

**DISTINCTIVE CLOTHING COMPANY LIMITED**

6704 38

**DIRECTORS:**

D F Goldwater (Chairman)  
A Coulter

**SECRETARY:**

A Coulter

**REGISTERED OFFICE:**

Marmair House  
Industry Road  
Newcastle upon Tyne  
NE6 5XB

**AUDITORS:**

Neville Russell  
24 Bevis Marks  
LONDON  
EC3A 7NR

**BANKERS:**

Barclays Bank PLC  
Pall Mall Corporate Banking Group  
PO Box No 15162  
50 Pall Mall  
LONDON SW1A 1QB



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COMPANIES HOUSE 09/10/98

COMPANIES HOUSE 26/09/98

**DIRECTORS' REPORT**

The directors present their report and financial statements for the 8 month period ended 31 December 1997.

**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; 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 maintaining 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.

**ACTIVITIES**

The principal activity of the company is the manufacture of children's clothing. The company's results for the year ended at 31 December 1997 are shown in the attached financial statements. The company changed its accounting reference date to 31 December to comply with SEET plc's new accounting reference date. The reported profit is based on eight months ended 31 December 1997 and the comparatives are for seven months ended 30 April 1997.

**DIVIDENDS**

The directors do not recommend the payment of a final dividend for the period ended 31 December 1997.

**DIRECTORS**

The directors set out below have held office during the whole of the period from 1 May 1997 to the date of this report and their beneficial interests in the shares of the ultimate holding company, SEET plc, were as follows:

	Ordinary shares of 20p each	
	31 December 1997 Number	1 May 1997 Number
D F Goldwater	500,000	-
A Coulter	500,000	-

DIRECTORS' REPORT (continued)

AUDITORS

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

Approved by the Board on 1 June 1998  
and signed on its behalf by

DAVID GOLDWATER

Director

A handwritten signature in black ink, appearing to read 'D Goldwater', with a long horizontal flourish extending to the right.

## AUDITORS' REPORT TO THE SHAREHOLDERS OF

### DISTINCTIVE CLOTHING COMPANY LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared following the accounting policies set out on pages 7 and 8.

#### 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.

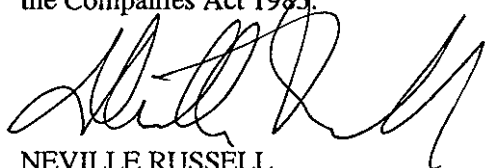
#### Basis of opinion

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 judgments 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 1997 of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



NEVILLE RUSSELL  
CHARTERED ACCOUNTANTS  
and Registered Auditors

London

1 June 1998

## PROFIT AND LOSS ACCOUNT

For the 8 month period ended 31 December 1997

	Notes	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
TURNOVER	2	2,434,250	1,378,436
Change in stocks of finished goods and work in progress		(258,034)	365,676
		2,176,216	1,744,112
Raw materials and consumables		(696,374)	(761,144)
Other external charges		(248,075)	(168,544)
		(944,449)	(929,688)
Staff costs	5	(699,947)	(622,215)
Depreciation (less R D G release)		(22,472)	(15,985)
Trading expenses		(184,685)	(127,259)
Other operating income/(expense)		1,862	(8,302)
		(905,242)	(773,761)
OPERATING PROFIT	3	326,525	40,663
Interest payable	4	(10,550)	(7,940)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		315,975	32,723
Tax on profit on ordinary activities	7	(7,000)	22,509
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		308,975	55,232
Dividends	8	-	7,650
RETAINED PROFIT FOR THE PERIOD	16, 17	£308,975	£47,582

There are no recognised gains or losses for the period other than the profit for the 8 months to 31 December 1997.

The results for the period shown above all derived from continuing operations.

## NOTE OF HISTORICAL PROFITS

For the 8 month period ended 31 December 1997

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
Reported profit on ordinary activities before taxation	315,975	32,723
Difference between an historical cost depreciation charge and the actual depreciation charge for the period	<u>2,925</u>	<u>3,010</u>
Historical cost profit on ordinary activities before taxation	<u>£318,900</u>	<u>£35,733</u>
Historical cost retained profit for the period	<u>£311,900</u>	<u>£44,575</u>

## DISTINCTIVE CLOTHING COMPANY LIMITED

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## BALANCE SHEET as at 31 December 1997

