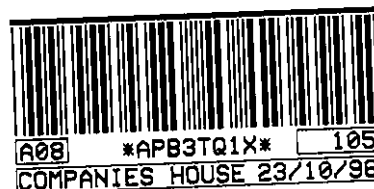


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**Distribution Network Company Limited**

**Report and Accounts**

**31 December 1995**



**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 1995**

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# **Distribution Network Company Limited**

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## **COMPANY INFORMATION**

<b>Directors</b>	D A Crux M Conlon
<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>Solicitors</b>	Mark Nicholas 4 Hartley Down Purley Surrey CR8 4EA
<b>Principal bankers</b>	Coutts and Company 440 Strand London WC2R 0QS

# Distribution Network Company Limited

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## DIRECTORS' REPORT

For the year ended 31 December 1995

The directors present their report and the audited accounts for the year ended 31 December 1995.

### 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 (1994 - £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 1995	31 December 1995
D A Crux	50,000	50,000
M Conlon	-	-

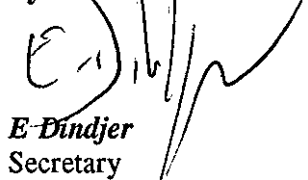
### Fixed assets

The movements in fixed assets during the year are set out in Note 9 to the accounts.

### 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

30 September 1996

## **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.

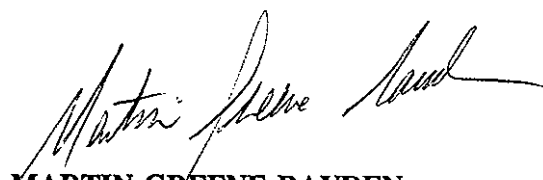
### **Basis of opinion**

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 1995 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

30 September 1996

## Distribution Network Company Limited

### PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover	2	5,882,678	5,335,065
Cost of sales		(4,917,800)	(4,427,763)
<b>Gross profit</b>		<u>964,878</u>	<u>907,302</u>
Administrative expenses		(968,469)	(827,722)
		<u>(3,591)</u>	<u>79,580</u>
Other operating income	3	34,550	41,705
<b>Operating profit</b>	4	<u>30,959</u>	<u>121,285</u>
Interest receivable		445	4,465
Interest payable	7	(16,237)	(4,973)
<b>Profit on ordinary activities before taxation</b>		<u>15,167</u>	<u>120,777</u>
Taxation	8	(7,109)	(37,448)
<b>Profit for the financial year</b>	16	<u>8,058</u>	<u>83,329</u>
Retained profit brought forward		91,486	8,157
<b>Retained profit carried forward</b>		<u><u>99,544</u></u>	<u><u>91,486</u></u>

All amounts relate to continuing activities.

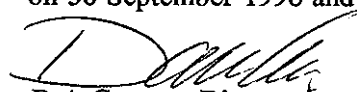
All recognised gains and losses are included in the profit and loss account.

# Distribution Network Company Limited

## BALANCE SHEET at 31 December 1995

	Notes	£	1995 £	£	1994 £
<b>Fixed assets</b>					
Tangible assets	9		160,590		147,292
<b>Current assets</b>					
Stocks	10	543,325		362,050	
Debtors	11	952,862		951,517	
Cash at bank and in hand		1,813		599	
		<u>1,498,000</u>		<u>1,314,166</u>	
<b>Creditors due within one year</b>					
Trade and other creditors	12	1,187,744		1,237,628	
Short term borrowings	13	247,463		17,484	
		<u>1,435,207</u>		<u>1,255,112</u>	
<b>Net current assets</b>			<u>62,793</u>		<u>59,054</u>
<b>Total assets less current liabilities</b>			<u>223,383</u>		<u>206,346</u>
<b>Creditors due after one year</b>					
Other borrowings	13		23,839		14,860
<b>Net assets</b>			<u>199,544</u>		<u>191,486</u>
<b>Capital and reserves</b>					
Called up share capital	15		100,000		100,000
Profit and loss account			99,544		91,486
<b>Shareholders' funds</b>			<u>199,544</u>		<u>191,486</u>

The accounts were approved by the Board  
on 30 September 1996 and signed on its behalf by

