

Distribution Network Company Limited

Abbreviated Statutory Accounts

31 December 1997

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

ABBREVIATED ACCOUNTS

For the year ended 31 December 1997

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Distribution Network Company Limited

COMPANY INFORMATION

Directors	D A Crux A E Crux P J King
Secretary	A E Crux
Business address	Park House 12 Deer Park Road London SW19 3FB
Registered office	55 Loudoun Road St John's Wood London NW8 0DL
Auditors	Martin Greene Ravden Chartered Accountants and Registered Auditors 55 Loudoun Road St John's Wood London NW8 0DL
Principal bankers	Coutts and Company 440 Strand London WC2R 0QS

Distribution Network Company Limited

DIRECTORS' REPORT

For the year ended 31 December 1997

The directors present their report and the audited abbreviated accounts for the year ended 31 December 1997.

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 licensed leisurewear products.

The company experienced a downturn in trade during the year which resulted in a substantial reduction in profits. The trading results for the current year indicate a satisfactory improvement in turnover and profit levels. The directors are satisfied that the company is soundly based and able 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 (1996 - £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 1997 or date of appointment	31 December 1997
D A Crux	50,000	50,000
A E Crux	50,000	50,000
M A Conlon (resigned on 11 August 1997)	-	-
P J King (appointed on 1 November 1997)	-	-

Mr P J King having been appointed a director since the last annual general meeting, retires in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Auditors

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

On behalf of the Board



D A Crux
Chairman

2 September 1998

Distribution Network Company Limited

STATEMENT OF DIRECTORS' AND AUDITORS' RESPONSIBILITIES in relation to the accounts for the year ended 31 December 1997

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

Full 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 confirm that the accounts comply with these requirements.

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.

Abbreviate accounts

Where the directors decide to prepare abbreviated accounts, it is their responsibility to prepare such accounts in accordance with Section 246 of the Companies Act 1985.

Auditors' responsibilities

Full accounts

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.

Abbreviate accounts

The auditors are required to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions. The auditors are required to report their opinion to the company.

Distribution Network Company Limited

AUDITORS' REPORT TO DISTRIBUTION NETWORK COMPANY LIMITED

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 15 together with the full statutory accounts of the company for the year ended 31 December 1997 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the accounts, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full statutory accounts.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts on pages 5 to 15 are properly prepared in accordance with those provisions.



MARTIN GREENE RAVDEN

Chartered Accountants

and Registered Auditors

55 Loudoun Road

St John's Wood

London NW8 0DL

2 September 1998

Distribution Network Company Limited

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Gross profit		890,204	1,402,815
Administrative expenses		(947,248)	(1,021,990)
		<u>(57,044)</u>	<u>380,825</u>
Other operating income		46,167	37,660
Operating (loss) profit	2	<u>(10,877)</u>	<u>418,485</u>
Interest receivable		44,041	9,587
Interest payable	6	(3,959)	(5,471)
		<u>29,205</u>	<u>422,601</u>
Profit on ordinary activities before taxation		29,205	422,601
Taxation	7	(12,525)	(149,983)
Profit for the financial year		<u>16,680</u>	<u>272,618</u>
Retained profit brought forward		372,162	99,544
Retained profit carried forward		<u><u>388,842</u></u>	<u><u>372,162</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 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	8	94,184	140,716
Current assets			
Stocks	9	217,672	225,572
Debtors	10	550,217	988,370
Cash at bank and in hand		558,808	737,050
		<u>1,326,697</u>	<u>1,950,992</u>
Creditors due within one year			
Trade and other creditors	11	932,039	1,595,818
Short term borrowings	12	-	18,626
		<u>932,039</u>	<u>1,614,444</u>
Net current assets		<u>394,658</u>	<u>336,548</u>
Total assets less current liabilities		<u>488,842</u>	<u>477,264</u>
Creditors due after one year			
Loans and other borrowings	12	-	(5,102)
Net assets		<u><u>488,842</u></u>	<u><u>472,162</u></u>
Capital and reserves			
Called up share capital	14	100,000	100,000
Profit and loss account		<u>388,842</u>	<u>372,162</u>
Shareholders' funds		<u><u>488,842</u></u>	<u><u>472,162</u></u>

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The accounts were approved by the Board
on 2 September 1998 and signed on its behalf by


