

KANGAROOS INTERNATIONAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1997

Registered number : 2982897



KANGAROOS INTERNATIONAL LIMITED

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 1997.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The company's principal activity during the year was the marketing and development of Kangaroos leisurewear products. From 1998 onwards there will be no central marketing or product development activity. The primary role of this business will be to control and maintain the performance of its licencees.

RESULTS AND DIVIDENDS

The results for the period and proposed transfer to reserves are set out on page 4 of the financial statements. The directors do not propose a dividend (1996 - nil).

DIRECTORS AND THEIR INTERESTS

The following directors held office during the year:

AM Leslie
AK Rubin (appointed 30 September 1997)
P McGuigan (resigned 30 September 1997)
PM Webber (resigned 31 December 1997)

No director had any interest in the shares of the company in the period.

At 31 December 1997, Mr AM Leslie had a beneficial interest in 100,000 share options of Pentland Group plc under the Executive Share Option Scheme. The options were granted on 21 April 1993 and are exercisable at 117 pence per share of which 25,000 are discounted to 100 pence. In normal circumstances, these options may be exercised between three and ten years after the date of grant.

In addition, Mr AM Leslie had a beneficial interest in the Pentland Group plc Savings Related Share Option Scheme:

At 31 December 1995 and 1996				
Date of grant	10 July 1992	30 March 1993	7 April 1994	20 April 1995
Number granted	4,500	3,776	8,625	3,791
Option price per share	100 pence	96 pence	80 pence	91 pence

The share price moved between a low of 88.5 pence per share to a high of 118.0 pence per share and closed on 31 December 1997 at 109.5 pence per share.

KANGAROOS INTERNATIONAL LIMITED

DIRECTORS' REPORT (CONTINUED)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by company law to prepare financial statements which 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 for the period to that date. In preparing those financial statements the directors are required:

- to select suitable accounting policies and then apply them consistently;
- to make judgements and estimates that are reasonable and prudent;
- to state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements of the company comply with the Companies Act 1985. The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution to re-appoint Price Waterhouse as auditors to the company will be proposed at the Annual General Meeting.

By Order of the Board


John Derek Gregory Hyde
Secretary

12 March 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF KANGAROOS INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 9 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 on page 2, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those 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 as at 31 December 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Price Waterhouse".

Price Waterhouse
Chartered Accountants
and Registered Auditors

London

12 March 1998

KANGAROOS INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Turnover	3	-	69,479
Operating (loss)/profit	4	(55,719)	242,349
Interest (net)	5	5,480	(34,543)
(Loss)/profit on ordinary activities before taxation		(50,239)	207,806
Taxation	6	(15,000)	82,762
(Loss)/profit on ordinary activities after taxation		(35,239)	125,044
Retained profits brought forward		160,920	35,876
Retained profits carried forward		125,681	160,920

All activities are continuing.

The notes on pages 6 to 9 form part of these financial statements.

All recognised gains and losses are included in the profit and loss account. A separate movement of shareholders' funds statement is not provided as there are no changes for the current or previous year other than the accumulated loss in the profit and loss account.

KANGAROOS INTERNATIONAL LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Current assets			
Debtors	8	40,866	818,120
Cash at bank		852,582	287,423
		<hr/>	<hr/>
		893,448	1,105,543
Current liabilities			
Creditors - amounts falling due within one year	9	767,667	944,523
		<hr/>	<hr/>
Net current assets		125,781	161,020
		<hr/>	<hr/>
Total assets less current liabilities		125,781	161,020
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	100	100
Profit and loss account		125,681	160,920
		<hr/>	<hr/>
Total shareholders' funds (all attributable to equity interests)		125,781	161,020
		<hr/>	<hr/>

Approved by the Board on 12 March 1998

On behalf of the Board

Andrew K. Rubin

AK Rubin DIRECTOR

The notes on pages 6 to 9 form part of these financial statements.

KANGAROOS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

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

Turnover Turnover comprises invoiced sales net of value added tax.

Pensions The company's employees are members of the Pentland Group pension scheme which is a defined benefit scheme. The level of pension contributions is based upon the advice of qualified actuaries and a charge is made to the company in respect of its employee members. Details of the actuarial valuation of the pension scheme are disclosed in the financial statements of Pentland Group plc, the company's intermediate parent undertaking.

Deferred tax Deferred taxation is provided where appropriate for the estimated net liability in respect of timing differences to the extent that it is expected that such liabilities will crystallise in the foreseeable future.

