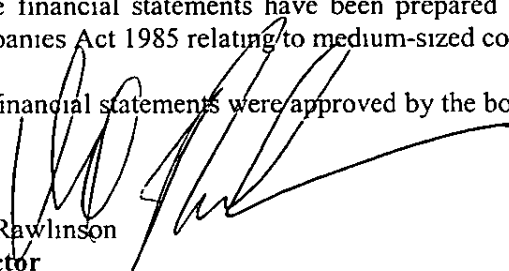
David Howard (UK) Limited

Balance sheet at 31 August 2007 (Continued)

	Note	2007 £	2007 £	2006 £	2006 £
Capital and reserves					
Called up share capital	15		11,250		11,250
Share premium account	16		23,750		23,750
Revaluation reserve	16		51,173		44,580
Profit and loss account	16		2,209,126		1,385,339
Shareholders' funds	17		2,295,299		1,464,919

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies

The financial statements were approved by the board of directors and authorised for issue on 8/5/08


V H Rawlinson
Director

The notes on pages 10 to 21 form part of these financial statements

David Howard (UK) Limited

Cash flow statement for the year ended 31 August 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash inflow/(outflow) from operating activities	21		886,885		(831,099)
Returns on investments and servicing of finance					
Interest received		330		72	
Interest paid		(71,391)		(78,034)	
Interest paid hire purchase		(1,997)		-	
Net cash outflow from returns on investments and servicing of finance			(73,058)		(77,962)
Taxation					
Corporation tax paid			3,872		-
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(33,125)		(58,538)	
Payments to acquire fixed asset investments		(6,876)		-	
Receipts from sale of tangible fixed assets		-		82,036	
Net cash (outflow)/inflow from capital expenditure and financial investment			(40,001)		23,498
Dividend paid			-		(8,094)
Cash inflow/(outflow) before financing			777,698		(893,657)
Financing					
Capital element of finance leases repaid			(26,856)		(24,897)
Increase/(decrease) in cash	22		750,842		(918,554)

The notes on pages 10 to 21 form part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets investments, and are in accordance with applicable accounting standards

The following principal accounting policies have been applied

Turnover

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales and settlement discounts

Turnover is recognised when the risks and rewards of owning the goods have passed to the customer which is generally on delivery

Depreciation

Depreciation is provided to write off the cost or valuation less estimated residual values, of all tangible fixed assets evenly over their expected useful lives. It is calculated at the following rates

Motor vehicles	- 25% to 33 33% straight line per annum
Fixtures and equipment	- 20% straight line per annum

Valuation of investments

Investments held as fixed assets are stated at valuation less any provision for impairment. Any changes in valuation are credited/(charged) to the revaluation reserve. When previously revalued investments are disposed, their book value is eliminated and an appropriate transfer made the revaluation reserve to the profit and loss account

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Where the transaction is covered by a forward contract the forward rate is used for translation. Any differences are taken to the profit and loss account

Dividends

Equity dividends are recognised when they become legally payable. Interim and final equity dividends are recognised when approved by the shareholders

1 Accounting policies (*continued*)

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

Factored debts

Where factored debts can be separately identified and the factoring house has no recourse to the other assets of the company, a linked presentation is adopted.

David Howard (UK) Limited

Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)

2 Operating profit

	2007 £	2006 £
This is arrived at after charging/(crediting)		
Depreciation of tangible fixed assets	68,360	67,547
Profit on disposal of tangible fixed assets	-	(15,421)
Hire of plant and machinery - operating leases	807	12,519
Hire of other assets - operating leases	41,900	41,900
Auditors' remuneration - audit services	52,658	16,000
Auditors' remuneration - tax services	5,000	-
Exchange differences	(78,587)	(33,367)
Factoring charges	8,249	9,152

3 Employees

Staff costs (including directors) consist of

	2007 £	2006 £
Wages and salaries	1,968,743	1,722,073
Social security costs	205,658	173,230
Other pension costs	201,504	68,459
	<u>2,375,905</u>	<u>1,963,762</u>

The average number of employees (including directors) during the year was as follows

	2007 Number	2006 Number
Office and management	16	18
Sales and design	44	44
	<u>60</u>	<u>62</u>

David Howard (UK) Limited

Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)

4 Directors' remuneration

	2007 £	2006 £
Directors' emoluments	426,744	358,592
Company contributions to money purchase pension schemes	185,242	33,652
	<u> </u>	<u> </u>

The total amount payable to the highest paid director in respect of emoluments was £171,039 (2006 - £144,510)

The company's contributions to money purchase pension schemes in respect of the highest paid director amounted to £185,242 (2006 - £33,652)

