

**WARNER'S (UNITED KINGDOM)  
LIMITED**

**Report and Financial Statements**

**53 weeks ended 5 January 2002**

**Deloitte & Touche  
Nottingham**



**REPORT AND FINANCIAL STATEMENTS 2002**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

S Silverstein  
R Kemp  
P Terenzio  
T Fogarty

**SECRETARY**

R Kemp

**REGISTERED OFFICE**

~~Mount Street~~ 90 ELLIOTT DUFFY GARRETT  
~~Dromore~~ ROYSTON HOUSE  
~~Co Down~~ 34 UPPER QUEENS ST.  
~~Northern Ireland~~ BELFAST. BT1 6FD

**BANKERS**

National Westminster Bank plc  
1<sup>st</sup> Floor, Radford House  
Radford Boulevard  
Nottingham  
NG7 5QG

Citibank  
Citibank House  
336 The Strand  
London  
WC2R 1HB

Scotia Bank (UK) Limited  
Scotia House  
33 Finsbury Square  
London  
EC2T 1BB

Societe General  
Tour Societe Generale  
92972 Paris  
Cedex  
France

**SOLICITORS**

S J Berwin & Co  
222 Grays In Road  
London  
NC1X 8HB

**AUDITORS**

Deloitte & Touche  
Chartered Accountants  
Nottingham

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the 53 weeks ended 5 January 2002.

**ACTIVITY**

The group's principal activity is the manufacture and distribution of ladies' foundation garments.

**RESULTS FOR THE YEAR**

The loss for the year, after taxation, attributable to the shareholders amounted to £7,495,000 (2001: £7,814,000).

The group has an excess of liabilities over assets of £4,145,000. We refer you to note 1 of the accounts regarding going concern.

**DIVIDENDS**

The directors do not recommend the payment of a dividend.

**REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS**

The company has continued to make large losses in the year. These have occurred mainly in the Warners Europe Division. This has been due to a combination of difficult trading conditions and a change in business strategy to rationalise the group manufacturing and distribution facilities. The directors envisage that trading will remain difficult for the forthcoming year.

On 8 February 2002, the issued share capital of LMK Limited, Penhaligons & Jeavons Investment Company Limited, Penhaligons Limited, Mullion BV Limited and Penhaligons Pacific Property Limited were sold to Cradle Penhaligon's Limited. These companies were all 100% subsidiaries of Mullion Limited. The consideration paid for these shares was \$10,715,000 and a profit of \$3,929,000 was made on the sale. The ultimate parent company of Cradle Penhaligon's Limited is Fox Pain Capital II Fund L.P.

**ULTIMATE PARENT COMPANY CHAPTER 11 (VOLUNTARY CREDITORS ARRANGEMENT)**

Between June 2001 and February 2003 Warnaco Group Inc., and certain of its subsidiaries, were protected under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. We refer you to note 1 of the accounts regarding going concern.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year, none of which had any beneficial interest in the company or the group were as follows:

W Finklestein	(USA)	(resigned 16 November 2001)
J McLaughlin		(resigned 16 November 2001)
S Silverstein		
L J Wachner	(USA)	(resigned 16 November 2001)
R Kemp		
P Terenzio		(appointed 16 November 2001)
T Fogarty		(appointed 16 November 2001)

Under Statutory Instrument 802 1985, the interests of the directors in the capital of the ultimate holding company or any of its subsidiaries incorporated overseas, are not required to be disclosed.

## **DIRECTORS' REPORT**

### **EMPLOYEE REPORTING AND INVOLVEMENT**

Employees are advised through union representatives or works committees of circumstances concerning them as employees. Numerous employees enjoy bonus or productivity incentives to encourage their involvement in maintaining and improving company performance.

