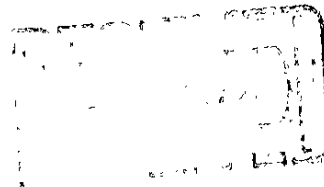


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PARFUMS DE PARIS LIMITED

ACCOUNTS
31ST DECEMBER, 1980

ROWLAND, NEVILL & CO.,
Chartered Accountants,
53 New Broad Street,
London, EC2M 1PQ

PARFUMS DE PARIS LIMITED

REPORT OF THE DIRECTORS

The directors submit their report and accounts of the Company for the year ended 31st December, 1980.

1. ACTIVITIES

The principal activity was that of import and export merchants dealing in perfumery and allied products.

2. RESULTS

	<u>1980</u>	<u>1979</u>
Profit for the year	66,266	109,632
Taxation	(6,619)	(58,169)
Dividend	(25,000)	(15,000)
	<u>£34,647</u>	<u>£36,463</u>

3. DIVIDENDS

The directors recommend the payment of a dividend of £250 per share.

4. EXPORTS

	<u>1980</u>	<u>1979</u>
Value of goods exported by the Company in the year was	<u>£6,886</u>	<u>£11,200</u>

5. DIRECTORS

The following were directors of the Company during the year and they had no interest in the Company's shares

M. Jean Claude Mamy (Managing Director)
M. Jean Rene Raoul Guerrand
M. Pierre De Seynes
M. Andre Leon Bernard Lacour
M. Alfred Francis Puech

6. AUDITORS

A resolution to reappoint the auditors, Messrs. Rowland, Nevill & Co. will be presented at the Annual General Meeting.

BY ORDER OF THE BOARD


A. CALA

Secretary

7/9 Colville Road,
London, W3 8BL

REPORT OF THE AUDITORS

to the members of

PARFUMS DE PARIS LIMITED

We have audited the financial statements on pages 3 to 9 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the Company's affairs at 31st December, 1980 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1980.

ROWLAND, NEVILL & CO.
Chartered Accountants

53 New Broad Street,
London, EC2M 1PQ

1st April, 1981

PARFUMS DE PARIS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1980

	Notes	<u>1980</u> £	<u>1979</u> £
TURNOVER	1	<u>£732,210</u>	<u>£713,013</u>
PROFIT BEFORE TAXATION	2	66,266	109,632
Taxation	3	<u>6,619</u>	<u>58,169</u>
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		59,647	51,463
Dividend	4	<u>25,000</u>	<u>15,000</u>
		34,647	36,463
Permanent stock relief		<u>-</u>	<u>2,800</u>
RETAINED PROFIT		34,647	39,263
Balance, brought forward		<u>147,060</u>	<u>107,797</u>
Balance carried forward		<u>£181,707</u>	<u>£147,060</u>

Pages 5 to 9 form part of these accounts.

PARFUMS DE PARIS LIMITED

BALANCE SHEET, 31ST DECEMBER, 1980

	Notes	<u>1980</u> £	<u>1979</u> £
FIXED ASSETS	5	14,137	20,399
ADVANCE CORPORATION TAX RECOVERABLE		10,714	"
CURRENT ASSETS			
Stocks	6	91,862	103,817
Debtors		128,743	133,051
Cash		148,582	105,743
		<u>369,187</u>	<u>342,611</u>
LESS:			
CURRENT LIABILITIES			
Fellow subsidiary	7	48,012	51,638
Creditors		93,110	65,649
Taxation	3	41,214	61,172
Dividend	4	25,000	15,000
		<u>207,336</u>	<u>193,459</u>
NET CURRENT ASSETS		<u>161,851</u>	<u>149,152</u>
		<u>£186,702</u>	<u>£169,551</u>
Financed by:			
SHARE CAPITAL	8	100	100
PROFIT AND LOSS ACCOUNT		<u>181,707</u>	<u>147,060</u>
SHAREHOLDERS' FUNDS		<u>181,807</u>	<u>147,160</u>
DEFERRED TAXATION	9	<u>4,895</u>	<u>22,391</u>
		<u>£186,702</u>	<u>£169,551</u>

Director

J.R.R. GUERRAND

Director

J.C. MAMY

Pages 5 to 9 form part of these accounts.

PARFUMS DE PARIS LIMITED

SOURCE AND APPLICATION OF FUNDS, YEAR ENDED 31ST DECEMBER, 1980

	<u>1980</u> £	<u>1979</u> £
SOURCE OF FUNDS		
Profit before tax	66,266	109,632
Depreciation	4,238	8,210
Proceeds of sale of fixed assets	2,175	1,400
	<u>72,679</u>	<u>119,242</u>
APPLICATION OF FUNDS		
Tax paid	54,787	43,528
Purchase of fixed assets	151	20,055
Dividend paid	15,000	12,500
Increase in working capital	2,741	43,159
	<u>72,679</u>	<u>119,242</u>
WORKING CAPITAL		
Decrease in stocks	(11,955)	(2,755)
Decrease in debtors (1979 increase)	(4,308)	11,323
Increase in creditors	(27,461)	(22,526)
Decrease in amount due to fellow subsidiary	3,626	31,058
	<u>(40,098)</u>	<u>17,100</u>
Increase in cash balances	42,839	26,059
Increase in working capital	<u>2,741</u>	<u>43,159</u>

PARFUMS DE PARIS LIMITED

NOTES TO THE ACCOUNTS, 31ST DECEMBER, 1980

1. ACCOUNTING POLICIES

Depreciation

Depreciation is calculated to write off the cost of fixed assets over their useful life on the following bases:

Motor vehicles	25% on written down value
Fixtures and fittings	20% straight line

Stocks

Stocks other than advertising stocks have been valued at the lower of cost or net realisable value, and are valued on a basis consistent with previous years. This year advertising stocks for promotional purposes, have been valued at cost, which in the opinion of the directors is not less than net realisable value. Stocks of display materials, having no resale value, have been valued at nil. In previous years stocks of display materials and promotional items were written down to 50% of cost, to reflect the estimated future worth of those stocks to the business.