5 Interest payable and similar charges

	2007 £	2006 £
Bank overdraft interest	9,255	5,697
Finance leases and hire purchase contracts	1,997	-
Interest on factored debts	59,359	69,189
Other interest	2,777	3,148
	<u> </u>	<u> </u>
	73,388	78,034
	<u> </u>	<u> </u>

6 Taxation on profit on ordinary activities

	2007 £	2006 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	416,105	96,465
<i>Deferred tax</i>		
Origination and reversal of timing differences	(3,878)	50,214
	<u> </u>	<u> </u>
Taxation on profit on ordinary activities	412,227	146,679
	<u> </u>	<u> </u>

There is an unprovided deferred tax asset of £4,531 (2006 - £NIL) in respect of depreciation charges in excess of capital allowances, which has not been provided for in the financial statements

David Howard (UK) Limited

Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)

6 Taxation on profit on ordinary activities (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	1,352,266	656,490
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	405,680	196,947
Effect of		
Expenses not deductible for tax purposes- Fixed assets	116	-
Expenses not deductible for tax purposes	4,763	6,244
Depreciation in excess of capital allowances	8,292	(1,306)
(Utilised tax losses)/unrelieved tax losses	-	(75,734)
Marginal relief	(2,746)	(29,686)
Current tax charge for year	416,105	96,465

7 Dividends

	2007 £	2006 £
<i>Ordinary shares</i>		
Interim paid of £NIL (2006 - £0 77) per share	-	8,094
Final proposed of £31 91 (2006 - £27 34) per share	116,252	79,860
	116,252	87,954

Holders of 7,607 shares waived their rights to a final dividend in the year

8 Tangible fixed assets

	Motor vehicles £	Fixtures and equipment £	Total £
<i>Cost or valuation</i>			
At 1 September 2006	97,600	306,845	404,445
Additions	-	33,125	33,125
	<hr/>	<hr/>	<hr/>
At 31 August 2007	97,600	339,970	437,570
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 September 2006	41,996	191,414	233,410
Provided for the year	18,674	49,686	68,360
	<hr/>	<hr/>	<hr/>
At 31 August 2007	60,670	241,100	301,770
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 August 2007	36,930	98,870	135,800
	<hr/>	<hr/>	<hr/>
At 31 August 2006	55,604	115,431	171,035
	<hr/>	<hr/>	<hr/>

The net book value of tangible fixed assets includes an amount of £24,981 (2006 - £38,309) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £13,327 (2006 - £15,828).

9 Fixed asset investments

	Other investments £
<i>Valuation</i>	
At 1 September 2006	154,580
Additions	6,876
Revaluations	6,593
	<hr/>
At 31 August 2007	168,049
	<hr/>

The above investment relates to a life assurance policy in respect of one of the directors and has been valued by London Life Limited, the insurance company with which the policy is held.

The basis of valuation is the net surrender value at 31 August 2007.

David Howard (UK) Limited**Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)****10 Stocks**

	2007 £	2006 £
Raw materials and consumables	87,607	661,468
Finished goods and goods for resale	1,876,871	1,457,596
	<u>1,964,478</u>	<u>2,119,064</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

11 Debtors

	2007 £	2006 £
Trade debtors	4,363,831	4,594,073
Other debtors	8,309	9,739
Prepayments and accrued income	93,904	81,599
	<u>4,466,044</u>	<u>4,685,411</u>

All amounts shown under debtors fall due for payment within one year

12 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdrafts (secured)	1,126,350	1,874,346
Trade creditors	1,288,219	2,771,284
Corporation tax	468,100	52,001
Other taxation and social security	354,105	370,760
Dividends payable	196,112	79,860
Obligations under finance lease and hire purchase contracts	4,562	31,418
Accruals and deferred income	963,939	435,917
	<u>4,401,387</u>	<u>5,615,586</u>

The bank overdrafts are secured by a fixed and floating charge over the assets of the company. In respect of debts factored with recourse further details are provided in note 26

13 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Obligations under finance lease and hire purchase contracts	-	5,176
Other creditors	41,780	41,780
	<u>41,780</u>	<u>46,956</u>

Maturity of debt

	Finance leases 2007 £	Finance leases 2006 £
In one year or less, or on demand	4,562	31,418
In more than one year but not more than two years	-	5,176

Creditors include amounts not wholly repayable within 5 years as follows

	2007 £	2006 £
Repayable other than by instalments	41,780	41,780

14 Provisions for liabilities

		Deferred taxation £
At 1 September 2006		3,878
Credited to profit and loss account		(3,878)
		<hr/>
At 31 August 2007		-
		<hr/> <hr/>
<i>Deferred taxation</i>		
	2007 £	2006 £
Accelerated capital allowances	-	3,878

David Howard (UK) Limited

Notes forming part of the financial statements for the year ended 31 August 2007 (Continued)