D A Crux - Director

Distribution Network Company Limited

CASH FLOW STATEMENT

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Net cash (outflow) inflow from operating activities	19.1	<u>(18,741)</u>	<u>1,026,883</u>
Returns on investments and servicing of finance			
Interest received		44,041	9,587
Interest paid		<u>(3,959)</u>	<u>(5,471)</u>
Net cash inflow from returns on investments and servicing of finance		<u>40,082</u>	<u>4,116</u>
Taxation paid		<u>(150,554)</u>	<u>(6,983)</u>
Capital expenditure			
Purchase of tangible fixed assets		(47,451)	(41,705)
Disposal of tangible fixed assets		<u>22,150</u>	<u>500</u>
Net cash outflow from capital expenditure		<u>(25,301)</u>	<u>(41,205)</u>
Management of liquid resources			
Cash outflow into short term deposits		<u>(67,108)</u>	<u>(437,484)</u>
Net cash (outflow) inflow before financing		<u>(221,622)</u>	<u>545,327</u>
Financing			
Capital element of finance lease payments		<u>(23,728)</u>	<u>(20,097)</u>
Net cash (outflow) from financing		<u>(23,728)</u>	<u>(20,097)</u>
(Decrease) increase in cash		<u><u>(245,350)</u></u>	<u><u>525,230</u></u>

Distribution Network Company Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

1. ACCOUNTING POLICIES

1.1 Basis of accounting

The accounts are prepared under the historical cost convention.

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 unrecouped 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 unrecouped 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 1997

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 money purchase pension scheme and contributions are charged to the profit and loss account in the year in which they are payable.

2. OPERATING (LOSS) PROFIT

	1997 £	1996 £
The operating (loss) profit is stated after charging:		
Staff costs (Note 3)	588,565	554,175
Depreciation of tangible fixed assets		
owned by the company	61,583	39,902
held under finance leases	-	21,408
Loss (profit) on disposal of fixed assets	10,249	(231)
Operating lease rentals		
Hire of plant and machinery	-	1,965
Motor vehicle leasing	-	1,662
Auditors' remuneration	8,000	8,000

3. STAFF COSTS

	1997 £	1996 £
Staff and directors' costs		
Wages and salaries	532,340	496,402
Social security costs	50,209	51,109
Other pension costs	6,016	6,664
	588,565	554,175

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

Distribution Network Company Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

4. DIRECTORS' EMOLUMENTS

	1997 £	1996 £
Management remuneration and benefits	128,600	83,531
Money purchase pension scheme contributions	6,016	6,664
	<u>134,616</u>	<u>90,195</u>

During the year, retirement benefits were accruing to 2 directors (1996 - 2) in respect of a money purchase pension scheme.

Emoluments disclosed above include the following amounts paid to the highest paid director:

	1997 £	1996 £
Management remuneration and benefits	55,000	37,000
Money purchase pension scheme contributions	-	2,657
	<u>55,000</u>	<u>39,657</u>

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 £6,016 (1996 - £6,664).

6. INTEREST PAYABLE

	1997 £	1996 £
Bank overdraft	-	2,375
Hire purchase contracts and finance leases	3,959	3,096
	<u>3,959</u>	<u>3,096</u>

7. TAXATION

	1997 £	1996 £
Taxation on profit on ordinary activities:		
UK corporation tax at 21.75% (1996 - 33%)	15,000	150,000
Prior year adjustments	(2,475)	(17)
	<u>12,525</u>	<u>149,983</u>

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

Distribution Network Company Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

8. TANGIBLE FIXED ASSETS

	Computer software £	Fixtures and fittings £	Office Equipment £	Motor vehicles £	Total £
Cost					
At 1 January 1997	15,342	40,716	137,563	97,669	291,290
Additions	-	1,865	17,199	28,387	47,451
Disposals	-	-	(26,256)	(61,157)	(87,413)
At 31 December 1997	<u>15,342</u>	<u>42,581</u>	<u>128,506</u>	<u>64,899</u>	<u>251,328</u>
Depreciation					
At 1 January 1997	9,495	21,314	73,470	46,295	150,574
Charge for the year	3,836	6,216	27,724	23,807	61,583
Disposals	-	-	(18,361)	(36,652)	(55,013)
At 31 December 1997	<u>13,331</u>	<u>27,530</u>	<u>82,833</u>	<u>33,450</u>	<u>157,144</u>
Net book value					
At 31 December 1997	<u>2,011</u>	<u>15,051</u>	<u>45,673</u>	<u>31,449</u>	<u>94,184</u>
At 31 December 1996	<u>5,847</u>	<u>19,402</u>	<u>64,093</u>	<u>51,374</u>	<u>140,716</u>

Included in the total net book value of tangible fixed assets at 31 December 1997 is £nil (1996 - £43,874), in respect of assets held under finance leases and hire purchase contracts. The depreciation charged on these assets for the year was £nil (1996 - £21,408).

