

AUDITORS' REPORT TO THE SHAREHOLDERS OF MAXMARA LIMITED

YEAR ENDED 31 DECEMBER 1995

I have audited the abbreviated accounts and financial statements set out on pages 3 - 7 for the year ended 31 December 1995 in accordance with the accounting policies set out on page 3.

Respective Responsibilities of the Directors and the Auditor

The directors of the company are responsible for the preparation of the financial statements. It is my responsibility to form an independent opinion, based on my audit, on those statements and to report to the shareholders.

Basis of Opinion

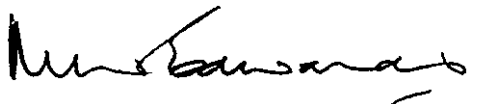
I conducted my audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me 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 my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its loss for the year then ended, and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

M W B Edwards
Chartered Accountant and Registered Auditor



Gracegarth
Wetherby Road
Knaresborough
HG5 8LQ

24 May 1996



MAXMARA LIMITED

Notes to the Accounts - Year Ended 31 December 1995

1. Accounting Policies

(a) Stock

Stock on hand is valued by the directors at the lower of cost or net realisable value. Net realisable value is based on the estimated sales price after allowing for all costs of disposal.

(b) Convention

These financial statements have been prepared in accordance with the historical cost convention.

(c) Turnover

Turnover is the amount derived from the provision of goods and services falling within the company's ordinary activities after deduction of value added tax.

(d) Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction.

(e) Tangible Fixed Assets and Depreciation

Depreciation on the tangible fixed assets is calculated to write down their cost to their estimated residual values over the period of their estimated useful lives. A straight line basis of depreciation has been used of 20% per annum.

2. Debtors and Prepayments

	<u>1995</u>	<u>1994</u>
Debtors - amounts falling due within one year.	31,737	38,328
Prepayments	96,276	44,399
	<u>128,013</u>	<u>82,727</u>

3. Share Capital

Authorised: 250000 Ordinary Shares of £1 each	<u>250,000</u>	<u>250,000</u>
Allotted and Fully Paid: 250000 Ordinary Shares of £1 each fully paid.	<u>250,000</u>	<u>250,000</u>

4. Holding Company

At 31 December 1995 the ultimate holding company was the Max Mara Fashion Group S.R.L. (incorporated in Italy) which owns 75% of the issued share capital of Maxmara Limited.

MAXMARA LIMITED

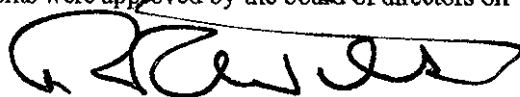
BALANCE SHEET AS AT 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u>	<u>1994</u>
FIXED ASSETS			
Tangible Assets	1	252,877	31,083
CURRENT ASSETS			
Stock		276,877	193,232
Debtors & Prepayments	2	128,013	82,727
Balance at Bank		270,672	388,358
		<u>675,562</u>	<u>664,317</u>
Less Creditors - amounts falling due within one year		880,105	506,194
		<u>880,105</u>	<u>506,194</u>
NET CURRENT ASSETS (LIABILITIES)		(204,543)	158,123
		<u>(204,543)</u>	<u>158,123</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,334</u>	<u>189,206</u>
CAPITAL AND RESERVES			
Issued Share Capital	3	250,000	250,000
Profit and Loss Account		(201,666)	(60,794)
		<u>48,334</u>	<u>189,206</u>

In preparing these accounts, the directors have taken advantage of the special accounting exemptions conferred by Part 1 of Schedule 8 to the Companies Act 1985 on the basis that, in their opinion the company qualifies as a small company.

These financial statements were approved by the board of directors on 24 May 1996 and signed on their behalf by:

R P Wilson - Director



MAXMARA LIMITED

Schedule of Fixed Assets at 31 December 1995

<u>Cost</u>	L'hold S.St	L'hold NB.St	Fixt & Fittings	Office Equip	Lease Premium	TOTAL
At 1.1.95	132,377	145,084	216,451	7,729	120,000	621,641
Additions in the year	305,731		1,411	7,062		314,204
At 31.12.95	438,108	145,084	217,862	14,791	120,000	935,845
<u>Depreciation</u>						
At 1.1.95	132,376	116,068	216,018	6,096	120,000	590,558
For Year	61,146	29,016	390	1,858		92,410
At 31.12.95	193,522	145,084	216,408	7,954	120,000	682,968
W D V 31.12.95	244,586	-	1,454	6,837	-	252,877