		31 December 1997		30 April 1997	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	9		467,012		485,731
CURRENT ASSETS					
Stocks	10	622,475		880,509	
Debtors	11	534,581		834,417	
Cash at bank and in hand		209,116		12	
		<u>1,366,172</u>		<u>1,714,938</u>	
CREDITORS: AMOUNTS DUE WITHIN ONE YEAR	12	<u>322,654</u>		<u>982,745</u>	
NET CURRENT ASSETS			<u>1,043,518</u>		<u>732,193</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,510,530		1,217,924
CREDITORS: AMOUNTS DUE AFTER ONE YEAR	13	33,232		49,601	
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>10,889</u>		<u>10,889</u>	
			<u>(44,121)</u>		<u>(60,490)</u>
NET ASSETS			<u>£1,466,409</u>		<u>£1,157,434</u>
CAPITAL AND RESERVES					
Called up share capital	15		15,000		15,000
Revaluation reserve	16		270,501		273,426
Profit and loss account	16		<u>1,180,908</u>		<u>869,008</u>
SHAREHOLDERS' FUNDS	17		<u>£1,466,409</u>		<u>£1,157,434</u>

Approved by the Board on 1 June 1998  
and signed on its behalf by:

DAVID GOLDWATER

Director



## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997

## 1 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the company's financial statements.

**(a) Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings.

During the year, the company changed the format of the profit and loss account from format 1 to format 2.

**(b) Tangible fixed assets and depreciation**

Fixed assets are stated at cost or valuation less accumulated depreciation, except for freehold land on which no depreciation is charged.

Depreciation is provided at rates calculated to write down the assets to their estimated residual values over the course of their anticipated working lives.

The rates of depreciation used on the reducing balance/straight line method are as follows:

Freehold buildings	-	2% straight line
Plant and machinery	-	20% reducing balance
Fixtures and fittings	-	10% reducing balance
Computer	-	33.3% reducing balance
Motor vehicles	-	25% reducing balance

**(c) Regional development grants**

Regional development grants received in relation to fixed assets are amortised against depreciation as follows:

Plant and machinery	-	20% reducing balance
Fixtures and fittings	-	10% reducing balance

This period £1,050 (30 April 1997: £1,034) was reclaimed against depreciation.

**(d) Stock and work in progress**

Stocks of raw materials and finished goods are stated at the lower of cost and net realisable value. Work in progress is stated at cost of labour, material and appropriate overheads.

**(e) Deferred tax**

Deferred taxation is accounted for on the liability method in respect of the tax reduction arising from timing differences, except where it is expected with reasonable probability that they will continue for the foreseeable future.

**(f) Foreign currencies**

Transactions of the company denominated in foreign currencies are translated into Sterling at the rates ruling at the dates of the transaction. Any resulting gains or losses are charged to the profit and loss account in the period to which they relate.



## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 1 ACCOUNTING POLICIES (continued)

## (g) Leasing and hire purchase commitments

Assets held under finance leases and the related lease obligation are included at the fair value of the leased asset at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

## (h) Pension costs

The company makes contributions to directors' personal pension plans. Pension costs for the period amounted to £2,800 (period ending 30 April 1997: £2,276). No contributions were outstanding at the balance sheet date.

## (i) Cash flow statement

The company is exempt from the requirement to produce a cash flow statement as it is a wholly-owned subsidiary of an EC company that prepares a cash flow statement.

## 2 SEGMENTAL INFORMATION

	Turnover	
	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
United Kingdom	2,060,948	1,198,386
Eire	38,828	83,173
Rest of Europe	334,474	81,385
Other	-	15,492
	<u>£2,434,250</u>	<u>£1,378,436</u>

## 3 OPERATING PROFIT

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
Operating profit is stated after charging/(crediting)		
Directors' emoluments (note 6)	69,942	59,757
Depreciation	23,520	17,019
Foreign exchange profits	(85)	(10,394)
Auditors' remuneration	9,000	9,000
	<u>          </u>	<u>          </u>

## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 4 INTEREST PAYABLE AND SIMILAR CHARGES

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
Bank loans, overdrafts and other loans repayable within five years not by instalments	9,238	6,792
Finance leases and hire purchase obligations terminating within five years	<u>1,312</u>	<u>1,148</u>
	<u>£10,550</u>	<u>£7,940</u>

## 5 STAFF COSTS

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
Wages and salaries	647,556	577,409
Social security costs	49,591	42,530
Other pension costs	<u>2,800</u>	<u>2,276</u>
	<u>£699,947</u>	<u>£622,215</u>