Foreign currency translation Assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the balance sheet date, or at contracted rates where appropriate. Transactions in foreign currencies during the year are translated at the rates of exchange ruling at the dates of the transactions, or at contracted rates where appropriate. All exchange differences are dealt with in the profit and loss account in the same period as the underlying transactions to which they relate.

2 STATEMENT OF CASH FLOWS

Pentland Group plc, of which the company is a wholly owned subsidiary, has presented in its consolidated accounts a group cash flow statement drawn up under the provisions of Financial Reporting Standard 1: Cash Flow Statements (Revised 1996) (FRS 1). Accordingly the company has taken advantage of the exemption available under FRS 1 to dispense with presenting its own cash flow statement.

3 TURNOVER

Turnover by geographical area was as follows:

	<u>1997</u>	<u>1996</u>
	£	£
Europe	-	69,479
	<hr/>	<hr/>
	-	69,479
	<hr/>	<hr/>

KANGAROOS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

4 OPERATING PROFIT

	<u>1997</u> £	<u>1996</u> £
Turnover	-	69,479
Service charges receivable from group undertakings	984,000	1,759,324
Service charges receivable from non group undertakings	-	117,435
	<hr/> 984,000	<hr/> 1,946,238
Purchase and direct charges	145,153	101,949
Auditors remuneration	2,400	2,200
Staff costs:		
Wages and salaries	77,323	337,122
Social security costs	10,138	35,336
Other pension costs	7,146	29,954
Other external operating charges	409,978	872,328
Charges payable to group undertakings	387,581	325,000
	<hr/> 1,039,719	<hr/> 1,703,889
Operating (loss)/profit	<hr/> (55,719)	<hr/> 242,349

5 INTEREST (NET)

	<u>1997</u> £	<u>1996</u> £
Interest receivable/(payable) - Group undertakings	5,480	(34,543)
	<hr/>	<hr/>

KANGAROOS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

6 TAXATION

	<u>1997</u> £	<u>1996</u> £
Corporation tax at 31.5% (1996 - 33%) based on (losses)/profits for the period	(15,000)	82,195
Under provision in previous years	-	567
	<u>(15,000)</u>	<u>82,762</u>

7 DIRECTORS AND EMPLOYEES

The average number of persons, including directors, employed by the company during the period was:

	<u>1997</u>	<u>1996</u>
Management and administration	8	14

The directors received no remuneration from the company during the period.

P McGuigan received £4,500 (1996:£6,000) from Pentland Group plc in respect of his services provided to the company during the period.

8 DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade debtors	-	102,474
Amounts due from fellow subsidiary undertakings	25,232	682,158
Prepayments and accrued income	634	31,314
Other debtors	15,000	2,174
	<u>40,866</u>	<u>818,120</u>

KANGAROOS INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

9 CREDITORS - amounts falling due within one year

	<u>1997</u>	<u>1996</u>
	£	£
Trade creditors	71,323	31,064
Amounts due to fellow subsidiary undertakings	647,543	712,535
Accruals and deferred income	48,801	118,729
Other creditors including taxation and social security	-	82,195
	<u>767,667</u>	<u>944,523</u>

10 SHARE CAPITAL

	<u>1997</u>	<u>1996</u>
	£	£
Authorised		
1,000 ordinary shares of £1 each	1,000	1,000
	<u>100</u>	<u>100</u>

11 COMMITMENTS AND CONTINGENCIES

The company is party to a guarantee in favour of Pentland Group's bankers regarding the aggregate set-off of the sterling current account balances, of Pentland Group plc and its subsidiaries.

The company's liability under this guarantee is limited to the lower of the aggregate account indebtedness of the relevant group companies and its own sterling current account credit balance with the bank.

12 PARENT UNDERTAKINGS

The intermediate parent undertaking, Pentland Group plc, a company registered in Scotland, will produce consolidated accounts for the year ended 31 December 1997 which will be available from Albany House, 58 Albany Street, Edinburgh, EH1 3QR. The ultimate parent undertaking is Robert Stephen Holdings Limited, a company registered in England. Consolidated accounts will be prepared by Robert Stephen Holdings Limited for the year ended 31 December 1997 and these can be obtained from the company's registered office at The Pentland Centre, Lakeside, Squires Lane, Finchley N3 2QL.

13 RELATED PARTIES

Pentland Group plc, of which the company is a wholly owned subsidiary, has presented in its consolidated accounts, which are publicly available, a related parties disclosure note under the provisions of Financial Reporting Standard 8 : Related Party Disclosures (FRS8). Accordingly, the company has taken advantage of the exemption available under FRS8 to dispense with disclosing related party transactions with entities within the group, or investees of the group, qualifying as related parties.