### **EMPLOYMENT OF DISABLED PERSONS**

It is the policy of the company to give fair and sympathetic consideration to the recruitment of disabled persons. Each application is judged both on the particular requirements of the applicant and the demands of the vacancy. No employees have become disabled during the period. In such circumstances, all efforts will be made to continue the employment. Disablement is not a barrier in consideration for promotion.

### **DIRECTORS' STATEMENT OF RESPONSIBILITIES**

United Kingdom 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 the group as at the end of the financial year and of the profit or loss of the group 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 the group and to enable them to ensure that the financial statements comply with the Companies (Northern Ireland) Order 1986. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors of the company. A resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



R KEMP

Secretary

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WARNER'S  
(UNITED KINGDOM) LIMITED**

We have audited the financial statements of Warner's (United Kingdom) Limited for the period ended 5 January 2002 which comprise the consolidated profit and loss account, the balance sheets, the statement of total recognised gains and losses and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Northern Ireland) Order 1986. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom 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.

**Going concern**

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts concerning the financial situation of the company and its ultimate parent company, Warnaco Inc.

In view of the significance of this uncertainty, we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

**Opinion**

In our opinion, the financial statements give a true and fair view of the affairs of the group as at 5 January 2002 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies (Northern Ireland) Order 1986.

**Deloitte & Touche**Chartered Accountants and  
Registered Auditors

Nottingham

*20<sup>th</sup> May 2003*

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**53 weeks ended 5 January 2002**

	Note	Continuing 5 January 2002 £'000	Discontinued 5 January 2002* £'000	Total 5 January 2002 £'000	30 December 2000 £'000
<b>TURNOVER: Including share of joint venture</b>	3	29,812	7,388	37,200	43,600
Less: share of joint venture's turnover		-	-	-	(593)
Group turnover		29,812	7,388	37,200	43,007
Cost of sales		(22,719)	(2,323)	(25,042)	(36,288)
Gross profit		7,093	5,065	12,158	6,719
Distribution costs		(8,546)	(1,940)	(10,486)	(10,431)
Administration expenses		(3,792)	(3,175)	(6,967)	(4,296)
Restructuring costs		(2,063)	-	(2,063)	-
Other operating income		910	1	911	1,089
<b>GROUP OPERATING LOSS</b>	5	(6,398)	(49)	(6,447)	(6,919)
Share of operating profit in joint venture				-	176
<b>TOTAL OPERATING LOSS: group and share of joint venture</b>				(6,447)	(6,743)
Amounts written off investments				(626)	-
Interest payable					
Group	6			(422)	(989)
Joint venture				-	(52)
				(422)	(1,041)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION BEING THE RETAINED LOSS FOR THE FINANCIAL YEAR</b>				(7,495)	(7,784)

\* Discontinued activities - see note 25, post balance sheet events.

**CONSOLIDATED BALANCE SHEET**  
**5 January 2002**

	Note	5 January 2002 £'000	5 January 2002 £'000	30 December 2000 £'000	30 December 2000 £'000
<b>FIXED ASSETS</b>					
Intangible assets	8		1,830		1,710
Tangible assets	9		8,608		9,936
Investments in joint ventures	10				
Share of gross assets		-		1,395	
Share of gross liabilities		-		(769)	
					626
			10,438		12,272
<b>CURRENT ASSETS</b>					
Stocks	11	9,613		9,890	
Debtors	12	4,852		6,861	
Cash at bank and in hand		3,754		3,167	
		18,219		19,918	
<b>CREDITORS: amounts falling due within one year</b>	13	(32,405)		(28,025)	
<b>NET CURRENT LIABILITIES</b>			(14,186)		(8,107)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			(3,748)		4,165
<b>CREDITORS: amounts falling due after more than one year</b>	14		(180)		(510)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	15		(217)		(301)
			(4,145)		3,354
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		5,520		5,520
Capital contribution			12,316		12,316
Profit and loss account	19		(21,981)		(14,482)
<b>TOTAL EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS</b>	18		(4,145)		3,354