15 Share capital

	2007 £	2006 £
<i>Authorised</i>		
15,000 ordinary shares of £1 each	15,000	15,000
	<u> </u>	<u> </u>
	2007 £	2006 £
<i>Allotted, called up and fully paid</i>		
11,250 ordinary shares of £1 each	11,250	11,250
	<u> </u>	<u> </u>

16 Reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
At 1 September 2006	23,750	44,580	1,385,339
Profit for the year	-	-	940,039
Dividends	-	-	(116,252)
Revaluation reserve	-	6,593	-
	<u> </u>	<u> </u>	<u> </u>
At 31 August 2007	23,750	51,173	2,209,126
	<u> </u>	<u> </u>	<u> </u>

17 Reconciliation of movements in shareholders' funds

	2007 £	2006 £
Profit for the year	940,039	509,811
Dividends	(116,252)	(87,954)
	<u> </u>	<u> </u>
	823,787	421,857
Other net recognised gains and losses relating to the year	6,593	2,437
	<u> </u>	<u> </u>
Net additions to shareholders' funds	830,380	424,294
Opening shareholders' funds	1,464,919	1,040,625
	<u> </u>	<u> </u>
Closing shareholders' funds	2,295,299	1,464,919
	<u> </u>	<u> </u>

18 Pensions

The pension cost charge represents contributions payable by the company to the funds and amounted to £201,504 (2006 - £68,459). At the balance sheet date there were £150,000 of accrued contributions and no prepaid contributions.

19 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	2007 Land and buildings £	2006 Land and buildings £
Operating leases which expire		
Within one year	5,900	5,600
After five years	36,000	36,000
	<u>41,900</u>	<u>41,600</u>

20 Related party disclosures*Controlling parties*

V H Rawlinson, a director and shareholder, is considered to be the ultimate controlling party

Directors

At the year end the company owed V H Rawlinson £13,865 (2006 - £20,802)

V H Rawlinson waived his right to a final dividend on 75% (2006 - 83%) of his shareholding

Soft Wear Limited

During the year the company was charged commission in respect of garment production and a contribution towards office overheads of £483,379 (2006 - £391,566) from Soft Wear Limited, a company in which V H Rawlinson and A P Shaw, both directors and shareholders of this company, hold 30% and 20% of the voting rights, respectively. These purchases were made on normal commercial terms. At the year end, £337,944 (2006 - £186,632) was payable to Soft Wear Limited.

Reactor Limited

During the year the company acquired goods amounting to £2,818,267 (2006 - £2,357,993) from Reactor Limited, a company under the common control of the directors. These purchases were made on normal commercial terms. At the year end, £126,753 (2006 - £314,331) was payable to Reactor Limited.

21 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	2007 £	2006 £
Operating profit	1,425,324	734,452
Depreciation of tangible fixed assets	68,360	67,547
Profit on sale of tangible fixed assets	-	(15,421)
Decrease in stocks	154,586	131,325
Decrease/(increase) in debtors	219,367	(1,966,580)
(Decrease)/increase in creditors	(976,874)	217,578
Decrease in provisions	(3,878)	-
Net cash inflow/(outflow) from operating activities	<u>886,885</u>	<u>(831,099)</u>

22 Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
Increase/(decrease) in cash	750,842	(918,554)
Cash outflow from changes in debt	<u>32,032</u>	<u>24,897</u>
Movement in net debt	782,874	(893,657)
Opening net debt	<u>(1,909,691)</u>	<u>(1,016,034)</u>
Closing net debt	<u>(1,126,817)</u>	<u>(1,909,691)</u>

23 Analysis of net debt

	At 1 September 2006 £	Cash flow £	At 31 August 2007 £
Cash at bank and in hand	1,249	2,846	4,095
Bank overdrafts	(1,874,346)	747,996	(1,126,350)
		<u>750,842</u>	
Finance leases	(36,594)	<u>32,032</u>	<u>(4,562)</u>
Total	<u>(1,909,691)</u>	<u>782,874</u>	<u>(1,126,817)</u>

24 Financial commitments

The company had financial commitments in respect of forward exchange contracts amounting to £5,897,704 (2006 - £6,905,721). These contracts have been entered into to hedge against future stock purchases and minimise the company's exposure to foreign exchange fluctuations.

25 Debts factored with recourse

During the year the company factored all UK trade debts. The balance of debts owing to the factor at the year end is £1,001,762 (2006 - £1,862,620). Under the terms of this factoring arrangement an interest in those debts was exchanged for cash. Interest on the factored debts is calculated on the account at a rate of 1.5% above base rate.

The company is obliged to support losses arising from the assigned debts against which cash has been advanced. The providers of finance have confirmed in writing that in certain circumstances, the debt may be reassigned to the company.