

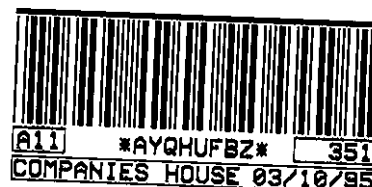
**Distribution Network Company Limited**

**Report and Accounts**

**31 December 1994**

**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 1994**

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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**

## **DIRECTORS' REPORT**

**For the year ended 31 December 1994**

The directors present their report and the audited accounts for the year ended 31 December 1994. (The comparative figures for 1993 are for the period from 30 October 1992 to 31 December 1993.)

### **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 (1993 - £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 1994	31 December 1994
D A Crux	1	50,000
M Conlon	-	-

### **Fixed assets**

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

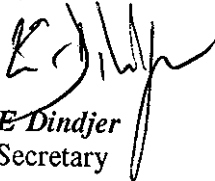
### **Share capital**

The movements in share capital during the year are set out in Note 15 to the accounts.

### **Auditors**

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

**By order of the Board**

  
**E Dindjer**  
Secretary

19 July 1995

## **Distribution Network Company Limited**

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

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out on page 4, is made with a view to distinguishing for the shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

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.

# **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 16 which have been prepared under the historical cost convention and the accounting policies set out on page 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 1994 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

19 July 1995

# Distribution Network Company Limited

## PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1994

	Notes	1994 £	Period 30.10.92 to 31.12.93 £
Turnover	2	5,335,065	4,868,348
Cost of sales		(4,427,763)	(3,907,082)
Gross profit		907,302	961,266
Administrative expenses		(827,722)	(818,859)
		79,580	142,407
Other operating income	3	41,705	-
Operating profit	4	121,285	142,407
Interest receivable		4,465	12,978
Interest payable	7	(4,973)	(755)
Profit on ordinary activities before taxation		120,777	154,630
Taxation	8	(37,448)	(46,475)
Profit for the financial year	16	83,329	108,155

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 1994

	Notes	£	1994 £	£	1993 £
<b>Fixed assets</b>					
Tangible assets	9		147,292		116,284
<b>Current assets</b>					
Stocks	10	362,050		268,892	
Debtors	11	919,809		1,014,717	
Cash at bank and in hand		599		167,091	
		<u>1,282,458</u>		<u>1,450,700</u>	
<b>Creditors due within one year</b>					
Trade and other creditors	12	1,205,920		1,448,619	
Short term borrowings	13	17,484		5,833	
		<u>1,223,404</u>		<u>1454,452</u>	
<b>Net current assets (liabilities)</b>			<u>59,054</u>		<u>(3,752)</u>
<b>Total assets less current liabilities</b>			<u>206,346</u>		<u>112,532</u>
<b>Creditors due after one year</b>					
Loans	13	14,860		4,375	
			<u>14,860</u>		<u>4,375</u>
<b>Net assets</b>			<u>191,486</u>		<u>108,157</u>
<b>Capital and reserves</b>					
Called up share capital	15		100,000		2
Profit and loss account	16		91,486		108,155
<b>Shareholders' funds</b>			<u>191,486</u>		<u>108,157</u>

The accounts were approved by the Board  
on 19 July 1995 and signed on its behalf by

  
D A Crux - Director



# Distribution Network Company Limited

## CASH FLOW STATEMENT

For the year ended 31 December 1994

	Notes	£	1994 £	Period 30.10.92 to 31.12.93 £
Net cash (outflow) inflow from operating activities	23.1		(74,761)	283,512
Returns on investments and servicing of finance				
Interest received		4,465		12,978
Interest paid		(4,973)		(755)
Net cash (outflow) inflow from returns on investments and servicing of finance			(508)	12,223
Taxation				
UK corporation tax paid			(47,476)	-
Net cash (outflow) inflow before investing activities			(122,745)	295,735
Investing activities				
Purchase of tangible fixed assets		(82,883)		(138,854)
Disposal of tangible fixed assets		17,000		-
Net cash outflow from investing activities			(65,883)	(138,854)
Net cash (outflow) inflow before financing			(188,628)	156,881
Cash inflow from financing				
Borrowings	23.2	12,985		10,208
Issue of shares		-		2
(Decrease) increase in cash and cash equivalents	23.3		(12,985)	(10,210)
			(175,643)	167,091
			(188,628)	156,881

# **Distribution Network Company Limited**

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## **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 1994**

### **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 over the shorter of the lease term and their estimated useful lives. 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.