These financial statements were approved by the Board of Directors on 19 May 2003  
Signed on behalf of the Board of Directors



R KEMP

Director

**COMPANY BALANCE SHEET**  
**5 January 2002**

	Note	5 January 2002 £'000	30 December 2000 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	8,049	9,261
Investments	10	1,630	2,230
		<u>9,679</u>	<u>11,491</u>
<b>CURRENT ASSETS</b>			
Stocks	11	8,492	8,258
Debtors	12	4,090	6,404
Cash at bank and in hand		3,239	3,046
		<u>15,821</u>	<u>17,708</u>
<b>CREDITORS: amounts falling due</b>			
Within one year	13	(29,259)	(25,440)
<b>NET CURRENT LIABILITIES</b>		<u>(13,438)</u>	<u>(7,732)</u>
<b>TOTAL ASSETS LESS CURRENT</b>			
<b>    LIABILITIES</b>		<u>(3,759)</u>	<u>3,759</u>
<b>CREDITORS: amounts falling due</b>			
after more than one year	14	(180)	(510)
		<u>(3,939)</u>	<u>3,249</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	5,520	5,520
Capital contribution		12,316	12,316
Profit and loss account	19	(21,775)	(14,587)
<b>TOTAL EQUITY SHAREHOLDERS'</b>			
<b>    (DEFICIT)/FUNDS</b>	18	<u>(3,939)</u>	<u>3,249</u>

These financial statements were approved by the Board of Directors on 19 May 2003  
Signed on behalf of the Board of Directors



R KEMP  
Director

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**5 January 2002**

	Group		Company	
	5 January 2002 £'000	30 December 2000 £'000	5 January 2002 £'000	30 December 2000 £'000
Loss for the financial year	(7,495)	(7,814)	(7,188)	(7,738)
Currency translation differences on foreign currency net investments	(4)	1	-	-
<b>Total recognised gains and losses relating to the year</b>	<b>(7,499)</b>	<b>(7,813)</b>	<b>(7,188)</b>	<b>(7,738)</b>

**NOTES TO THE ACCOUNTS**

**53 weeks ended 5 January 2002**

**1. GOING CONCERN**

Warners (United Kingdom) Limited's consolidated balance sheet has an excess of liabilities over assets of £4,145,000. Included in liabilities is £17,363,000 of borrowings from the ultimate parent company, Warnaco Group Inc., and its other subsidiaries. To remain a going concern, the company is therefore dependent on the continuing support of Warnaco Group Inc.

Between June 2001 and February 2003 Warnaco Group Inc., and certain of its USA subsidiaries, were protected under Chapter 11 of the U.S. Bankruptcy Code with the U.S. Bankruptcy Court for the Southern District of New York. Support was forth coming and the company emerged from Chapter 11 on 5 February 2003.

The financial statements have been prepared on a going concern basis, the validity of which depends upon the continuance of the support of Warnaco Group Inc. The financial statements do not include any adjustments that would result from a withdrawal of support.

**2. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Warner's (United Kingdom) Limited and its subsidiary companies.

**Acquisitions and disposals**

The acquisition method of accounting is used to consolidate the results of subsidiaries in the group accounts and the results of subsidiaries joining or leaving the group during the year are included for the period of ownership.

**Joint venture**

The activities of the joint venture company have been accounted for in accordance with FRS9 using the gross equity method.

The accounts of overseas subsidiaries' undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the translation of opening net assets is taken directly to reserves.

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**2. ACCOUNTING POLICIES (Continued)**

**Tangible fixed assets**

Depreciation is provided on all tangible fixed assets rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, at the following rates:

Leasehold properties	4% on a straight line basis
Plant and equipment	10 to 20% on a straight line
Motor vehicles	25% on reducing balance
Assets under construction	Per relevant category of asset from time of first usage

**Investments**

Investments held as fixed assets are stated at costs less provision for any impairment.

