

Drom International UK Limited
Directors' Report and Financial Statements
for the period ended 31 December 1996
3113328 (England and Wales)

Pages 2 + 5



Drom International UK Limited

Company Information

Directors	P. Ede B. Storp R. Thurmayr
Secretary	Ovalsec Limited
Company Number	3113328 (England and Wales)
Registered Office	30 Queen Charlotte Street Bristol Avon BS99 7QQ
Auditors	Morley & Scott Edinburgh House 43-51 Windsor Road Slough Berkshire SL1 2HL
Business Address	Regency House Dedmere Road Marlow Buckinghamshire SL7 1PB

Drom International UK Limited

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Drom International UK Limited

Directors' Report for the period ended 31 December 1996

The directors present their report and the financial statements for the period ended 31 December 1996.

Principal Activities

The company was incorporated on 9 October 1995 and commenced trading on 1 January 1996. The year end was changed from 31 October to 31 December 1996 on 8 April 1997.

The principal activity of the company is that of sales and marketing of fragrances compounded in Germany.

Directors and their Interests

The directors who served during the period and their interests in the company were as stated below.

	Class of share	Number of shares	
		1996	1995
P. Ede (appointed 9 October 1995)	Ordinary shares	-	-
B. Storp (appointed 9 October 1995)	Ordinary shares	3,000	-
R. Thurmayr (appointed 9 October 1995)	Ordinary shares	-	-

B. Storp holds the shares on behalf of Drom Dr. O. Martens Nachf KG in which he has a beneficial interest.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Morley & Scott be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements 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 financial statements 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.

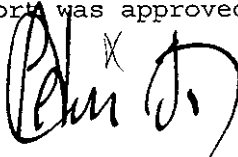
Drom International UK Limited

Directors' Report for the period ended 31 December 1996

In the preparation of the directors' report advantage has been taken of the special exemptions applicable to small companies conferred by Part II of Schedule 8 to the Companies Act 1985.

This report was approved by the Board on 28/1/97

P. Ede
Director



Drom International UK Limited

Auditors' Report
to the shareholders of Drom International UK 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 1 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.

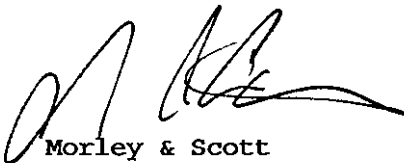
Basis of opinion

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 1996 and of its loss for the period then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Morley & Scott

Chartered Accountants
Registered Auditor

11 November 1997

Edinburgh House
43-51 Windsor Road
Slough
Berkshire

Drom International UK Limited

Profit and Loss Account
for the period ended 31 December 1996

	Notes	1996 £
Turnover	2	569,396
Cost of sales		(419,242)
Gross profit		150,154
Administrative expenses		(180,838)
Operating loss	3	(30,684)
Other interest receivable and similar income	4	1,181
Interest payable and similar charges		(16)
Loss on ordinary activities before taxation		(29,519)

All turnover and operating profits derive from continuing activities and there are no recognised gains and losses other than those passing through the profit and loss account.

Drom International UK Limited

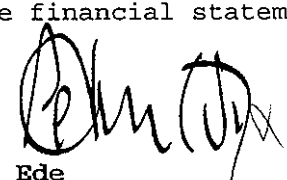
Balance Sheet
as at 31 December 1996

	Notes	1996 £	£
Fixed Assets			
Tangible assets	5		16,607
Current Assets			
Debtors	6	152,920	
Cash at bank and in hand		40,403	
		<u>193,323</u>	
Creditors: amounts falling due within one year	7	<u>(209,449)</u>	
Net Current Liabilities			<u>(16,126)</u>
Total Assets Less Current Liabilities			<u>£ 481</u>
Capital and Reserves			
Called up share capital	9		30,000
Profit and loss account	10		(29,519)
Shareholders' Funds (equity interests)	11		<u>£ 481</u>

In preparing these financial statements:

- (a) Advantage has been taken of the special exemptions applicable to small companies conferred by Part I of Schedule 8 to the Companies Act 1985, and
- (b) In the directors' opinion the company is entitled to these exemptions as a small company.

