

HEMINGWAY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 1994

REGISTERED IN ENGLAND. INCORPORATION NO. 2460533

DIRECTORS

D.E. Krantz
R.G. Lipton
P.R. Chappelow
G.W. Cheeseman
B.K. Blomgren
P.H. Challen

SECRETARY AND REGISTERED OFFICE

J.H. Hight-Warburton,
International Buildings,
71 Kingsway,
London, WC2B 6ST.

BANKERS

Hong Kong & Shanghai Banking Corporation Limited

AUDITORS

Wilson Wright & Co.,
Chartered Accountants,
International Buildings,
71 Kingsway,
London, WC2B 6ST.



HEMINGWAY LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and financial statements of the Company for the year ended 31st December, 1994.

DIRECTORS' RESPONSIBILITIES

The Directors are obliged under company law to prepare financial statements for each financial year.

The financial statements, of which the form and content is prescribed by the Companies Act 1985, must give a true and fair view of the state of affairs of the Company at the end of the financial year, and of the profit or loss for that period, and they must comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements. The Directors must prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business. The Directors are also responsible for the adoption of suitable accounting policies, their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The Directors confirm that the above requirements have been complied with in the financial statements.

In addition, the Directors are responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the Company and to prevent and detect fraud or any other irregularities.

PRINCIPAL ACTIVITY

The Company's principal activity is the retailing of Men's and Women's clothing through its shops and mail order catalogues.

REVIEW OF BUSINESS

A summary of the results of the year's trading is given on page 3 of the financial statements.

During the year the mail order business continued its rapid expansion. The success of the flagship store on Regent Street has led to the opening of a second store on King Street, Manchester in December 1994.

In 1995 the Company will continue to develop both its mail order and retail activities. A further store is planned to open on Buchanan Street, Glasgow during the first half of the year. The Directors remain confident in the prospects for the future.

DIVIDEND

No dividend is recommended.

HEMINGWAY LIMITED

REPORT OF THE DIRECTORS

FIXED ASSETS

The movements in fixed assets are set out in notes 9 and 10 to the accounts.

POST BALANCE SHEET EVENT

The Company has entered into a lease agreement for a store in Buchanan Street, Glasgow. This agreement was signed on 13th March 1995. There have been no other significant post balance sheet events.

DIRECTORS

The Directors and their beneficial interests in the issued share capital of the Company are shown in note 5 to the accounts.

P.H. Challen was appointed a Director on 27th June, 1994. J.A. Fay resigned as a Director on 31st December, 1994.

CHARITABLE DONATIONS

During the year the Company made direct donations to charitable organisations of £2,897.

AUDITORS

The auditors, Wilson Wright & Co., will be re-appointed in accordance with Section 386(2) of the Companies Act 1985.

BY ORDER OF THE BOARD

J Hight-Warburton

J.H. HIGHT-WARBURTON
SECRETARY

DATE:

20.3.95
J Hight

HEMINGWAY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 1994

	<u>NOTES</u>	<u>YEAR ENDED</u> <u>31/12/1994</u>	<u>01/02/1993</u> <u>TO</u> <u>31/12/1993</u>
TURNOVER	1b	14,319,660	9,632,057
Cost of Sales		<u>6,107,161</u>	<u>4,195,605</u>
GROSS PROFIT		8,212,499	5,436,452
Distribution and Marketing costs		5,620,696	3,933,106
Administrative and Establishment expenses		<u>1,596,405</u>	<u>1,027,495</u>
		7,217,101	4,960,601
OPERATING PROFIT	2	<u>995,398</u>	<u>475,851</u>
Interest receivable		<u>10,510</u>	<u>13,287</u>
		1,005,908	489,138
Interest payable	6	<u>81,793</u>	<u>72,498</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		924,115	416,640
Taxation	8	<u>239,922</u>	<u>3,400</u>
PROFIT FOR THE FINANCIAL YEAR	17	<u><u>£684,193</u></u>	<u><u>£413,240</u></u>


There were no recognised gains or losses other than the profit for the financial year (period ended 31st December, 1993 - Nil).

The results of both periods reflect the continuing operations of the Company.