The average number of persons employed by the company, including executive directors, during the period was:

	8 months ended 31 December 1997	7 months ended 30 April 1997
Sales and distribution	3	3
Office, administration and management	7	7
Production	<u>90</u>	<u>92</u>
	<u>100</u>	<u>102</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 6 DIRECTORS

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
Directors' emoluments amounted to:		
Remuneration as executives	59,400	50,750
Pensions	2,800	2,276
Taxable benefits	7,742	6,731
	<u>          </u>	<u>          </u>
Total charged in arriving at operating profit	£69,942	£59,757
	<u>          </u>	<u>          </u>
The emoluments of the directors disclosed above include the following amounts paid to the highest paid director:		
Emoluments	£41,142	£35,265
	<u>          </u>	<u>          </u>

## 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
UK corporation tax at 21% (1996: 24%)	7,000	9,000
Transfer to deferred tax	-	3,190
	<u>          </u>	<u>          </u>
	7,000	12,190
Prior year adjustment – corporation tax	-	(34,699)
	<u>          </u>	<u>          </u>
	£7,000	£(22,509)
	<u>          </u>	<u>          </u>

The overprovision in respect of prior years is due to group relief made available from the ultimate parent company, SEET plc.

## 8 DIVIDENDS

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
Paid: Interim of Nil per share (30 April 1997: £0.51)	-	£7,650
	<u>          </u>	<u>          </u>

## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Computer £	Motor vehicles £	Total £
COST AND VALUATION						
At 1 May 1997	365,000	348,074	61,254	32,186	38,265	844,779
Additions	-	4,000	1,148	2,325	-	7,473
Disposals	-	20,447	-	-	-	20,447
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	365,000	331,627	62,402	34,511	38,265	831,805
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
DEPRECIATION						
At 1 May 1997	33,287	250,225	27,127	28,532	19,877	359,048
Charge for the period	4,200	12,957	2,328	971	3,064	23,520
Disposals	-	17,775	-	-	-	17,775
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	37,487	245,407	29,455	29,503	22,941	364,793
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
NET BOOK VALUE						
At 31 December 1997	<u>£327,513</u>	<u>£86,220</u>	<u>£32,947</u>	<u>£5,008</u>	<u>£15,324</u>	<u>£467,012</u>
At 30 April 1997	<u>£331,713</u>	<u>£97,849</u>	<u>£34,127</u>	<u>£3,654</u>	<u>£18,388</u>	<u>£485,731</u>

Motor vehicles are held under finance leases and hire purchase contracts.

## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 9 TANGIBLE FIXED ASSETS (continued)

	Freehold 31 December 1997 £	Freehold 30 April 1997 £
The cost or valuation figure for land and buildings includes:		
Valuation made in 1992	219,345	219,345
Stated at historical cost	145,655	145,655
	<u>£365,000</u>	<u>£365,000</u>

The valuation of freehold property was made on the best estimate of the directors.

The amount of land and buildings as determined to the historical cost accounting rules is:

	31 December 1997 £	30 April 1997 £
Cost	145,655	145,655
Depreciation	93,376	89,936
	<u>£52,279</u>	<u>£55,719</u>

The net book values of land and buildings comprise:

Freehold land	50,000	50,000
Freehold buildings	277,513	281,713
	<u>£327,513</u>	<u>£331,713</u>

## 10 STOCKS

	31 December 1997 £	30 April 1997 £
Raw materials and consumables	225,227	394,588
Work in progress	107,125	158,876
Finished goods and goods for resale	290,123	327,045
	<u>£622,475</u>	<u>£880,509</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 11 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 1997 £	30 April 1997 £
Trade debtors	298,717	657,407
Amount owed by parent undertaking	184,797	164,408
Other debtors	17,378	-
Prepayments and accrued income	33,689	12,602
	<u>£534,581</u>	<u>£834,417</u>

## 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 1997 £	30 April 1997 £
Obligations under finance leases and hire purchase contracts	4,381	7,868
Bank overdraft	-	400,931
Trade creditors	167,445	381,231
Amounts owed to group undertaking	50,000	-
Corporation tax	11,130	35,000
Other taxes and social security	24,817	26,197
Accruals and deferred income	64,881	131,518
	<u>£322,654</u>	<u>£982,745</u>

## 13 CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	31 December 1997 £	30 April 1997 £
Trade creditors	27,160	42,680
Deferred income	6,072	6,921
	<u>£33,232</u>	<u>£49,601</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 14 PROVISIONS FOR LIABILITIES AND CHARGES

## Deferred taxation

	Provided
31 December	30 April
1997	1997
£	£

The balance at 30 April 1997 is made up as follows:

Timing difference:

Accelerated capital allowances	£10,889	£10,889
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A revaluation surplus of £270,501 is not regarded as giving rise to a timing difference and consequently the associated deferred tax has not been quantified.