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 1. ACCOUNTING POLICIES

#### 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.

#### 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:

	1994 £	Period 30.10.92 to 31.12.93 £
United Kingdom	3,323,136	3,326,978
Europe	1,965,477	1,471,892
Rest of the World	46,452	69,478
	<u>5,335,065</u>	<u>4,868,348</u>

### 3. OTHER OPERATING INCOME

	1994 £	Period 30.10.92 to 31.12.93 £
Other operating income includes:		
Artist fan club management fees	7,760	-
Compensation from British Telecom	8,700	-
Management charges	25,245	-
	<u>41,705</u>	<u>-</u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 4. OPERATING PROFIT

	1994	Period 30.10.92 to 31.12.93
	£	£
Operating profit is stated after charging:		
Staff costs (Note 5)	461,974	363,944
Depreciation of tangible fixed assets		
owned by the company	32,168	16,821
held under finance leases	2,955	5,749
Profit on disposal of fixed assets	(248)	-
Operating lease rentals		
Hire of plant and equipment	2,288	2,527
Motor vehicle leasing	19,075	13,281
Auditors' remuneration	12,724	15,904

### 5. STAFF COSTS AND DIRECTORS' EMOLUMENTS

	1994	Period 30.10.92 to 31.12.93
	£	£
Staff and directors' costs		
Wages and salaries	412,600	331,592
Social security costs	43,374	31,852
Other pension costs	6,000	500
	461,974	363,944

#### Average weekly number of employees during the year

	No.	No.
Sales and distribution	18	14
Administrative	7	8
	25	22

#### Directors' emoluments

Management remuneration (including pension contributions)

	£	£
	78,487	39,667

Management remuneration (excluding pension contributions) is attributable to:

	£	£
The chairman and highest paid director	40,487	35,001

Other directors who fell within the following ranges:

	No.	No.
£ Nil - £ 5,000	-	1
£30,001 - £35,000	1	-

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 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 £6,000 (1993 - £500).

### 7. INTEREST PAYABLE

	1994	Period 30.10.92 to 31.12.93
	£	£
Bank overdraft	1,860	70
Hire purchase contracts and finance leases	3,113	685
	<u>4,973</u>	<u>755</u>

### 8. TAXATION

	1994	Period 30.10.92 to 31.12.93
	£	£
Taxation on profit on ordinary activities:		
UK corporation tax at 31.1% (1993 - 32.2%)	33,029	46,475
Prior period adjustment	4,419	-
	<u>37,448</u>	<u>46,475</u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 9. TANGIBLE FIXED ASSETS

	Computer software	Fixtures and fittings	Office equipment	Motor vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 1994	8,842	27,488	70,415	32,109	138,854
Additions	500	12,714	30,721	38,948	82,883
Disposals	-	-	(1,721)	(27,794)	(29,515)
At 31 December 1994	<u>9,342</u>	<u>40,202</u>	<u>99,415</u>	<u>43,263</u>	<u>192,222</u>
<b>Depreciation</b>					
At 1 January 1994	1,665	3,127	9,751	8,027	22,570
Charge for the year	2,283	6,030	17,564	9,246	35,123
Disposals	-	-	(602)	(12,161)	(12,763)
At 31 December 1994	<u>3,948</u>	<u>9,157</u>	<u>26,713</u>	<u>5,112</u>	<u>44,930</u>
<b>Net book value</b>					
At 31 December 1994	<u>5,394</u>	<u>31,045</u>	<u>72,702</u>	<u>38,151</u>	<u>147,292</u>
At 31 December 1993	<u>7,177</u>	<u>24,361</u>	<u>60,664</u>	<u>24,082</u>	<u>116,284</u>

Included in the total net book value of tangible fixed assets at 31 December 1994 is £35,993 (1993 - £17,246), in respect of assets held under finance leases and hire purchase contracts and depreciation charged on these assets for the year was £2,955 (1993 - £5,749).