**Deferred taxation**

Provision is made on the liability method for taxation deferred by timing differences, but only in those cases where the tax benefits cannot, with reasonable profitability, be expected to be retained for the foreseeable future in consequence of recurring or continuing timing differences.

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value.

**Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

**Leasing commitments**

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over the shorter of the period of the lease and the estimated useful economic lives of assets. The finance charges are allocated over the period of the lease in proportion to the capital amounts outstanding and are charged to the profit and loss account.

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

**Pensions**

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

**Goodwill**

For acquisitions of a business, including an interest in an associated undertaking, purchased goodwill is capitalised in the year in which it arises and amortised over its estimated useful life up to a maximum of 20 years, with a full year's charge for amortisation in the year of acquisition. The directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill, since it is difficult to make projections exceeding this period.

Goodwill which arose on the acquisition of a business, including an interest in an associated undertaking, prior to the implementation of FRS10, which was written off to the profit and loss reserve as a matter of accountancy policy, remains eliminated in that reserve and will be charged or credited in the profit and loss account as appropriate on the subsequent disposal of the business to which it relates.

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**3. TURNOVER**

Turnover represents the amounts derived from the provision of goods and services during the year which falls within the group's ordinary activities, and is stated net of value added tax. An analysis of turnover by class of business has not been included as the directors believe that to do so would be seriously prejudicial to the interests of the group.

	<b>5</b>	<b>30</b>
<b>Geographical analysis by location</b>	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
United Kingdom	32,853	34,960
Rest of Europe	3,444	6,628
Rest of the world	903	1,419
	<u>37,200</u>	<u>43,007</u>

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>5</b>	<b>30</b>
	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Directors' emoluments	124	123
Pension contributions	15	16
	<u>No</u>	<u>No</u>
<b>Average number of persons employed</b>		
Manufacturing and distribution	297	330
Administration	280	344
	<u>577</u>	<u>674</u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	7,606	8,115
Social security costs	607	724
Other pension costs	87	87
	<u>8,300</u>	<u>8,926</u>

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**5. OPERATING LOSS**

	<b>5</b>	<b>30</b>
	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating loss is after charging:</b>		
Goodwill amortisation	93	95
Patent amortisation	20	-
Depreciation		
Owned assets	1,737	820
Assets held under hire purchase agreements	575	280
Rentals under operating leases		
Hire of plant and machinery	82	102
Land and buildings	3,197	2440
Motor vehicles	145	197
Loss on sale of fixed assets	406	66
Auditors' remuneration		
Audit services (company)	49	75
Audit services (group companies)	17	14
Non-audit services	-	4
	<u>          </u>	<u>          </u>

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>5</b>	<b>30</b>
	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	391	882
Finance charges payable under finance leased and hire purchase agreements	31	47
Payable to group undertakings	-	60
	<u>          </u>	<u>          </u>
	<u>422</u>	<u>989</u>

**7. TAX ON LOSS ON ORDINARY ACTIVITIES**

	<b>5</b>	<b>30</b>
	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Share of joint venture	-	(30)
	<u>          </u>	<u>          </u>

At 1 January 2001, the company has approximately £13,400,000 losses available to off-set against future trading profits. It is anticipated that there will be substantial losses available to carry forward at 5 January 2002.

On the basis of these financial statements, no provision has been made for corporation tax.

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**8. INTANGIBLE ASSETS**

	<b>Patents and trademarks £'000</b>	<b>Goodwill £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 31 December 2000	-	1,867	1,867
Additions	233	-	233
	<hr/>	<hr/>	<hr/>
At 5 January 2002	233	1,867	2,100
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 31 December 2000	-	157	157
Charge for the year	20	93	113
	<hr/>	<hr/>	<hr/>
At 5 January 2002	20	250	270
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
5 January 2002	213	1,617	1,830
	<hr/>	<hr/>	<hr/>
At 30 December 2000	-	1,710	1,710
	<hr/>	<hr/>	<hr/>

