

**Distribution Network Company Limited**

**Report and Accounts**

**31 December 1996**

**MARTIN GREENE RAVDEN**

*Chartered Accountants  
and Registered Auditors*

**55 Loudoun Road  
St John's Wood  
London NW8 0DL**

**Company No. 2760501**



# **Distribution Network Company Limited**

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## **REPORT AND ACCOUNTS**

**For the year ended 31 December 1996**

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# **Distribution Network Company Limited**

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## **COMPANY INFORMATION**

<b>Directors</b>	D A Crux A E Crux
<b>Secretary</b>	E Dindjer
<b>Business address</b>	Park House 12 Deer Park Road London SW19 3TU
<b>Registered office</b>	55 Loudoun Road St John's Wood London NW8 0DL
<b>Auditors</b>	Martin Greene Ravden Chartered Accountants and Registered Auditors 55 Loudoun Road St John's Wood London NW8 0DL
<b>Principal bankers</b>	Coutts & Company 440 Strand London WC2R 0QS

# Distribution Network Company Limited

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## DIRECTORS' REPORT

For the year ended 31 December 1996

The directors present their report and the audited accounts for the year ended 31 December 1996.

### Statement of directors' responsibilities

A statement of the directors' responsibilities in relation to the accounts is set out on page 3.

### Principal activities and business review

The principal activities of the company are those of wholesalers and mail order retailers of leisurewear products.

The directors are satisfied with the results for the year and the company's future trading prospects. The directors believe that the company is soundly based to take advantage of opportunities arising in the coming year.

### Results and dividends

The results for the year are set out in the profit and loss account on page 5. The directors recommend that no dividend be paid for the year (1995 - £nil).

### Directors and their interests

The directors who held office during the year and their beneficial interests in the company's share capital were as follows:

	Number of £1 Ordinary Shares at	
	1 January 1996 or	31 December 1996
	date of appointment	
D A Crux	50,000	50,000
A E Crux	50,000	50,000
M Conlon	-	-

Mr A E Crux was appointed as an additional director on 30 October 1996. Mr M Conlon resigned as a director on 11 August 1997.

### Auditors

A resolution to re-appoint the auditors, Martin Greene Ravden, will be proposed at the forthcoming annual general meeting.

By order of the Board

  
*E Dindjer*  
Secretary

27 October 1997

## **Distribution Network Company Limited**

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### **STATEMENT OF DIRECTORS' AND AUDITORS' RESPONSIBILITIES in relation to the accounts**

The following statement is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

#### **Directors' responsibilities**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the company's state of affairs at the end of the year and of the profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

The directors, having prepared the accounts, are required to provide to the auditors such information and explanations as the auditors think necessary for the performance of their duty.

#### **Auditors' responsibilities**

The auditors are required to form an independent opinion on the accounts presented by the directors, based on their audit, and to report their opinion to the shareholders. The Companies Act 1985 also requires the auditors to report to shareholders if the following requirements are not met:

- that the company has maintained proper accounting records;
- that the accounts are in agreement with the accounting records;
- that directors' emoluments and other transactions with directors are properly disclosed in the accounts; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

The Companies Act 1985 requires the auditors to report to shareholders if the matters contained in the directors' report are inconsistent with the accounts.

# **Distribution Network Company Limited**

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## **AUDITORS' REPORT**

**to the shareholders of Distribution Network Company Limited**

We have audited the accounts on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### **Respective responsibilities of directors and auditors**

As described on page 3, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

### **Opinion**

In our opinion, the accounts give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**MARTIN GREENE RAVDEN**

*Chartered Accountants  
and Registered Auditors*

55 Loudoun Road  
St John's Wood  
London NW8 0DL

27 October 1997

## Distribution Network Company Limited

### PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1996

	Notes	1996 £	1995 £
Turnover	2	6,604,043	5,882,678
Cost of sales		(5,201,228)	(4,917,800)
<b>Gross profit</b>		<u>1,402,815</u>	<u>964,878</u>
Administrative expenses		(1,021,990)	(968,469)
		<u>380,825</u>	<u>(3,591)</u>
Other operating income		37,660	34,550
<b>Operating profit</b>	3	<u>418,485</u>	<u>30,959</u>
Interest receivable		9,587	445
Interest payable	6	(5,471)	(16,237)
<b>Profit on ordinary activities before taxation</b>		<u>422,601</u>	<u>15,167</u>
Taxation	7	(149,983)	(7,109)
<b>Profit for the financial year</b>		<u>272,618</u>	<u>8,058</u>
Retained profit brought forward		99,544	91,486
<b>Retained profit carried forward</b>		<u><u>372,162</u></u>	<u><u>99,544</u></u>

All amounts relate to continuing activities.


