

**Dannimac Limited**

**Report and Accounts**  
**December 31, 1985**



**Arthur Young**

AMEMBEROFARTHURYOUNGINTERNATIONAL

Chartered Accountants Manchester

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1985.

Results and dividends

The profit on ordinary activities after taxation for the year, was £2,650,000 (1984 - loss of £54,000).

During the year dividends amounting to £1,050,000 were paid. The directors do not recommend the payment of a final dividend.

Review of the business and future developments

The company's principal activity during the year was the manufacture and sale of rainwear and casual wear. The company's shop within shop operation continues to account for the major part of the turnover and during the year the company maintained its position as the brand leader in the fashion rainwear field.

On January 16, 1985 the company acquired the entire business, undertaking and net assets of its wholly owned subsidiary, Dannimac Manufacturing Limited. The purchase price was based on the net asset value of the company at December 31, 1984.

The new warehouse facility at Trafford Park became fully operational during the year.

In order to expand production capacity the company acquired the lease of a factory in Ellesmere Port.

Fixed assets

The changes in fixed assets during the year are summarised in the notes to the accounts. The significant changes in fixed assets during the year arose from the acquisition of the trading activities of Dannimac Manufacturing Limited, the purchase of the Ellesmere Port factory and equipment, and the equipping of the Trafford Park Warehouse.

Employees

Where reasonable and practicable, within existing legislation, the company has treated all persons, including disabled persons, in the same way in matters relating to employment, training, career development and promotion.

The company's main involvement in communications to employees is through meetings and close co-operation with employees at each location.

Directors and their interests

The directors who served during the year were as follows:

T.D. Parr (alternates - to August 28, 1985 S.A. Field  
- from August 28, 1985 A.P. Cant)

R Dean

L.H. White (deceased January 2, 1985)

J. Ross

E. Davies

DANNIMAC LIMITED

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DIRECTORS' REPORT  
(continued)

Directors and their interests

None of the directors had any beneficial interest in the share capital of the company.

T.D. Parr and A.P. Cant are directors of the holding company, William Baird PLC, and as such their interests in the shares of that company are not required to be disclosed in this report.

None of the other directors had any interest in the shares of William Baird PLC or of any other group company.

Political and charitable contributions

During the year the company made various charitable contributions totalling £473 (1984 - £475).

Close company

The company is not a close company within the provisions of the Income and Corporation Taxes Act, 1970.

Auditors

A resolution to reappoint Arthur Young as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD



A. KIRKHAM  
Secretary

March 24, 1986



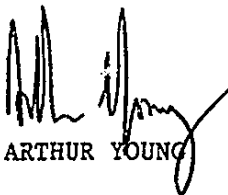
# Arthur Young

Chartered Accountants  
Commercial Union House  
Albert Square  
Manchester M2 6LP

## REPORT OF THE AUDITORS TO THE MEMBERS OF DANNIMAC LIMITED

We have audited the accounts on pages 4 to 14 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.



ARTHUR YOUNG

March 24, 1986

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 1985

	Notes	1985 £'000	1984 £'000
Turnover	2	28,738	22,973
Change in stock of finished goods and work in progress		611	-
		-----	-----
		29,349	22,973
		-----	-----
Purchase of goods for resale		-	15,063
Raw materials and consumables		8,320	-
Other external charges		9,354	6,100
Staff costs	5	6,461	1,674
Depreciation - tangible assets		185	20
- intangible assets		329	124
		-----	-----
		24,649	22,981
		-----	-----
Interest receivable	3	4,700	(8)
		98	-
		-----	-----
Interest payable	3	4,798	(8)
		(2)	-
		-----	-----
Profit/(loss) on ordinary activities before taxation	3	4,796	(8)
Tax on profit/(loss) on ordinary activities	6	2,146	46
		-----	-----
Profit/(loss) on ordinary activities after taxation		2,650	(54)
Interim dividend paid		1,050	-
		-----	-----
Retained profit brought forward		1,600	(54)
		74	128
		-----	-----
Retained profit carried forward		1,674	74
		=====	=====

The notes on pages 8 to 15 form part of these accounts.