**9. TANGIBLE FIXED ASSETS**

<b>GROUP</b>	<b>Long leasehold property £'000</b>	<b>Plant, equipment and motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 31 December 2000	1,101	13,136	14,237
Additions	-	1,410	1,410
Disposals	-	(690)	(690)
	<hr/>	<hr/>	<hr/>
At 5 January 2002	1,101	13,856	14,957
	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>			
At 31 December 2000	182	4,119	4,301
Charge for the year	36	2,276	2,312
Eliminated on disposals	-	(264)	(264)
	<hr/>	<hr/>	<hr/>
At 5 January 2002	218	6,131	6,349
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 5 January 2002	883	7,725	8,608
	<hr/>	<hr/>	<hr/>
At 30 December 2000	919	9,017	9,936
	<hr/>	<hr/>	<hr/>

Plant and machinery includes assets held under finance leases with a net book value of £264,773 (30 December 2000 £840,000).

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**9. TANGIBLE FIXED ASSETS (Continued)**

<b>COMPANY</b>	<b>Long leasehold property £'000</b>	<b>Plant, equipment and motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 31 December 2000	1,078	12,254	13,332
Additions	-	1,347	1,347
Disposals	-	(690)	(690)
At 5 January 2002	1,078	12,911	13,989
<b>Depreciation</b>			
At 31 December 2000	166	3,905	4,071
Charge for the year	26	2,107	2,133
Eliminated on disposals	-	(264)	(264)
At 5 January 2002	192	5,748	5,940
<b>Net book value</b>			
At 5 January 2002	886	7,163	8,049
At 30 December 2000	912	8,349	9,261

Plant and machinery includes assets held under finance leases with a net book value of £264,773 (30 December 2000: £840,000).

**10. INVESTMENTS HELD AS FIXED ASSETS**

	<b>Group £'000</b>	<b>Company £'000</b>
<b>Shares in group undertakings and joint venture</b>		
At 31 December 2000	626	2,230
Write down of joint venture	(626)	(600)
At 5 January 2002	-	1,630

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**10. INVESTMENTS HELD AS FIXED ASSETS (Continued)**

Investment in joint venture	Group		Company	
	5	30	5	30
	January	December	January	December
	2002	2000	2002	2000
	£'000	£'000	£'000	£'000
At 31 December 2000	626	773	600	600
Exchange adjustments	-	1	-	-
Distributions	-	(241)	-	-
Share of profits retained	-	93	-	-
Write down	(626)	-	(600)	-
<b>At 5 January 2002 - net assets</b>	<b>-</b>	<b>626</b>	<b>-</b>	<b>600</b>

At 5 January 2002, the company had the following subsidiary companies:

Name of company	Country of operation and where outside NI, the country of Incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Leratex – Warnaco Limited	England	Ordinary shares	100%	Dormant
The Hamlet Shirt Company Limited	England	Ordinary shares	100%	Dormant
Warnaco Limited	England	Ordinary shares	100%	Dormant
Mullion International Limited	British Virgin Islands	Ordinary shares	100%	Investment Holding Company
LMK Limited*	Jersey	Ordinary shares	100%	Dormant
Penhaligons Limited*	England	Ordinary shares	100%	Perfume Retailer
Penhaligons & Jeavons Investment Company Limited*	England	Ordinary shares	100%	Dormant
Penhaligons Pacific Property Limited*	Hong Kong	Ordinary shares	100%	Perfume Retailer
Mullion BV Limited*	Holland	Ordinary shares	100%	Dormant

The above shareholdings marked \* are indirect and are held through Mullion International Limited.