### 10. STOCKS

	1994 £	1993 £
Goods for resale	<u>362,050</u>	<u>268,892</u>

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

### 11. DEBTORS

	1994 £	1993 £
<b>Due within one year</b>		
Trade debtors	770,509	862,998
Amounts owed by connected undertakings	1,619	3,706
Advances to artists and licensors	65,142	44,076
Value added tax recoverable	67,097	96,749
Other debtors	10,862	1,045
Prepayments	4,580	6,143
	<u>919,809</u>	<u>1,014,717</u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 12. CREDITORS

	1994 £	1993 £
Due within one year		
Trade creditors	790,026	767,913
Amounts owed to connected undertakings	320,360	594,339
Corporation tax	36,447	46,475
Other taxes and social security	13,373	9,864
Other creditors	532	2,695
Accruals	45,182	27,333
	<u>1,205,920</u>	<u>1,448,619</u>

### 13. BORROWINGS

	Due within one year		Due after one year	
	1994 £	1993 £	1994 £	1993 £
<b>Secured</b>				
Bank overdraft	9,151	-	-	-
Net obligations under hire purchase contracts and finance leases	8,333	5,833	14,860	4,375
	<u>17,484</u>	<u>5,833</u>	<u>14,860</u>	<u>4,375</u>

The bank overdraft of £9,151 (1993 - £nil) 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

	1994 £	1993 £
Amounts payable:		
Within one year	9,678	6,381
Between one and two years	9,678	4,785
Between two and five years	7,235	-
	<u>26,591</u>	<u>11,166</u>
Finance charges allocated to future periods	(3,398)	(958)
Net obligations	<u>23,193</u>	<u>10,208</u>
Net obligations are analysed as follows:		
Current obligations	8,333	5,833
Non-current obligations	14,860	4,375
	<u>23,193</u>	<u>10,208</u>

# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 15. CALLED UP SHARE CAPITAL

	1994 £	1993 £
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	2

On 1 June 1994, 99,998 ordinary shares of £1 each were allotted fully paid to the existing shareholders by way of a bonus issue.

### 16. RESERVES

	Note	£
Profit and loss account		
At 1 January 1994		
As previously reported		100,219
Prior year adjustment	17	7,936
As restated		108,155
Retained profit for the year		83,329
Bonus issue of shares		(99,998)
At 31 December 1994		91,486

### 17. PRIOR YEAR ADJUSTMENT

The loss on disposal of fixed assets of £7,936 was written off in error in the accounts for the previous period. The amount has therefore been written back as a prior year adjustment.

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

	1994 £	1993 £
Retained profit for the year	83,329	108,155
New share capital subscribed	-	2
Net addition to shareholders' funds	83,329	108,157
Opening shareholders' funds (after prior year adjustment)	108,157	-
Closing shareholders' funds	191,486	108,157



# Distribution Network Company Limited

## NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

### 19. CONTINGENT LIABILITIES

	1994 £	1993 £
Additional royalty advances payable if initial advances are recouped	15,000	-

### 20. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1994, the company had annual commitments under non-cancellable operating leases on equipment and motor vehicles as follows:

	1994 £	1993 £
On leases expiring:		
Within one year	4,970	6,991
Between one and two years	6,240	4,223
Between two and five years	1,887	8,674
	13,097	19,888

### 21. CAPITAL COMMITMENTS

	1994 £	1993 £
Capital expenditure:		
Contracted for but not provided in the accounts	15,536	-

### 22. FUTURE COMMITMENTS

The company is committed to making future royalty advance payments totalling £23,700 during the period from 1 January 1995 to 31 March 1996 under various licensing agreements. No provision has been made in the accounts for these payments.

### 23. NOTES TO THE CASH FLOW STATEMENT

#### 23.1 Reconciliation of operating profit to net cash (outflow) inflow from operating activities

	1994 £	1993 £
Operating profit	121,285	142,407
Depreciation	35,123	22,570
Profit on sale of tangible fixed assets	(248)	-
Decrease (increase) in stocks	(93,158)	(268,892)
Decrease (increase) in debtors	94,908	(1,014,717)
Increase (decrease) in creditors	(232,671)	1,402,144
Net cash (outflow) inflow from operating activities	(74,761)	283,512

## Distribution Network Company Limited

### NOTES TO THE ACCOUNTS

For the year ended 31 December 1994

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

23.2	Analysis of changes in financing during the year	1994 £	1993 £
	Finance lease obligations:		
	At 1 January 1994	10,208	-
	At 31 December 1994	23,193	10,208
		<hr/>	<hr/>
	Increase in borrowings	12,985	10,208
		<hr/>	<hr/>
23.3	Analysis of changes in cash and cash equivalents during the year	1994 £	1993 £
	At 1 January 1994		
	Cash at bank and in hand	167,091	-
		<hr/>	<hr/>
	At 31 December 1994		
	Cash at bank and in hand	599	167,091
	Bank overdrafts	(9,151)	-
		<hr/>	<hr/>
		(8,552)	167,091
		<hr/>	<hr/>
	Increase (decrease) in cash and cash equivalents	(175,643)	167,091
		<hr/>	<hr/>