DANNIMAC LIMITED

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BALANCE SHEET AT  
DECEMBER 31, 1985

	<u>Notes</u>		<u>1985</u>	<u>1984</u>
		£'000	£'000	£'000
Fixed assets				
Intangible assets	7		5,281	1,054
Tangible assets	8		1,255	72
Investments	9		6,440	6,440
			<u>12,976</u>	<u>7,566</u>
Current assets				
Stocks	10	6,663		-
Debtors	11	3,903		3,254
Short term deposits		245		-
Cash at bank and in hand		219		89
		<u>11,030</u>		<u>3,343</u>
Creditors: amounts falling due within one year	12	13,887		2,533
Net current assets/(liabilities)			<u>(2,857)</u>	<u>810</u>
Total assets less current liabilities			10,119	8,376
Provisions for liabilities and charges:				
Deferred taxation	13		(145)	(2)
			<u>9,974</u>	<u>8,374</u>
Capital and reserves				
Called up share capital	14		8,300	8,300
Profit and loss account			1,674	74
			<u>9,974</u>	<u>8,374</u>

T.D. PARK )  
J. ROSS ) DIRECTORS

March 24, 1986

The notes on pages 8 to 15 form part of these accounts.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1985

	£'000	1985 £'000	1984 £'000
Source of funds:			
Profit on ordinary activities before taxation		4,796	(8)
Adjustment for items not involving the movement of funds:			
Depreciation		173	18
Loss on disposal of tangible fixed assets		12	2
Amortisation of goodwill		329	124
		-----	-----
Total generated from operations		5,310	136
Funds from other sources:			
Proceeds of disposal of fixed assets		43	36
		-----	-----
		5,353	172
Application of funds:			
Dividends paid		(1,050)	-
Taxation paid		(1,968)	(134)
Purchase of tangible fixed assets		(1,031)	(62)
Payment for goodwill		-	(405)
Loan repayment		(500)	-
*Purchase of assets from Dannimac Manufacturing Limited		(7,355)	-
		-----	-----
Working capital decrease		(6,551)	(429)
		=====	=====
Components of decrease in working capital:			
Stocks		900	-
Debtors		(46)	646
Creditors		(7,226)	(1,176)
		-----	-----
		(6,372)	(530)
		-----	-----
Movement in net liquid funds:			
Short term deposits	(458)		-
Cash at bank and in hand	129		89
Bank overdraft	150		12
	-----		-----
		(179)	101
		-----	-----
		(6,551)	(429)
		=====	=====

The notes on pages 8 to 15 form part of these accounts.

DANNIMAC LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 1985  
(continued)

\*Analysis of assets acquired from Dannimac Manufacturing Limited:

	£'000
Net assets acquired:	
Intangible fixed assets	4,556
Tangible fixed assets	380
Stocks	5,763
Debtors	695
Short term deposits	703
Cash at bank and in hand	1
Bank overdraft	(150)
Creditors	(4,031)
Loan from ultimate holding company	(500)
Deferred taxation	(62)
	-----
	7,355
	=====

The notes on pages 8 to 15 form part of these accounts.



NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985

Events relating to the year ended December 31, 1985 which occurred before the date of approval of the accounts by the board of directors, have been included in the accounts to the extent that is required by Statement of Standard Accounting Practice No. 17.

1. Accounting policiesAccounting convention

The accounts are prepared under the historical cost convention.

Depreciation

Depreciation is provided on all fixed assets, at rates calculated to write off the cost or acquisition value of each asset, less estimated residual value, over its expected useful life, as follows:

Freehold buildings	-	2 1/2% straight line method
Leasehold land and buildings	-	over the lease term
Plant and equipment	-	10% straight line method
Motor vehicles	-	20% straight line method

Government grants

Capital grants received are deducted from the cost of the assets to which they relate. Revenue based grants are credited to the profit and loss account.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, which are expected to reverse in the future.

Goodwill

Goodwill, representing the excess of the purchase price over the fair value of the assets acquired, is being written off over a 20 year period, being the directors' estimate of its economic useful life.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Cost is determined as being that expenditure incurred in the normal course of business in bringing each product to its present location and condition, including an appropriate proportion of production overheads.

Net realisable value is based on estimated selling price less further costs expected to be included to completion and disposal.

NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985  
(continued)

Foreign currencies

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

All differences are dealt with in the profit and loss account.