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**11. STOCKS**

	Group		Company	
	5	30	5	30
	January	December	January	December
	2002	2000	2002	2000
	£'000	£'000	£'000	£'000
Raw materials and consumables	2,697	1,421	2,394	987
Work in progress	739	812	739	812
Finished goods and goods for resale	6,177	7,657	5,359	6,459
	<u>9,613</u>	<u>9,890</u>	<u>8,492</u>	<u>8,258</u>

**12. DEBTORS**

	Group		Company	
	5	30	5	30
	January	December	January	December
	2002	2000	2002	2000
	£'000	£'000	£'000	£'000
Trade debtors	3,621	5,021	3,378	4,772
Amounts owed by group undertakings	-	785	-	1,272
Other debtors and prepayments	1,231	1,055	712	360
	<u>4,852</u>	<u>6,861</u>	<u>4,090</u>	<u>6,404</u>

All debtors are due within one year.

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Company	
	5	30	5	30
	January	December	January	December
	2002	2000	2002	2000
	£'000	£'000	£'000	£'000
Bank overdraft	10,175	8,749	6,975	5,349
Obligations under finance leases and hire purchase contracts	286	313	286	313
Trade creditors	859	1,757	744	1,552
Amounts owed to group undertakings	17,363	14,066	17,977	15,678
Other taxes and social security costs	677	1,280	452	991
Other creditors	3,045	1,860	2,825	1,557
	<u>32,405</u>	<u>28,025</u>	<u>29,259</u>	<u>25,440</u>

The bank overdraft facility is secured by a fixed and floating charge over the assets of companies within the group.

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>5</b>	<b>30</b>	<b>5</b>	<b>30</b>
	<b>January</b>	<b>December</b>	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases and hire purchase contracts	180	510	180	510
<b>Finance leases</b>				
Amounts falling due:				
In one year or less or on demand	286	313	286	313
In more than one year but not more than two years	180	373	180	373
In more than two years but not more than five years	-	137	-	137
	466	823	466	823

**15. PROVISIONS FOR LIABILITIES AND CHARGES**

	<b>Group</b>		<b>Company</b>	
	<b>5</b>	<b>30</b>	<b>5</b>	<b>30</b>
	<b>January</b>	<b>December</b>	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 31 December 2000	301	340	-	-
Transfer to profit and loss account	(84)	(39)	-	-
Balance at 5 January 2002	217	301	-	-

The provision represents a provision made in Penhaligons Limited (100% subsidiary) against rent payable under an onerous contract on a vacant warehouse. The lease has 10 years before expiry and the provision has been discounted at 7.5%.

**16. DEFERRED TAXATION**

	<b>Provided</b>		<b>Not provided</b>	
	<b>5</b>	<b>30</b>	<b>5</b>	<b>30</b>
	<b>January</b>	<b>December</b>	<b>January</b>	<b>December</b>
	<b>2002</b>	<b>2000</b>	<b>2002</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Group</b>				
Capital allowances in advance of depreciation	-	-	(267)	(1,083)
Other timing differences	-	-	(9,303)	(7,336)
	-	-	(9,570)	(8,419)
<b>Company</b>				
Capital allowances in advance of depreciation	-	-	54	(710)
Other timing differences	-	-	(5,369)	(3,435)
	-	-	(5,315)	(4,145)

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**17. CALLED UP SHARE CAPITAL**

	5 January 2002 £'000	30 December 2000 £'000
Authorised, allotted and fully paid 5,520 ordinary shares of £1 each	5,520	5,520

**18. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS**

	Group		Company	
	5 January 2002 £'000	30 December 2000 £'000	5 January 2002 £'000	30 December 2000 £'000
Loss for the financial year	(7,495)	(7,814)	(7,188)	(7,738)
Other recognised gains and losses relating to the year	(4)	1	-	-
Capital contributions from the parent company	-	2,841	-	2,841
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(7,499)</b>	<b>(4,972)</b>	<b>(7,188)</b>	<b>(4,897)</b>
Opening shareholders' funds	3,354	8,326	3,249	8,146
<b>Closing shareholders' funds</b>	<b>(4,145)</b>	<b>3,354</b>	<b>(3,939)</b>	<b>3,249</b>