The full potential liability on accelerated capital allowances is £34,728, (30 April 1997: £10,889).

## 15 CALLED UP SHARE CAPITAL

	31 December	30 April
	1997	1997
	£	£
Authorised, allotted, called up and fully paid: 5,000 'A' ordinary shares of £1 each	5,000	5,000
Authorised, allotted, called up and fully paid: 10,000 ordinary shares of £1 each	10,000	10,000
	<u>£15,000</u>	<u>£15,000</u>

## 16 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 May 1997	273,426	869,008
Profit for the period	-	308,975
Transfer from revaluation reserve to profit and loss account	(2,925)	2,925
	<u>£270,501</u>	<u>£1,180,908</u>
At 31 December 1997		

## NOTES TO THE FINANCIAL STATEMENTS

For the 8 month period ended 31 December 1997 (continued)

## 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	8 months ended 31 December 1997 £	7 months ended 30 April 1997 £
Profit for the financial period	308,975	55,232
Dividends	-	7,650
	<hr/>	<hr/>
Net increase to shareholders' funds	308,975	47,582
Opening shareholders' funds	1,157,434	1,109,852
	<hr/>	<hr/>
Closing shareholders' funds	<u>£1,466,409</u>	<u>£1,157,434</u>

## 18 CONTINGENT LIABILITIES

The company has entered into a cross guarantee dated 4 September 1997 in respect of all group borrowings with other group companies. The total amount of this liability at 31 December 1997 is £2,215,020.

## 19 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Marmair Holdings Limited, a company registered in England and Wales. The directors regard SEET plc, registered in Scotland, as the company's ultimate controlling party.

## 20. RELATED PARTIES

The company has taken advantage of the exemption contained in Financial Reporting Standard 8 from disclosing transactions with other group companies or with related parties in which the group has an investment.



# DISTINCTIVE CLOTHING COMPANY LIMITED

## DETAILED PROFIT AND LOSS ACCOUNT For the 8 month period ended 31 December 1997

	8 months ended 31 December 1997		7 months ended 30 April 1997	
	£	£	£	£
TURNOVER		2,434,250		1,378,436
COST OF SALES				
Opening stock	880,509		514,833	
Purchase and labour costs	1,234,178		1,254,222	
Closing stock	(622,475)		(880,509)	
		1,492,212		888,546
		942,038		489,890
DISTRIBUTION COSTS				
Advertising, gifts and entertainment	4,652		14,357	
Travelling	9,826		13,897	
Bad debts	11,265		2,208	
Carriages	50,658		32,661	
Packaging	12,293		6,560	
Discounts allowed	45,650		24,881	
Commission	124,098		42,563	
Consultancy	-		31,417	
		258,442		168,544
ADMINISTRATION EXPENSES				
Administration salaries and wages	68,984		54,946	
Stationery, postage and telephone	12,999		17,949	
Audit and accountancy	10,108		10,880	
Motor expenses	12,303		10,558	
Bank charges	2,945		3,531	
Directors' pension contributions	2,800		2,276	
Directors' emoluments	65,340		55,913	
General expenses	15,171		17,870	
Depreciation (less RDG release)	22,472		15,985	
Cleaning	8,689		7,725	
Repairs and renewals	37,366		28,281	
Rent and rates	15,016		11,666	
Insurance	9,414		7,560	
Heat and lighting	14,397		16,926	
Computer maintenance	7,890		7,502	
Keyman life assurance	3,039		2,813	
Loss on exchange	-		10,394	
Management charge	50,000		-	
		358,933		282,775
		324,663		38,571
OTHER OPERATING INCOME				
Discounts received	501		2,152	
Loss on exchange	(85)		-	
Investment income	1,521		-	
Loss on sale of fixed assets	(75)		(60)	
		1,862		2,092
OPERATING PROFIT		326,525		40,663
Interest payable and similar charges		10,550		7,940
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		£315,975		£32,723