All recognised gains and losses are included in the profit and loss account.

# Distribution Network Company Limited

## BALANCE SHEET at 31 December 1996

	Notes	£	1996 £	£	1995 £
<b>Fixed assets</b>					
Tangible assets	8		140,716		160,590
<b>Current assets</b>					
Stocks	9	225,572		543,325	
Debtors	10	988,370		952,862	
Cash at bank and in hand		737,050		1,813	
		<u>1,950,992</u>		<u>1,498,000</u>	
<b>Creditors due within one year</b>					
Trade and other creditors	11	1,595,818		1,187,744	
Short term borrowings	12	18,626		247,463	
		<u>1,614,444</u>		<u>1,435,207</u>	
<b>Net current assets</b>			336,548		62,793
<b>Total assets less current liabilities</b>			<u>477,264</u>		<u>223,383</u>
<b>Creditors due after one year</b>					
Loans and other borrowings	12		5,102		23,839
<b>Net assets</b>			<u>472,162</u>		<u>199,544</u>
<b>Capital and reserves</b>					
Called up share capital	14		100,000		100,000
Profit and loss account			372,162		99,544
<b>Shareholders' funds</b>			<u>472,162</u>		<u>199,544</u>

The accounts were approved by the Board  
on 27 October 1997 and signed on its behalf by

  
D A Crux - Director



# Distribution Network Company Limited

## CASH FLOW STATEMENT

For the year ended 31 December 1996

	Notes	£	1996 £	£	1995 £
<b>Net cash inflow (outflow) from operating activities</b>	18.1		1,026,883		(123,718)
<b>Returns on investments and servicing of finance</b>					
Interest received		9,587		445	
Interest paid		(5,471)		(16,237)	
<b>Net cash inflow (outflow) from returns on investments and servicing of finance</b>			4,116		(15,792)
<b>Taxation</b>					
UK corporation tax paid			(6,983)		(36,556)
<b>Net cash inflow (outflow) before investing activities</b>			1,024,016		(176,066)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(41,705)		(61,678)	
Disposal of tangible fixed assets		500		-	
<b>Net cash outflow from investing activities</b>			(41,205)		(61,678)
<b>Net cash inflow (outflow) before financing</b>			982,811		(237,744)
<b>Cash (outflow) inflow from financing</b>					
Borrowings	18.2		(20,097)		20,632
<b>Increase (decrease) in cash and cash equivalents</b>	18.3		962,714		(217,112)

# Distribution Network Company Limited

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## NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of accounting

The accounts are prepared under the historical cost convention and are in accordance with applicable accounting standards.

#### 1.2 Turnover

Turnover represents the invoiced value of goods supplied by the company stated net of value added tax.

#### 1.3 Royalties payable

Royalties payable are charged to the profit and loss account on an accruals basis. Advances to artists and licensors are assessed and the value of the unrecovered proportion to be included in debtors is determined by the prospects of future recoupment, based on past sales performance, current popularity and projected sales. Provisions are made for unrecovered royalty advances in the accounting period in which they are regarded as irrecoverable.

#### 1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer software	25%	straight line
Fixtures and fittings	15%	straight line
Office equipment	20%	straight line
Motor vehicles	25%	straight line

#### 1.5 Leasing and hire purchase

Assets acquired under hire purchase contracts or finance leases are capitalised at fair value as tangible fixed assets and depreciated in accordance with the company's normal depreciation policy for the class of asset concerned. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. Finance charges are taken to the profit and loss account on a straight line basis over the period of the lease.

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

#### 1.6 Stocks

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

#### 1.7 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences arising in the normal course of trade are included in the profit and loss account.

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

### 1. ACCOUNTING POLICIES

#### 1.8 Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes to the extent that a liability to taxation is likely to crystallise.