**19. STATEMENT ON MOVEMENTS ON RESERVES**

	Profit and loss account £'000	Company profit and loss account £'000
Balance at 31 December 2000	(14,482)	(14,587)
Loss for the year	(7,495)	(7,188)
Currency translation differences on foreign currency net investments	(4)	-
<b>Balance at 5 January 2002</b>	<b>(21,981)</b>	<b>(21,775)</b>

**NOTES TO THE ACCOUNTS**

**53 weeks ended 5 January 2002**

**20. OTHER FINANCIAL COMMITMENTS**

At 5 January 2002, the group and the company had a VAT deferment guarantee of £1,300,000 (30 December 2000: £1,300,000).

At 5 January 2002, the group and the company had annual commitments under non-cancellable operating leases as set out below:

	<b>5 January 2002</b>		<b>30 December 2000</b>	
<b>GROUP</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
In one year or less	894	140	176	-
In more than two years but not more than five years	1,635	4	1,440	481
In more than five years	812	-	744	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>COMPANY</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>	<b>Land and buildings £'000</b>	<b>Other £'000</b>
Operating leases which expire:				
In one year or less	804	140	96	-
In more than two years but not more than five years	761	-	1,048	481
In more than five years	493	-	348	-
	<hr/>	<hr/>	<hr/>	<hr/>

**21. HOLDING COMPANY PROFIT AND LOSS ACCOUNT**

Warner's (United Kingdom) Limited has not presented its own profit and loss account as permitted by Article 238 of the Companies (Northern Ireland) Order 1986. The amount of the consolidated loss before taxation for the year dealt within the accounts of the holding company is £7,188,000 (30 December 2000: £7,738,000 loss).

**22. PARENT COMPANY**

The largest group for which group accounts are drawn up and of which the company is a member is The Warnaco Group Inc., a company incorporated in the United States.

Copies of The Warnaco Group's accounts can be obtained from The Warnaco Group Inc., 470 Wheelers Farm Road, Milford, Connecticut, 06460, USA.

Warnaco Inc. is the ultimate parent of Warner's (United Kingdom) Limited.

The immediate parent company is Warnaco BV, a company registered in the Netherlands.

**NOTES TO THE ACCOUNTS**  
**53 weeks ended 5 January 2002**

**23. CAPITAL COMMITMENTS**

There were no capital commitments contracted for in the group or company at 5 January 2002 or 30 December 2000.

**24. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemptions given by Financial Reporting Standard 8 - whereby a subsidiary need not disclose transactions with other group companies.

During the year, the group entered into the following transactions, in the ordinary course of business, with other related parties.

The Bra Company is a joint venture in which 50% of the shares are held by Warner's (United Kingdom) Limited. These shares were written down fully in the year.

	5 January 2002 £'000	30 December 2000 £'000
Purchased from The Bra Company	459	668
Amounts owed to The Bra Company	-	52

**25. POST BALANCE SHEET EVENTS**

On 8 February 2002, the issued share capital of LMK Limited, Penhaligons & Jeavons Investment Company Limited, Penhaligons Limited, Mullion BV Limited and Penhaligons Pacific Property Limited were sold to Cradle Penhaligon's Limited. These companies were all 100% subsidiaries of Mullion Limited. The consideration paid for these shares was \$10,715,000 and a profit of \$3,929,000 was made on the sale. The ultimate parent company of Cradle Penhaligon's Limited is Fox Pain Capital II Fund L.P.

**26. CASH FLOW STATEMENT**

The company is a wholly owned subsidiary of The Warnaco Group Inc., a company incorporated and registered in the USA. The results of Warner's (United Kingdom) Limited are included in the consolidated results of The Warnaco Group Inc. and copies of the report and financial statements of The Warnaco Group Inc., are publicly available.

Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Standard 1 (Revised 1996).