HEMINGWAY LIMITEDBALANCE SHEET AT 31ST DECEMBER, 1994

	<u>NOTES</u>	<u>1994</u>	<u>1993</u>
FIXED ASSETS			
Intangible assets	9	14,969	13,136
Tangible assets	10	1,533,561	955,950
Investments	11	250	75,250
		<u>1,548,780</u>	<u>1,044,336</u>
CURRENT ASSETS			
Investments	11	105,000	-
Stock	12	1,946,215	1,529,906
Debtors	13	833,108	424,991
Cash in hand		4,385	1,885
		<u>2,888,708</u>	<u>1,956,782</u>
CREDITORS			
Amounts falling due within one year	14	<u>2,909,193</u>	<u>2,072,398</u>
NET CURRENT LIABILITIES		(20,485)	(115,616)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>£1,528,295</u>	<u>£928,720</u>
CREDITORS			
Amounts falling due after more than one year	15	436,963	521,581
CAPITAL AND RESERVES			
Called up share capital	16	500,000	500,000
Profit and loss account	17	591,332	(92,861)
SHAREHOLDERS' FUNDS		<u>£1,528,295</u>	<u>£928,720</u>

APPROVED BY THE BOARD


 DIRECTOR: D.E. KRANTZ
Date: 20.3.95

HEMINGWAY LIMITEDCASH FLOW STATEMENTFOR THE YEAR ENDED 31ST DECEMBER, 1994

	<u>NOTES</u>	<u>YEAR ENDED</u> <u>31/12/1994</u>	<u>01/02/1993</u> <u>TO</u> <u>31/12/1993</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	20	822,998	1,082,051
Returns on investments and servicing of finance:			
Interest received		10,510	13,287
Interest paid		(65,799)	(55,708)
Interest element of hire purchase agreements		(15,994)	(16,790)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(71,283)	(59,211)
Taxation:			
UK Corporation Tax Paid		(3,322)	-
Investing activities:			
Payments to acquire intangible fixed assets		(4,797)	(13,359)
Payments to acquire tangible fixed assets		(851,266)	(601,035)
Payments to acquire fixed asset investments		(30,000)	(75,250)
Receipts from sale of tangible fixed assets		87,247	21,586
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(798,816)	(668,058)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(50,423)	354,782
Financing:			
Repayment of amount borrowed		-	(150,000)
Capital element of hire purchase agreements	23	(100,605)	(93,300)
NET CASH OUTFLOW FROM FINANCING		(100,605)	(243,300)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	21	£(151,028)	£111,482

HEMINGWAY LIMITED

NOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1994

1. ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

c) Fixed assets

Depreciation is provided on a straight line basis at the following annual rates in order to write off each asset over its estimated useful life:

Trade mark registrations	- 20%
Leasehold properties	- over the unexpired term of the leases
Fixtures fittings & equipment	- 20%/25%
Motor vehicles	- 25%

d) Stock

Stock is valued at the lower of cost and net realisable value on a first in first out basis.

e) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions are converted into sterling at the average rate for the month in which the transactions occurred, or the contracted rate if subject to a forward exchange contract. Exchange differences are taken into account in arriving at the operating profit.

f) Leases

Assets held under finance leases and hire purchase agreements are capitalised under tangible fixed assets and outstanding instalments are included in creditors. Finance charges are allocated over the primary agreement period to give a constant rate of charge on the remaining balance.

Rentals payable under operating leases are charged to the profit and loss account as incurred.

g) Pensions

The Company operates a defined contribution pension scheme. The contributions are charged to the profit and loss account as incurred.

HEMINGWAY LIMITEDNOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1994

2. OPERATING PROFIT		01/02/1993
	YEAR ENDED	TO
The operating profit is stated after charging:	31/12/1994	31/12/1993
Depreciation of intangible fixed assets	2,964	223
Depreciation of tangible fixed assets		
- owned assets	136,821	57,965
- assets held under hire purchase	77,380	54,986
Operating lease rentals - land and buildings	397,770	147,528
Auditors' remuneration	15,000	13,500
and after crediting:		
Profit on foreign exchange	13,119	45,931
	<u> </u>	<u> </u>
3. STAFF COSTS		
Wages and salaries	1,889,159	1,079,761
Social security costs	146,971	103,829
Other pension costs	10,000	10,000
	<u> </u>	<u> </u>
	£2,046,130	£1,193,590
	<u> </u>	<u> </u>
The average number of employees (including Directors) during the year was as follows:	Number	Number
Distribution and marketing	121	93
Administrative and management	46	23
	<u> </u>	<u> </u>
	167	116
	<u> </u>	<u> </u>
4. DIRECTORS REMUNERATION		
Remuneration of the Directors for services to the Company:		
Emoluments	268,620	154,441
Pension scheme contributions	10,000	10,000
Compensation for loss of office	22,000	-
	<u> </u>	<u> </u>
	£300,620	£164,441
	<u> </u>	<u> </u>
Emoluments excluding pension scheme contributions of:		
The Chairman	£77,979	£43,593
	<u> </u>	<u> </u>
The highest paid Director	£87,731	£75,854
	<u> </u>	<u> </u>
Directors were paid within the following ranges:		
£ Nil to £ 5,000	2	2
£10,001 to £15,000	-	1
£15,001 to £20,000	1	-
£20,001 to £25,000	-	1
£40,001 to £45,000	-	1
£50,001 to £55,000	1	-
£55,001 to £60,000	1	-
£75,001 to £80,000	1	1
£85,001 to £90,000	1	-

