

**Touche
Ross**

Deloitte Touche
Tohmatsu
International



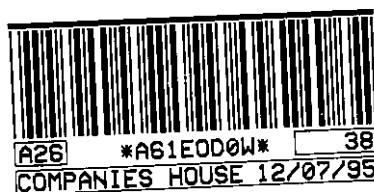
Company Registration No. 574704

TANNER KROLLE & COMPANY LIMITED

Report and Financial Statements

31 December 1994

**Touche Ross & Co.
Hill House
1 Little New Street
London EC4A 3TR**



**REPORT AND FINANCIAL STATEMENTS 1994**

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the accounts	7



REPORT AND FINANCIAL STATEMENTS 1994

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T.J. Coles
C.A.F. Whitten
R.B. Simpson
P.J. Davis

SECRETARY

M. Hamilton

REGISTERED OFFICE

1A Mildmay Avenue
Islington
London
N1 4RS

BANKERS

Lloyds Bank Plc

AUDITORS

Touche Ross & Co.
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1994.

ACTIVITIES

The company's principal activity is the manufacture of high quality leather goods.

REVIEW OF DEVELOPMENTS

Business during the year has been affected by general economic conditions leading to a loss before taxation of £174,679 (1993 - £327,675).

DIVIDENDS AND TRANSFERS FROM RESERVES

The directors do not recommend the payment of a dividend (1993 - £Nil). The loss for the financial year amounted to £106,361 (1993 - £235,329) and this has been transferred from reserves.

FUTURE PROSPECTS

The directors do not anticipate a change in the company's activities in 1995.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 6.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year were as follows:

T.J. Coles
C.A.F. Whitten
R.B. Simpson
P.J. Davis

According to the register kept by the company for the purposes of Sections 324 to 328 of the Companies Act 1985, no director had any interests in the shares of the company, the ultimate parent company or any group companies at any time during the year.

AUDITORS

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



8 June 1995

**STATEMENT OF 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 as at the end of the financial year 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 a 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. 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.



Chartered Accountants

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1 Little New Street
London EC4A 3TR

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TANNER KROLLE & COMPANY LIMITED

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 11 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 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 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants and
Registered Auditors

15 June 1995

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1994

	Note	1994 £	1993 £
TURNOVER	2	825,510	620,044
Cost of sales		663,498	593,594
Gross profit		162,012	26,450
Distribution costs		(20,139)	(16,449)
Administrative expenses		(316,552)	(337,676)
OPERATING LOSS AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(174,679)	(327,675)
Tax credit on loss on ordinary activities	5	(68,318)	(92,346)
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	12	(106,361)	(235,329)

All activities derive from continuing operations.

There are no recognised gains and losses other than the loss for the current year and the preceding year. Accordingly no statement of recognised gains and losses is given.

There are no movements in shareholders' funds other than the loss for the year, in both the current and prior year. Accordingly no reconciliation of movements in shareholders' funds is given.


BALANCE SHEET
31 December 1994

	Note	1994 £	1993 £
FIXED ASSETS			
Tangible assets	6	104,320	82,134
CURRENT ASSETS			
Stocks	7	333,668	293,643
Debtors	8	277,410	200,883
Cash at bank and in hand		12,693	8,396
		623,771	502,922
CREDITORS: amounts falling due within one year	9	1,147,811	896,665
NET CURRENT LIABILITIES		(524,040)	(393,743)
TOTAL ASSETS LESS CURRENT LIABILITIES		(419,720)	(311,609)
PROVISIONS FOR LIABILITIES AND CHARGES	10	-	(1,750)
		(419,720)	(313,359)
CAPITAL AND RESERVES			
Called up share capital	11	9,000	9,000
Profit and loss account	12	(428,720)	(322,359)
Equity shareholders' funds		(419,720)	(313,359)

These financial statements were approved by the Board of Directors on 8 June 1995.

Signed on behalf of the Board of Directors

 T.J. COLES
Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1994

1. 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.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Motor vehicles	25% per annum
Fixtures, fittings, tools and equipment	Between 10% and 25% per annum

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and appropriate production overheads.

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Pension costs

The company subscribes to a defined contribution scheme. Contributions for the year are charged to the profit and loss account.

Leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

2. TURNOVER

The turnover and loss before taxation are attributable to the principal activity of the company. Turnover represents the value of goods invoiced in respect of the financial year (excluding VAT).


NOTES TO THE ACCOUNTS
Year ended 31 December 1994
3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1994	1993
	£	£
Directors' emoluments		
Other emoluments	98,214	86,815
Remuneration of highest paid director	56,945	52,803

There was no chairman for the year ended 31 December 1994.