2. Turnover

Turnover represents the invoiced amount of goods sold, stated net of value added tax.

The turnover and pre-tax profit is wholly attributable to the sale of rainwear and casual wear.

Sales are made to the following:

	1985 £'000	1984 £'000
Dannimac (Ireland) Limited	1,084	-
Other customers	27,654	22,973
	<u>28,738</u>	<u>22,973</u>
Geographical analysis of turnover relating to other customers:		
United Kingdom	27,057	22,973
Europe	525	-
Rest of the world	72	-
	<u>27,654</u>	<u>22,973</u>

3. Profit on ordinary activities before taxation

	1985 £'000	1984 £'000
Profit before taxation is stated after charging:		
Depreciation	173	18
Amortisation of goodwill	329	124
Auditors' remuneration	20	9
Directors' remuneration (see note 4)	117	63
Interest on bank overdraft	2	-
Operating lease rentals- plant and machinery	8	-
- land and building	146	-
Hire of plant and machinery	25	-
and after crediting:		
Interest on deposits	81	-
Interest on tax deposits	17	-
	<u>-----</u>	<u>-----</u>

NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985  
(continued)

In 1984 the amortisation of goodwill included a catch up adjustment of £62,000 required to reflect the reduction in the estimated useful life of goodwill, from 40 to 20 years

4. Directors' remuneration

	1985 £'000	1984 £'000
Fees	Nil	Nil
Other emoluments (including pension contributions)	117	63
	-----	-----
	117	63
	=====	=====
Emoluments (excluding pension contributions) of the chairman.	Nil	Nil
	=====	=====
Emoluments (excluding pension contributions) of the highest paid director, were	43	39
	=====	=====

The emoluments (excluding pension contributions) of the other directors fell within the following ranges:-

	<u>No</u>	<u>No</u>
£Nil to £ 5,000	1	3
£20,001 to £25,000	-	1
£25,001 to £30,000	1	-
£30,001 to £35,000	1	-

NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985  
(continued)

5. Staff costs

	<u>1985</u> £'000	<u>1984</u> £'000
Wages and salaries	5,858	1,528
Social security costs	547	145
Other pension costs	56	1
	<u>6,461</u>	<u>1,674</u>
	=====	=====

The average weekly number of employees was made up as follows.

	<u>1985</u> No	<u>1984</u> No
Administration	80	-
Production	845	-
Sales and marketing	490	425
	<u>1,415</u>	<u>425</u>
	=====	=====

6. Tax on profit on ordinary activities

	<u>1985</u> £'000	<u>1984</u> £'000
Based on the profit for the year:		
Corporation tax at 41.25% (1984-46.25%)	2,062	46
Deferred tax at 35% (1984-35%)	80	2
	<u>2,142</u>	<u>48</u>
Tax under/(over) provided in previous year	4	(2)
	<u>2,146</u>	<u>46</u>
	=====	=====

NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985  
(continued)

7. Intangible fixed assets

	<u>Goodwill</u> £'000	<u>Trademarks</u> £'000	<u>Total</u> £'000
Cost:			
At January 1, 1985	1,237	-	1,237
Transfer from subsidiary company	5,387	1	5,388
	-----	-----	-----
At December 31, 1985	6,624	1	6,625
	-----	-----	-----
Amortisation:			
At January 1, 1985	183	-	183
Transfer from subsidiary company	832	-	832
Provided during the year	329	-	329
	-----	-----	-----
At December 31, 1985	1,344	-	1,344
	-----	-----	-----
Net book value;			
At December 31, 1985	5,280	1	5,281
	=====	=====	=====
At January 1,	1,054	-	1,054
	=====	=====	=====

8. Tangible fixed assets

	<u>Freehold land and buildings</u> £'000	<u>Long leasehold land and buildings</u> £'000	<u>Plant, equipment, fixtures and fittings</u> £'000	<u>Motor Vehicles</u> £'000	<u>Total</u> £'000
Cost:					
At January 1, 1985	-	-	20	77	97
Additions	-	-	241	160	401
Transfer from subsidiary company	171	-	355	182	708
Other group transfers	-	145	874	13	1,032
Disposals	-	-	-	(100)	(100)
	-----	-----	-----	-----	-----
At December 31, 1985	171	145	1,490	332	2,138
	-----	-----	-----	-----	-----
Depreciation:					
At January 1, 1985	-	-	12	13	25
Transfer from subsidiary company	46	-	233	49	328
Other group transfers	-	22	375	5	402
Provided during the year	4	1	108	60	173
Disposals	-	-	-	(45)	(45)
	-----	-----	-----	-----	-----
At December 31, 1985	50	23	728	82	883
	-----	-----	-----	-----	-----
Net book value:					
At December 31, 1985	121	122	762	250	1,255
	=====	=====	=====	=====	=====
At January 1, 1985	-	-	8	64	72
	=====	=====	=====	=====	=====

NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985  
(continued)

9. Investments

	£'000
Investments in group companies:	
At January 1, 1985	6,440
Additions	-
	-----
At December 31, 1985	6,440
	=====

The company has the following subsidiary companies, both of which are wholly-owned.

<u>Name of company</u>	<u>Country of incorporation</u>	<u>Holding</u>	<u>Nature of business</u>
Dannimac Manufacturing Ltd	England	Ordinary shares	Non-trading
Dannimac (Ireland) Ltd	Ireland	Ordinary shares*	Sale of rainwear and casual wear

\* held by a subsidiary company.

10. Stocks

	1985 £'000	1984 £'000
Raw materials	1,145	-
Work-in-progress	1,252	-
Finished goods	4,266	-
	-----	-----
	6,663	-
	=====	=====

11. Debtors

	1985 £'000	1984 £'000
Trade debtors	3,297	3,241
Amounts owed by subsidiary	526	-
Amounts owed by fellow subsidiary	11	-
Prepayments and accrued income	69	13
	-----	-----
	3,903	3,254
	=====	=====

12. Creditors: amounts falling due within one year

	1985 £'000	1984 £'000
Trade creditors	648	130
Current corporation tax	1,959	62
Other taxes and social security costs	1,032	544
Accruals	681	98
Amounts owed to holding company	500	-
Amounts owed to subsidiaries	9,065	1,699
Amounts owed to fellow subsidiary	2	-
	-----	-----
	13,887	2,533
	=====	=====

NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985  
(continued)

13. Deferred taxation

Deferred taxation is provided in the accounts at the rates of tax expected to be in force when the liability is likely to crystallise. The potential amounts, including the amounts for which provision has been made, are as follows:-

	<u>Provision</u>		<u>Potential</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£'000	£'000	£'000	£'000
Accelerated capital allowances	169	2	169	2
Short term timing differences	(24)	-	(24)	-
	<u>145</u>	<u>2</u>	<u>145</u>	<u>2</u>
	=====	=====	=====	=====

14. Called up share capital

	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	No	No	£'000	£'000
Ordinary shares of 25p each:				
Authorised	33,200,000	33,200,000	8,300	8,300
	=====	=====	=====	=====
Allotted, called up and fully paid	33,200,000	33,200,000	8,300	8,300
	=====	=====	=====	=====

15. Capital commitments

	<u>1985</u>	<u>1984</u>
	£'000	£'000
Contracted	100	-
	=====	=====
Authorised by the directors but not contracted	-	-
	=====	=====

16. Pension commitments

The company operates a pension scheme linked to salaries of eligible employees. The relative funds are administered by trustees and are independent of the company's finances. Payments to the scheme are based upon the recommendations of independent actuaries and are charged against profit as remuneration is paid. Actuarial valuations are obtained periodically. No deficiencies existed on a discontinuance basis at the date of the latest valuation.

NOTES TO THE ACCOUNTS  
AT DECEMBER 31, 1985  
(continued)

17. Other financial commitments

At December 31, 1985 the company had annual commitments under non-cancellable operating leases as set out below:

	<u>1985</u>		<u>1984</u>	
	<u>Land and Buildings</u> £'000	<u>Other</u> £'000	<u>Land and Buildings</u> £'000	<u>Other</u> £'000
Operating leases				
which expire:				
Within one year	5	-	-	-
In the second to				
fifth years	10	7	-	-
In over five years	145	-	-	-
	-----	-----	-----	-----
	160	7	-	-
	=====	=====	=====	=====

18. Ultimate holding company

The company's ultimate holding company is William Baird PLC, which is incorporated in Great Britain and registered in Scotland.