HEMINGWAY LIMITEDNOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1994

5. DIRECTORS INTEREST IN SHARES

The beneficial interest of the Directors in the Ordinary shares of the Company (including options granted under the Executive Share Option Scheme) are as follows:-

	<u>SHARES</u>		<u>OPTIONS</u>	
	At 31.12.1994	At 31.12.1993	Granted In Year	At 31.12.1994
D.E. Krantz	4,025,000	407,500	-	-
R.G. Lipton	250,000	25,000	25,000	25,000
B.K. Blomgren	125,000	12,500	25,000	25,000
P.H. Challen	-	-	25,000	25,000
G.W. Cheeseman	50,000	-	25,000	25,000
P.R. Chappelow	-	-	-	-

On 18th January, 1994 the Company sub-divided each ordinary share of £1 into 10 ordinary shares of 10p each.

Options were granted on 19th December 1994 under the Executive Share Option Scheme and may be exercised between 19th December 1997 and 19th December, 2004 at an option price of 36p. The total number of options granted under the Scheme was 200,000.

6. INTEREST PAYABLE

	YEAR ENDED 31/12/1994	01/02/1993 TO 31/12/1993
Interest payable on:		
Bank overdraft	65,799	55,708
Hire purchase	15,994	16,790
	<u>£81,793</u>	<u>£72,498</u>

7. TRANSACTIONS WITH DIRECTORS

Material interests of the Directors:

- (i) During the year, fees of £5,000 were paid to P. Chappelow for consultancy services provided to the Company.
- (ii) During the year, fees and expenses of £50,568 were paid to G. Cheeseman for consultancy services provided to the Company.

8. TAXATION

	YEAR ENDED 31/12/1994	01/02/1993 TO 31/12/1993
The tax charge on ordinary activities for the year was as follows:		
Corporation Tax based on the taxable profit for the year.	<u>£239,922</u>	<u>£3,400</u>

HEMINGWAY LIMITEDNOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1994

9. INTANGIBLE FIXED ASSETS

Intangible fixed assets represent the cost of acquiring trade mark registrations.

Cost	
At 1st January, 1994	13,359
Additions	4,797
	<u> </u>
At 31st December, 1994	<u>£18,156</u>
Depreciation	
At 1st January, 1994	223
Charge for the year	2,964
	<u> </u>
At 31st December, 1994	<u>£3,187</u>
Net book values	
At 31st December, 1994	<u>£14,969</u>
At 31st December, 1993	<u>£13,136</u>

10. TANGIBLE FIXED ASSETS	Short Leasehold Properties	Fixtures, Fittings & Equipment	Motor Vehicles	Total
Cost				
At 1st January, 1994	414,454	585,799	94,227	1,094,480
Additions	490,595	352,452	36,013	879,060
Disposals	(91,250)	(1,200)	-	(92,450)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December, 1994	<u>813,799</u>	<u>937,051</u>	<u>130,240</u>	<u>1,881,090</u>
Depreciation				
At 1st January, 1994	6,454	107,449	24,627	138,530
Charge for the year	32,332	154,318	27,776	214,426
Disposals	(5,202)	(225)	-	(5,427)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31st December, 1994	<u>33,584</u>	<u>261,542</u>	<u>52,403</u>	<u>347,529</u>
Net book values				
At 31st December, 1994	<u>£780,215</u>	<u>£675,509</u>	<u>£77,837</u>	<u>£1,533,561</u>
At 31st December, 1993	<u>£408,000</u>	<u>£478,350</u>	<u>£69,600</u>	<u>£955,950</u>
Net book values of assets held under hire purchase agreements		<u>£155,289</u>	<u>£39,611</u>	<u>£194,900</u>

HEMINGWAY LIMITEDNOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1994

11. FIXED ASSET INVESTMENTS

Cost of Ordinary Share Capital at 1st January and
31st December, 1994 £250

The Company's investment represents a 25% shareholding in Record
Direct Limited, a Company registered in England.