The financial statements were approved by the Board on 28/10/97


P. Ede

Director

Drom International UK Limited

Notes to the Financial Statements
for the period ended 31 December 1996

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and include the results of the company's operations as indicated in the directors' report, all of which are continuing.

The company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Turnover

Turnover represents amounts receivable for goods and services provided in the UK and Europe net of VAT and trade discounts.

1.3 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 less estimated residual value of each asset over its expected useful life, as follows:

Computers	-	4 years straight line
Fixtures, fittings and equipment	-	6 years straight line

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the period in accordance with SSAP 24.

1.6 Going Concern

The financial statements have been prepared on a going concern basis on the grounds of the continuing support of the holding company.

2. Turnover

In the period to 31 December 1996 7% of the company's turnover was to markets outside the United Kingdom.

Drom International UK Limited

Notes to the Financial Statements
for the period ended 31 December 1996

3.	Operating Loss	1996 £
	Operating loss is stated after charging:	
	Depreciation of tangible assets	4,020
	Operating lease rentals	
	- Plant and machinery	8,758
	- Land and buildings	10,385
	Auditors' remuneration	3,500
	Directors' emoluments	63,916
		<u> </u>
4.	Other Interest Receivable and Similar Income	1996 £
	Bank interest received	1,181
		<u> </u>
5.	Tangible assets	Computers £
	Cost	
	Additions	20,627
		<u> </u>
	At 31 December 1996	20,627
		<u> </u>
	Depreciation	
	Charge for period	4,020
		<u> </u>
	At 31 December 1996	4,020
		<u> </u>
	Net book values	
	At 31 December 1996	£ 16,607
		<u> </u>
6.	Debtors	1996 £
	Trade debtors	148,391
	Others	4,529
		<u> </u>
		£ 152,920
		<u> </u>

Drom International UK Limited

Notes to the Financial Statements
for the period ended 31 December 1996

7.	Creditors: amounts falling due within one year	1996 £
	Trade creditors	8,890
	Other creditors	200,559
		<u>£ 209,449</u>
8.	Pension Costs	
	The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.	
9.	Share Capital	1996 £
	Authorised	
	3,000 Ordinary shares of £10 each	<u>30,000</u>
	Allotted, called up and fully paid	
	3,000 Ordinary shares of £10 each	<u>30,000</u>
10.	Profit And Loss Account	1996 £
	Retained loss for the period	<u>(29,519)</u>
	Accumulated losses at 31 December 1996	<u>£ (29,519)</u>
11.	Reconciliation of Movements in Shareholders' Funds	1996 £
	Loss for the financial period	(29,519)
	Proceeds of issue of equity shares	30,000
	Net addition to shareholders' funds	<u>481</u>
	Closing shareholders' funds	<u>£ 481</u>

Drom International UK Limited

Notes to the Financial Statements
for the period ended 31 December 1996

12. Financial Commitments

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

	Land and buildings	Other
	1996	1996
	£	£
Expiry date:		
Within one year	-	-
Between two and five years	13,448	8,510
	<hr/>	<hr/>
	£ 13,448	£ 8,510
	<hr/>	<hr/>

13. Related Party Transactions

The company is controlled by Drom Dr. O. Martens Nachf KG. Mr. B. Storp, a director of Drom International UK Limited is a director and shareholder of Drom Dr. O. Martens Nachf KG.

During the year the company purchased £407,947 of fragrances from Drom International Fragrances Limited GmbH, a German company also controlled by Drom Dr. O. Martens Nachf KG.

At the balance sheet date Drom International UK Limited owed Drom Fragrances International GmbH £171,285.