  
D A Crux - Director



# Distribution Network Company Limited

## CASH FLOW STATEMENT

For the year ended 31 December 1995

	Notes	£	1995 £	£	1994 £
Net cash outflow from operating activities	20.1		(123,718)		(74,761)
Returns on investments and servicing of finance					
Interest received		445		4,465	
Interest paid		(16,237)		(4,973)	
Net cash outflow from returns on investments and servicing of finance			(15,792)		(508)
Taxation					
UK corporation tax paid			(36,556)		(47,476)
Net cash outflow before investing activities			(176,066)		(122,745)
Investing activities					
Purchase of tangible fixed assets		(61,678)		(82,883)	
Disposal of tangible fixed assets		-		17,000	
Net cash outflow from investing activities			(61,678)		(65,883)
Net cash outflow before financing			(237,744)		(188,628)
Cash inflow from financing					
Borrowings	20.2		20,632		12,985
Decrease in cash and cash equivalents	20.3		(217,112)		(175,643)

# **Distribution Network Company Limited**

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## **NOTES TO THE ACCOUNTS**

For the year ended 31 December 1995

### **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.

#### **1.8 Deferred taxation**

Provision is made under the liability method for taxation deferred by capital allowances and other material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that such a liability will not arise in the foreseeable future.

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

### 1. ACCOUNTING POLICIES

#### 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:

	1995 £	1994 £
United Kingdom	3,741,268	3,323,136
Europe	2,084,106	1,965,477
Rest of the World	57,304	46,452
	<u>5,882,678</u>	<u>5,335,065</u>

### 3. OTHER OPERATING INCOME

	1995 £	1994 £
Artist fan club management fees	6,500	7,760
Compensation from British Telecom	-	8,700
Management fees	27,550	25,245
Rent received	500	-
	<u>34,550</u>	<u>41,705</u>

### 4. OPERATING PROFIT

	1995 £	1994 £
Operating profit is stated after charging:		
Staff costs (Note 5)	533,933	461,974
Depreciation of tangible fixed assets		
owned by the company	30,948	32,168
held under finance leases	17,432	2,955
Profit on disposal of fixed assets	-	(248)
Operating lease rentals		
Hire of plant and equipment	1,982	2,288
Motor vehicle leasing	10,980	19,075
Auditors' remuneration	13,501	12,724
	<u></u>	<u></u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

### 5. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	1995 £	1994 £
Staff and directors' costs		
Wages and salaries	477,775	412,600
Social security costs	49,832	43,374
Other pension costs	6,326	6,000
	<u>533,933</u>	<u>461,974</u>

	No.	No.
Average weekly number of employees during the year		
Sales and distribution	23	18
Administrative	7	7
	<u>30</u>	<u>25</u>

	1995 £	1994 £
Directors' emoluments		
Management remuneration (including pension contributions)	<u>69,786</u>	<u>84,487</u>

	1995 £	1994 £
Management remuneration (excluding pension contributions) is attributable to:		
The chairman (and highest paid director in 1994)	31,460	40,487
The highest paid director	32,000	-

	No.	No.
Other director who fell within the range £30,001 - £35,000	-	1

### 6. PENSION COSTS

The company operates a defined contribution pension scheme for its directors, the assets of which are held in an independently administered fund. Contributions paid in the year amounted to £6,326 (1994 - £6,000).

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

### 7. INTEREST PAYABLE

	1995 £	1994 £
Bank overdraft	12,085	1,860
Hire purchase contracts and finance leases	3,817	3,113
Other interest	335	-
	<u>16,237</u>	<u>4,973</u>

### 8. TAXATION

	1995 £	1994 £
Taxation on profit on ordinary activities:		
UK corporation tax at 25% (1994 - 33%)	7,000	33,029
Prior year adjustments	109	4,419
	<u>7,109</u>	<u>37,448</u>

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

### 9. TANGIBLE FIXED ASSETS

	Computer software £	Fixtures and fittings £	Office equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 1995	9,342	40,202	99,415	43,263	192,222
Additions	-	514	14,443	46,721	61,678
At 31 December 1995	<u>9,342</u>	<u>40,716</u>	<u>113,858</u>	<u>89,984</u>	<u>253,900</u>
<b>Depreciation</b>					
At 1 January 1995	3,948	9,157	26,713	5,112	44,930
Charge for the year	2,336	6,049	21,484	18,511	48,380
At 31 December 1995	<u>6,284</u>	<u>15,206</u>	<u>48,197</u>	<u>23,623</u>	<u>93,310</u>
<b>Net book value</b>					
At 31 December 1995	<u>3,058</u>	<u>25,510</u>	<u>65,661</u>	<u>66,361</u>	<u>160,590</u>
At 31 December 1994	<u>5,394</u>	<u>31,045</u>	<u>72,702</u>	<u>38,151</u>	<u>147,292</u>

Included in the total net book value of tangible fixed assets at 31 December 1995 is £65,282 (1994 - £35,993), in respect of assets held under finance leases and hire purchase contracts. The depreciation charged on these assets for the year was £17,432 (1994 - £2,955).