#### 1.9 Pensions

The company operates a defined contribution pension scheme and contributions are charged to the profit and loss account in the year in which they are paid. The amount of contributions is determined by a qualified actuary.

### 2. TURNOVER AND OPERATING PROFIT

The whole of the turnover and profit before taxation is attributable to the company's principal activities as stated in the Directors' Report. A geographical analysis of turnover is as follows:

	1996 £	1995 £
United Kingdom	4,520,320	3,741,268
Rest of Europe	2,061,541	2,084,106
Rest of the World	22,182	57,304
	<u>6,604,043</u>	<u>5,882,678</u>

### 3. OPERATING PROFIT

	1996 £	1995 £
The operating profit is stated after charging:		
Staff costs (Note 4)	554,175	533,933
Depreciation of tangible fixed assets		
owned by the company	39,902	30,948
held under finance leases	21,408	17,432
Profit on disposal of fixed assets	(231)	-
Operating lease rentals		
Hire of plant and equipment	1,965	1,982
Motor vehicle leasing	1,662	10,980
Auditors' remuneration	9,736	13,501
	<u>          </u>	<u>          </u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

4. STAFF COSTS AND DIRECTORS' EMOLUMENTS	1996 £	1995 £
Staff and directors' costs		
Wages and salaries	496,402	477,775
Social security costs	51,109	49,832
Other pension costs	6,664	6,326
	<u>554,175</u>	<u>533,933</u>

	No.	No.
Average monthly number of employees during the year		
Sales and distribution	23	23
Administrative	7	7
	<u>30</u>	<u>30</u>

	£	£
Directors' emoluments		
Management remuneration (including pension contributions)	<u>88,874</u>	<u>69,786</u>

	£	£
Management remuneration (excluding pension contributions) is attributable to:		
The chairman	31,460	31,460
The highest paid director	37,000	32,000

Other directors who fell within the following ranges:	No.	No.
£10,001 - £15,000	1	-

## 5. PENSION COSTS

The company operates a money purchase pension scheme for certain of its directors, the assets of which are held in an independently administered fund. Contributions paid in the year amounted to £6,664 (1995 - £6,326).

6. INTEREST PAYABLE	1996 £	1995 £
Bank overdraft	2,375	12,085
Hire purchase contracts and finance leases	3,096	4,152
	<u>5,471</u>	<u>16,237</u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

7. TAXATION	1996 £	1995 £
Taxation on profit on ordinary activities:		
UK corporation tax at 33 % (1995 - 25%)	150,000	7,000
Prior year adjustments	(17)	109
	<u>149,983</u>	<u>7,109</u>

The taxation charge for the year has been affected by the disallowance of certain expenditure.

## 8. TANGIBLE FIXED ASSETS

	Computer software £	Fixtures & fittings £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 1996	9,342	40,716	113,858	89,984	253,900
Additions	6,000	-	23,705	12,000	41,705
Disposals	-	-	-	(4,315)	(4,315)
At 31 December 1996	<u>15,342</u>	<u>40,716</u>	<u>137,563</u>	<u>97,669</u>	<u>291,290</u>
<b>Depreciation</b>					
At 1 January 1996	6,284	15,206	48,197	23,623	93,310
Charge for the year	3,211	6,108	25,273	26,718	61,310
Eliminated on disposals	-	-	-	(4,046)	(4,046)
At 31 December 1996	<u>9,495</u>	<u>21,314</u>	<u>73,470</u>	<u>46,295</u>	<u>150,574</u>
<b>Net book value</b>					
At 31 December 1996	<u>5,847</u>	<u>19,402</u>	<u>64,093</u>	<u>51,374</u>	<u>140,716</u>
At 31 December 1995	<u>3,058</u>	<u>25,510</u>	<u>65,661</u>	<u>66,361</u>	<u>160,590</u>

Included in the total net book value of tangible fixed assets at 31 December 1996 is £43,874 (1995 - £65,282), in respect of assets held under finance leases and hire purchase contracts. The depreciation charged on these assets for the year was £21,408 (1995 - £17,432).

9. STOCKS	1996 £	1995 £
Goods for resale	<u>225,572</u>	<u>543,325</u>

There is no material difference between the replacement cost and historical cost of stocks.