Conversion of foreign currencies

Conversion to sterling has been made at the rate prevailing at 31st December, 1980. Differences on exchange have been written off to the profit and loss account.

Deferred taxation

Provision is made at current rates of tax for deferred corporation tax liabilities arising from material timing differences in the treatment of items in the accounts and their treatment for tax purposes and for a capital gain held over, arising from the assignment of a lease.

Turnover

Turnover represents sales, excluding value added tax, after allowances to customers.

PARFUMS DE PARIS LIMITED

NOTES TO THE ACCOUNTS, 31ST DECEMBER, 1980

	<u>1980</u>	<u>1979</u>
2. PROFIT BEFORE TAXATION		
Profit before taxation is shown after charging:		
Directors' emoluments and pension contributions	3,166	3,206
Audit fee	2,400	2,000
Depreciation	4,940	7,915
Profit (1979 loss) on sale of fixed assets	(702)	295
	<u>2,384</u>	<u>2,584</u>
Highest paid director		
and after crediting:		
Bank interest receivable	12,273	7,237
Abnormal credit arising from the improved method of valuing stock of advertising materials	<u>11,106</u>	<u> </u>
3. TAXATION		
The provision for taxation comprises:		
Corporation tax due on 1st October, 1981	24,071	54,743
Advance corporation tax	<u>17,143</u>	<u>6,429</u>
	<u>£41,214</u>	<u>£61,172</u>
The charge for the year comprises:		
Corporation tax at 52% based on the taxable profit for the year	30,500	60,100
Deferred taxation:		
Stock relief no longer required under proposed legislation	(24,000)	(1,901)
Timing differences	<u>75</u>	<u> </u>
	6,575	58,199
Add: Underprovision of corporation tax in previous years (1979 overprovision)	<u>44</u>	<u>(30)</u>
	<u>£6,619</u>	<u>£58,169</u>

A change in legislation relating to stock relief has been proposed and is likely to be included in the forthcoming Finance Act to apply to accounting periods ending after 14th November, 1980. Stock relief has been calculated on the basis of the proposed change. An estimated increase of 9.3% in the "all stocks" index for the year ended 31st December, 1980 has been applied to the stock at 31st December, 1979 giving a relief of approximately £9,500 against taxable profits. Under existing legislation, no stock relief would have been claimed and approximately £11,950 of previous relief granted would have been clawed back.

PARFUMS DE PARIS LIMITED

NOTES TO THE ACCOUNTS, 31ST DECEMBER, 1980

		<u>1980</u>	<u>1979</u>
3. TAXATION (continued)			
It is noted that under existing legislation, the charge for taxation for the year would have been as follows:			
Corporation tax at 52% based on the taxable profit for the year		41,700	
Deferred taxation:			
Stock relief no longer required under existing legislation		(6,250)	
Timing differences		75	
		<u>35,525</u>	
Add: Underprovision of corporation tax in previous years		44	
		<u><u>£35,569</u></u>	
4. DIVIDEND			
Proposed dividend		<u><u>£25,000</u></u>	<u><u>£15,000</u></u>
5. FIXED ASSETS			
	Office furniture fixtures and fittings	Motor vehicles	Total
Cost at 1st January	11,678	30,207	41,885
Additions during year	151	-	151
Disposals during year	-	(3,862)	(3,862)
Cost at 31st December	<u><u>£11,829</u></u>	<u><u>£26,345</u></u>	<u><u>£38,174</u></u>
Depreciation			
At 1st January	10,102	11,384	21,486
Provided during year	603	4,357	4,940
Eliminated on disposals	-	(2,389)	(2,389)
At 31st December	<u><u>£10,705</u></u>	<u><u>£13,332</u></u>	<u><u>£24,037</u></u>
Written down value	<u><u>£1,124</u></u>	<u><u>£13,013</u></u>	<u><u>£14,137</u></u>
6. STOCKS			
Stocks comprise:			
Items for resale		58,011	87,081
Advertising materials		<u>33,851</u>	<u>6,711</u>
		<u><u>£91,862</u></u>	<u><u>£93,792</u></u>

PARFUMS DE PARIS LIMITED

NOTES TO THE ACCOUNTS, 31ST DECEMBER, 1980

	<u>1980</u>	<u>1979</u>
7. FELLOW SUBSIDIARY		
The amount owing to the fellow subsidiary, Comptoir Nouveau de la Parfumerie S.A. is made up as follows:		
Trade account	48,383	54,599
Sales commission	(371)	(2,961)
	<u>£48,012</u>	<u>£51,638</u>
8. SHARE CAPITAL		
Authorised, issued and fully paid: 100 Ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
9. DEFERRED TAXATION		
Deferred taxation calculated on the basis of proposed legislation (see note 3) comprises:		
Accelerated tax allowances on fixed assets	725	650
Stock adjustment relief	-	24,000
Corporation tax on capital gain held over	4,170	4,170
Advance corporation tax recoverable	-	(6,429)
	<u>£4,895</u>	<u>£22,391</u>
It is noted that under existing legislation the net potential liability to deferred taxation would have amounted to £11,931.		
10. HOLDING COMPANY		
The ultimate holding company is Hermes S.A. a company incorporated in France.		