9. STOCKS

	1997 £	1996 £
Goods for resale	<u>217,672</u>	<u>225,572</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 1997

10. DEBTORS

	1997 £	1996 £
Due within one year		
Trade debtors	518,521	973,414
Value added tax recoverable	4,353	-
Other debtors	20,282	11,329
Prepayments and accrued income	7,061	3,627
	<u>550,217</u>	<u>988,370</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:

	1997 £	1996 £
D A Crux	3,090	4,340
M A Conlon	3,000	1,296
P J King	62	-
	<u>6,152</u>	<u>5,936</u>

11. CREDITORS

	1997 £	1996 £
Due within one year		
Trade creditors	843,222	1,289,159
Corporation tax	11,971	150,000
Other taxes and social security	27,842	74,107
Other creditors	-	2,438
Accruals	49,004	80,114
	<u>932,039</u>	<u>1,595,818</u>

12. BORROWINGS

	Due within one year		Due after one year	
	1997 £	1996 £	1997 £	1996 £
Net obligations under hire purchase contracts and finance leases	-	18,626	-	5,102
	<u>-</u>	<u>18,626</u>	<u>-</u>	<u>5,102</u>

The finance leases are secured on the assets concerned.

Distribution Network Company Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND FINANCE LEASES

	1997 £	1996 £
Amounts payable:		
Within one year	-	20,749
Between one and two years	-	5,015
	-	25,764
Finance charges allocated to future periods	-	(2,036)
Net obligations	-	23,728
Net obligations are analysed as follows:		
Current obligations	-	18,626
Non-current obligations	-	5,102
	-	23,728

14. CALLED UP SHARE CAPITAL

	1997 £	1996 £
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

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Retained profit for the year	16,680	272,618
Opening shareholders' funds	472,162	199,544
Closing shareholders' funds	488,842	472,162

16. FUTURE COMMITMENTS

	1997 £	1996 £
Additional royalty advances payable if initial advances are recouped	-	24,000

Distribution Network Company Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

17. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1997, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1997	1996	1997	1996
	£	£	£	£
On leases expiring:				
Within one year	625	-	-	-
Between one and two years	-	3,500	-	1,887
	<u>625</u>	<u>3,500</u>	<u>-</u>	<u>1,887</u>

18. CONTROLLING PARTIES

The company is controlled by the directors by virtue of their shareholdings as shown in the directors' report.

Distribution Network Company Limited

NOTES TO THE ACCOUNTS

For the year ended 31 December 1997

19. NOTES TO THE CASH FLOW STATEMENT

19.1 Reconciliation of operating (loss) profit to net cash inflow (outflow) from operating activities	1997 £	1996 £
Operating (loss) profit	(10,877)	418,485
Depreciation	61,583	61,310
Loss (profit) on sale of tangible fixed assets	10,249	(231)
(Increase) decrease in working capital:		
Stocks	7,900	317,753
Debtors	438,153	(35,508)
Creditors	(525,749)	265,074
Net cash inflow (outflow) from operating activities	(18,741)	1,026,883

19.2 Reconciliation of net cash flow to movement in net funds	1997 £	1996 £
(Decrease) increase in cash for the year	(245,350)	525,230
Cash outflow to decrease finance lease obligations	23,728	20,097
Cash outflow into liquid resources	67,108	437,484
Change in net funds resulting from cash flows	(154,514)	982,811
Movement in net funds (debt) in the year		
Net funds at 1 January 1997	713,322	(269,489)
Net funds at 31 December 1997	558,808	713,322

19.3 Analysis of changes in net funds	Start of year £	Cash flow £	End of year £
Cash at bank and in hand	299,565	(245,350)	54,215
Current asset investments	437,485	67,108	504,593
Finance lease obligations	(23,728)	23,728	-
Total net funds	713,322	(154,514)	558,808