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

10. DEBTORS	1996 £	1995 £
Due within one year		
Trade debtors	973,414	901,775
Value added tax recoverable	-	16,507
Other debtors	11,329	3,489
Prepayments and accrued income	3,627	31,091
	<u>988,370</u>	<u>952,862</u>

During the year, the company made interest free loans to certain directors which were repaid before the year end. The highest balances on these loans were:

	1996 £	1995 £
D A Crux	4,340	5,695
M Conlon	1,296	-
	<u>5,636</u>	<u>5,695</u>

11. CREDITORS	1996 £	1995 £
Due within one year		
Trade creditors	1,289,159	974,666
Corporation tax	150,000	7,000
Other taxes and social security	74,107	19,500
Other creditors	2,438	9,468
Accruals	80,114	177,110
	<u>1,595,818</u>	<u>1,187,744</u>

12. BORROWINGS	Due within one year		Due after one year	
	1996 £	1995 £	1996 £	1995 £
Secured				
Bank overdraft	-	227,477	-	-
Net obligations under hire purchase contracts and finance leases	18,626	19,986	5,102	23,839
	<u>18,626</u>	<u>247,463</u>	<u>5,102</u>	<u>23,839</u>

The bank overdraft in the previous year was secured by a fixed and floating charge over the assets of the company. The finance leases are secured on the assets concerned.

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

### 13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES

	1996 £	1995 £
Amounts payable:		
Within one year	20,749	23,193
Between one and two years	5,015	20,750
Between two and five years	-	5,014
	<u>25,764</u>	<u>48,957</u>
Finance charges allocated to future periods	(2,036)	(5,132)
Net obligations	<u>23,728</u>	<u>43,825</u>
Net obligations are analysed as follows:		
Current obligations	18,626	19,986
Non-current obligations	5,102	23,839
	<u>23,728</u>	<u>43,825</u>

### 14. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Retained profit for the year	272,618	8,058
Opening shareholders' funds	<u>199,544</u>	<u>191,486</u>
Closing shareholders' funds	<u>472,162</u>	<u>199,544</u>

### 16. CONTINGENT LIABILITIES

	1996 £	1995 £
Additional royalty advances payable if initial advances are recouped	<u>24,000</u>	<u>60,500</u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

### 17. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1996, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1996	1995	1996	1995
	£	£	£	£
On leases expiring:				
Within one year	-	-	-	1,531
Between one and two years	3,500	-	1,887	-
Between two and five years	-	3,500	-	1,887
	<u>3,500</u>	<u>3,500</u>	<u>1,887</u>	<u>3,418</u>

### 18. NOTES TO THE CASH FLOW STATEMENT

18.1	Reconciliation of operating profit to net cash inflow (outflow) from operating activities	1996 £	1995 £
	Operating profit	418,485	30,959
	Depreciation	61,310	48,380
	Profit on sale of tangible fixed assets	(231)	-
	Decrease (increase) in stocks	317,753	(181,275)
	(Increase) in debtors	(35,508)	(1,345)
	Increase (decrease) in creditors	265,074	(20,437)
	Net cash inflow (outflow) from operating activities	<u>1,026,883</u>	<u>(123,718)</u>
18.2	Analysis of changes in financing during the year	1996 £	1995 £
	Finance lease obligations:		
	At 1 January 1996	43,825	23,193
	At 31 December 1996	23,728	43,825
	(Decrease) increase in borrowings	<u>(20,097)</u>	<u>20,632</u>



## Distribution Network Company Limited

### NOTES TO THE ACCOUNTS

For the year ended 31 December 1996

#### 18. NOTES TO THE CASH FLOW STATEMENT

##### 18.3 Analysis of changes in cash and cash equivalents during the year

	1996 £	1995 £
At 1 January 1996		
Cash at bank and in hand	1,813	599
Bank overdrafts	(227,477)	(9,151)
	<u>(225,664)</u>	<u>(8,552)</u>
At 31 December 1996		
Cash at bank and in hand	737,050	1,813
Bank overdrafts	-	(227,477)
	<u>737,050</u>	<u>(225,664)</u>
Increase (decrease) in cash and cash equivalents	<u>962,714</u>	<u>(217,112)</u>