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

10. STOCKS	1995 £	1994 £
Goods for resale	543,325	362,050

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

11. DEBTORS	1995 £	1994 £
<b>Due within one year</b>		
Trade debtors	860,458	802,217
Amount owed by connected undertaking	-	1,619
Advances to artists and licensors	41,317	65,142
Value added tax recoverable	16,507	67,097
Other debtors	3,489	10,862
Prepayments and accrued income	31,091	4,580
	<u>952,862</u>	<u>951,517</u>

Loans to directors are interest free and comprised:

	At year end		Highest balance during the year	
	1995 £	1994 £	1995 £	1994 £
D A Crux	-	-	5,695	-

12. CREDITORS	1995 £	1994 £
<b>Due within one year</b>		
Trade creditors	974,666	1,134,158
Amounts owed to connected undertakings	7,936	7,936
Corporation tax	7,000	36,447
Other taxes and social security	19,500	13,373
Other creditors	1,532	532
Accruals	177,110	45,182
	<u>1,187,744</u>	<u>1,237,628</u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

### 13. BORROWINGS

	Due within one year		Due after one year	
	1995 £	1994 £	1995 £	1994 £
Bank overdraft (secured)	227,477	9,151	-	-
Net obligations under hire purchase contracts and finance leases	19,986	8,333	23,839	14,860
	<u>247,463</u>	<u>17,484</u>	<u>23,839</u>	<u>14,860</u>

The bank overdraft of £227,477 (1994 - £9,151) is secured by a fixed and floating charge over the assets of the company. The finance leases are secured on the assets concerned.

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

	1995 £	1994 £
Amounts payable:		
Within one year	23,193	9,678
Between one and two years	20,750	9,678
Between two and five years	5,014	7,235
	<u>48,957</u>	<u>26,591</u>
Finance charges allocated to future periods	(5,132)	(3,398)
Net obligations	<u>43,825</u>	<u>23,193</u>
Net obligations are analysed as follows:		
Current obligations	19,986	8,333
Non-current obligations	23,839	14,860
	<u>43,825</u>	<u>23,193</u>

### 15. CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

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

	1995 £	1994 £
Retained profit for the year	8,058	83,329
Opening shareholders' funds	191,486	108,157
Closing shareholders' funds	<u>199,544</u>	<u>191,486</u>

### 17. CONTINGENT LIABILITIES

	1995 £	1994 £
Additional royalty advances payable if initial advances are recouped	<u>60,500</u>	<u>15,000</u>

Claims arising from litigation are being contested and based on consultation with legal counsel, are not considered likely to result in any liability materially in excess of provisions in the accounts.

### 18. CAPITAL COMMITMENTS

	1995 £	1994 £
Capital expenditure: Contracted for but not provided in the accounts	<u>-</u>	<u>15,536</u>

### 19. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1995, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1995 £	1994 £	1995 £	1994 £
On leases expiring:				
Within one year	-	-	1,531	4,970
Between one and two years	-	-	-	6,240
Between two and five years	3,500	-	1,887	1,887
	<u>3,500</u>	<u>-</u>	<u>3,418</u>	<u>13,097</u>



## Distribution Network Company Limited

### NOTES TO THE ACCOUNTS

For the year ended 31 December 1995

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

20.1	Reconciliation of operating profit to net cash (outflow) from operating activities	1995 £	1994 £
	Operating profit	30,959	121,285
	Depreciation	48,380	35,123
	Profit on sale of tangible fixed assets	-	(248)
	Increase in stocks	(181,275)	(93,158)
	(Increase) decrease in debtors	(1,345)	94,908
	Decrease in creditors	(20,437)	(232,671)
	Net cash outflow from operating activities	<u>(123,718)</u>	<u>(74,761)</u>
20.2	Analysis of changes in financing during the year	1995 £	1994 £
	Finance lease obligations:		
	At 1 January 1995	23,193	10,208
	At 31 December 1995	43,825	23,193
	Increase in borrowings	<u>20,632</u>	<u>12,985</u>
20.3	Analysis of changes in cash and cash equivalents during the year	1995 £	1994 £
	At 1 January 1995		
	Cash at bank and in hand	599	167,091
	Bank overdrafts	(9,151)	-
		<u>(8,552)</u>	<u>167,091</u>
	At 31 December 1995		
	Cash at bank and in hand	1,813	599
	Bank overdrafts	(227,477)	(9,151)
		<u>(225,664)</u>	<u>(8,552)</u>
	Decrease in cash and cash equivalents	<u>(217,112)</u>	<u>(175,643)</u>