CURRENT ASSET INVESTMENTS £105,000

The Company's investment represents 50% of the unsecured
loan notes issued by Record Direct Limited. The loan notes
are repayable by 31st December, 1995.

12. STOCK	<u>1994</u>	<u>1993</u>
Finished goods and goods for resale	£1,946,215	£1,529,906

13. DEBTORS

Amounts falling due within one year:

Other debtors	97,560	18,750
Prepayments	735,548	406,241
	<u>£833,108</u>	<u>£424,991</u>

14. CREDITORS

Amounts falling due within one year:

Bank loans and overdraft	247,705	94,177
Trade creditors	1,561,072	1,247,770
Hire purchase	105,667	93,861
Corporation Tax	240,000	3,400
Social security and other taxes	396,706	248,868
Accruals	358,043	384,322
	<u>£2,909,193</u>	<u>£2,072,398</u>

The bank loans and overdraft are secured by a fixed charge over the
Company's book debts and a floating charge over the other assets and
undertakings of the Company.

15. CREDITORS

Amounts falling due after more than one year:

Loans	400,000	400,000
Hire purchase	36,963	121,581
	<u>£436,963</u>	<u>£521,581</u>

The loans are interest free and repayable in October 2001 or earlier,
at the Company's discretion.

HEMINGWAY LIMITEDNOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1994

16. CALLED UP SHARE CAPITAL	<u>1994</u>	<u>1993</u>
Authorised		
ordinary shares of 10p each	1,000,000	-
ordinary shares of £1 each	-	500,000
	<u>£1,000,000</u>	<u>£500,000</u>
Allotted, issued and fully paid		
ordinary shares of 10p each	500,000	-
ordinary shares of £1 each	-	500,000
	<u>£500,000</u>	<u>£500,000</u>

On 18th January 1994, the authorised share capital of the Company was increased to £1,000,000 by the creation of 5,000,000 ordinary shares of 10p each and the conversion of 500,000 ordinary shares of £1 each to 5,000,000 ordinary shares of 10p each. The 5,000,000 issued ordinary shares of 10p each sub-divided from 500,000 ordinary shares of £1 each, rank pari passu in all respects with the previous shares.

17. PROFIT AND LOSS ACCOUNT		
At 1st January, 1994	(92,861)	(506,101)
Profit for the year	684,193	413,240
	<u>£591,332</u>	<u>£(92,861)</u>
At 31st December, 1994		

18. FINANCIAL COMMITMENTS

At 31st December, 1994 the Company had annual commitments under non-cancellable operating leases as follows:

	<u>Land & Buildings</u>
Operating leases which expire:	
Within 1 - 2 years	£95,000
After more than 5 years	£535,000
	<u>£630,000</u>

The leases are subject to rent reviews.

19. PENSION COSTS

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pension cost charge represents contributions paid by the Company to the funds and amounted to £10,000 (11 months to 31/12/1993 - £10,000).

HEMINGWAY LIMITEDNOTES TO THE ACCOUNTS - YEAR ENDED 31ST DECEMBER, 1994

20. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES	YEAR ENDED 31/12/1994	01/02/1993 TO 31/12/1993
Operating profit	995,398	475,851
Depreciation charges	217,165	113,174
Increase in stocks	(416,309)	(728,835)
(Increase)/decrease in debtors	(408,117)	301,675
Increase in creditors	434,861	920,186
Net cash inflow from operating activities	<u>£822,998</u>	<u>£1,082,051</u>

21. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR	
Balance at 1st January, 1994	(92,292)
Net cash (outflow)/inflow	(151,028)
Balance at 31st December, 1994	<u>£(243,320)</u>

22. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET	31/12/1994	31/12/1993	Change In Year
Cash in hand	4,385	1,885	2,500
Bank loan and overdraft	(247,705)	(94,177)	(153,528)
	<u>£(243,320)</u>	<u>£(92,292)</u>	<u>£(151,028)</u>

23. ANALYSIS OF CHANGES IN FINANCE DURING THE YEAR	Hire Purchase & finance lease obligations
Balance at 1st January, 1994	215,441
Cash outflows from financing	(100,605)
Inception of hire purchase agreements	27,794
Balance at 31st December, 1994	<u>£142,630</u>

REPORT OF THE AUDITORS

TO THE MEMBERS OF HEMINGWAY LIMITED

We have audited the financial statements on pages 3 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described in the Directors' Report, the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 judgements 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 we 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 31st December, 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

W J W K

Wilson Wright & Co.,
Chartered Accountants
and Registered Auditors,
International Buildings,
71 Kingsway,
London, WC2B 6ST.

DATE: 20/3/95