	No.	No.
Scale of directors' remuneration		
£ 0 - £ 5,000	2	2
£ 30,001 - £ 35,000	-	1
£ 35,001 - £ 40,000	1	-
£ 50,001 - £ 55,000	-	1
£ 55,001 - £ 60,000	1	-

	No.	No.
Average number of persons employed		
Production, sales and distribution	23	24
Administration	6	10
	29	34

	£	£
Staff costs during the year (including directors)		
Wages and salaries	445,354	549,309
Social security costs	44,556	54,521
Other pension costs	4,536	3,136
	494,446	606,966

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1994	1993
	£	£
Loss on ordinary activities before taxation is after charging:		
Rentals under operating leases		
Hire of plant and machinery	-	2,785
Other operating leases	46,656	46,669
Depreciation and other amounts written off tangible fixed assets	19,976	15,795
Auditors' remuneration - audit	6,350	2,000
- other	2,000	3,700



NOTES TO THE ACCOUNTS
Year ended 31 December 1994

5. TAX CREDIT ON LOSS ON ORDINARY ACTIVITIES

	1994 £	1993 £
Group relief	(68,318)	(105,801)
Adjustment in respect of prior years	-	13,455
	<u>(68,318)</u>	<u>(92,346)</u>

The tax credit arises as a result of losses surrendered to other group companies.

6. TANGIBLE FIXED ASSETS

	Motor vehicles £	Fixtures, fittings, tools and equipment £	Total £
Cost:			
At 1 January 1994	36,969	120,522	157,491
Additions	20,170	32,781	52,951
Disposals	(19,139)	(2,231)	(21,370)
At 31 December 1994	<u>38,000</u>	<u>151,072</u>	<u>189,072</u>
Accumulated depreciation:			
At 1 January 1994	15,351	60,006	75,357
Charge for the year	7,763	12,213	19,976
Disposals	(9,171)	(1,410)	(10,581)
At 31 December 1994	<u>13,943</u>	<u>70,809</u>	<u>84,752</u>
Net book value			
At 31 December 1994	<u>24,057</u>	<u>80,263</u>	<u>104,320</u>
At 31 December 1993	<u>21,618</u>	<u>60,516</u>	<u>82,134</u>

7. STOCKS

	1994 £	1993 £
Raw materials and consumables	257,753	227,736
Work-in-progress	25,436	4,434
Finished goods and goods for resale	50,479	61,473
	<u>333,668</u>	<u>293,643</u>



NOTES TO THE ACCOUNTS

Year ended 31 December 1994

8. DEBTORS

	1994 £	1993 £
Trade debtors	204,762	163,784
Amounts owed by fellow subsidiaries	11,164	10,240
Other debtors	18,227	2,193
Prepayments and accrued income	43,257	24,666
	<u>277,410</u>	<u>200,883</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994 £	1993 £
Trade creditors	73,270	22,343
Amounts owed to group companies	1,035,910	801,870
Taxation and social security	20,180	14,644
Accruals and deferred income	18,451	57,808
	<u>1,147,811</u>	<u>896,665</u>

10. PROVISIONS FOR LIABILITIES AND CHARGES

	1994 £	1993 £
Provision for future repairs	-	1,750

11. CALLED UP SHARE CAPITAL

	1994 £	1993 £
Authorised, allotted and fully paid: 9,000 ordinary shares of £1 each	9,000	9,000

12. PROFIT AND LOSS ACCOUNT

	£
At 1 January 1994	(322,359)
Retained loss for the year	(106,361)
At 31 December 1994	<u>(428,720)</u>

13. CONTINGENT LIABILITIES

Companies within the group have granted their bankers an omnibus right of set off within the group up to a maximum of £1,000,000.

NOTES TO THE ACCOUNTS
Year ended 31 December 1994

14. OPERATING LEASE COMMITMENTS

At 31 December 1994 the group was committed to making the following payments during the next year in respect of operating leases:

	Land and Buildings £
Leases which expire After five years	<u>46,656</u>

15. CASH FLOW STATEMENT

The company is not presenting a cash flow statement. It has taken advantage of the exemption in FRS1 as the parent company, Chanel Limited, has included a consolidated cash flow statement with its own consolidated financial statements.

16. ULTIMATE PARENT COMPANY

The directors regard the company's ultimate parent company to be Chanel Limited, a company incorporated in the Cayman Islands. Chanel Limited, a company registered in England and Wales, is the parent company of the largest group which includes the company and for which group accounts are prepared. Copies of the group financial statements of Chanel Limited are available from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.