

DISTINCTIVE CLOTHING COMPANY LIMITED

Company number: 670438

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1999

MAZARS NEVILLE RUSSELL
Chartered Accountants
24 Bevis Marks
LONDON EC3A 7NR



DISTINCTIVE CLOTHING COMPANY LIMITED

DIRECTORS: D F Goldwater
T P Anderson
A Coulter
P. McDonald
A Milor
K C Scates

SECRETARY: A Coulter

REGISTERED OFFICE: Marnair House
Industry Road
Newcastle Upon Tyne
NE6 5XB

AUDITORS: Mazars 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

CONTENTS	Page
Directors' Report	1-2
Auditors' Report	3
Profit and Loss Account	4
Statement of total recognised gains and losses	5
Notes of historical profits	5
Balance Sheet	6
Notes to the Financial Statements	7-14

DISTINCTIVE CLOTHING COMPANY LIMITED

1

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 December 1999.

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
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company is the manufacture of children's clothing. The company's results for the year ended 31 December 1999 are shown in the attached financial statements.

FUTURE DEVELOPMENTS

The directors are continually looking at ways to improve the level or scope of the company's operation and in particular are considering the development and expansion of export trade.

DIVIDENDS

The directors do not recommend the payment of any dividend on the 'A' Ordinary shares for the year ended 31 December 1999.

The directors recommend the payment of a dividend of £50.00 per Ordinary share on the 19th April 2000 for the year ended 31 December 1999 and the periods since the acquisition of the company by SEET Plc.

DIRECTORS

The directors set out below have held office during the whole of the period from 1 January 1999 to the date of this report.

D F Goldwater	
T P Anderson	
A Coulter	
P McDonald	(Appointed 15th March 1999)
A Milor	
K C Scates	

DISTINCTIVE CLOTHING COMPANY LIMITED

2

DIRECTORS' REPORT (continued)

SHARE INTERESTS

None of the directors have any interest in the shares of the company.

The directors who are not directors of the holding company have the following shareholdings in SEET plc., the ultimate holding company.

	Ordinary shares of 20p each	
	31 December 1999 Number	1st January 1999 Number
D F Goldwater	195,000	379,999
A Coulter	350,000	500,000

YEAR 2000

A Year 2000 planning programme has been in operation since 1997. The company completed its Year 2000 assessment, testing and contingency planning programme well before the end of 1999. Action was taken to either rectify or replace equipment or software which was not Year 2000 compliant. Capital expenditure of £20,896 was incurred to ensure all systems were Year 2000 compliant. No problems arose with our computer systems or equipment with embedded processors over the millennium weekend and no disruption to the supply chain has been experienced due to Year 2000 problems. The directors shall, however, continue to monitor the situation.

AUDITORS

Mazars Neville Russell and have signified their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board on 5th April 2000
and signed on its behalf by



A. Coulter
Secretary

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
DISTINCTIVE CLOTHING COMPANY LIMITED**

3

We have audited the financial statements on pages 4 to 14 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 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

London

5th April 2000

DISTINCTIVE CLOTHING COMPANY LIMITED

4

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1999

	Notes	£	1999 £	1998 £
TURNOVER	2		3,104,286	3,217,769
Change in stocks of finished goods and work in progress			<u>1,557</u>	(<u>59,484</u>)
			3,105,843	3,158,285
Raw materials and consumables		(1,164,121)		(1,232,059)
Other external charges		(<u>300,820</u>)		(<u>329,616</u>)
			(1,464,941)	(1,561,675)
Staff costs	5	(1,102,125)		(1,070,828)
Depreciation		(45,072)		(38,788)
Trading expenses		(311,309)		(291,580)
Other operating (expenses)/income		(<u>5,102</u>)		<u>5,443</u>
			(<u>1,463,608</u>)	(<u>1,395,753</u>)
OPERATING PROFIT	3		177,294	200,857
Interest payable	4		(<u>4,591</u>)	(<u>13,154</u>)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			172,703	187,703
Tax on profit on ordinary activities	7		(<u>6,896</u>)	(<u>41,838</u>)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			165,807	145,865
Dividend			500,000	-
RETAINED (LOSS)/PROFIT FOR THE YEAR	15,16		(<u>334,193</u>)	<u>145,865</u>

There are no recognised gains or losses other than the profit for the year.

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

DISTINCTIVE CLOTHING COMPANY LIMITED

5

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 1999

	1999 £	1998 £
(Loss)/Profit for the financial year	(334,193)	145,865
Unrealised deficit on revaluation of freehold properties	<u>-</u>	(<u>40,000</u>)
Total recognised gains and losses relating to the year	<u>(334,193)</u>	<u>105,865</u>

NOTE OF HISTORICAL PROFITS

For the year ended 31 December 1999

	1999 £	1998 £
Reported profit on ordinary activities before taxation	172,703	187,703
Difference between a historical cost depreciation charge and the actual depreciation charge for the period	<u>3,600</u>	<u>5,150</u>
Historical cost profit on ordinary activities before taxation	<u>176,303</u>	<u>192,863</u>
Historical cost retained (loss)/profit for the period	<u>(337,793)</u>	<u>151,025</u>

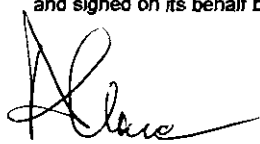
DISTINCTIVE CLOTHING COMPANY LIMITED

6

BALANCE SHEET as at 31 December 1999

		1999		1998	
	Notes	£	£	£	£
ASSETS EMPLOYED					
FIXED ASSETS					
Tangible assets	8		441,291		423,083
CURRENT ASSETS					
Stocks	9	564,548		562,991	
Debtors	10	545,539		564,841	
Cash at bank and in hand		<u>591,683</u>		<u>443,999</u>	
		1,701,770		1,571,831	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>866,425</u>		<u>390,062</u>	
NET CURRENT ASSETS			<u>835,345</u>		<u>1,181,769</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			1,276,636		1,604,852
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	29,370		21,689	
PROVISIONS FOR LIABILITIES AND CHARGES	13	<u>9,185</u>		<u>10,889</u>	
		(38,555)		(32,578)	
NET ASSETS			<u>1,238,081</u>		<u>1,572,274</u>
CAPITAL AND RESERVES					
Called up share capital	14	15,000		15,000	
Revaluation reserve	15	221,741		225,341	
Profit and loss account	15	<u>1,001,340</u>		<u>1,331,933</u>	
SHAREHOLDERS' FUNDS	16		<u>1,238,081</u>		<u>1,572,274</u>

Approved by the Board on 5th April 2000
and signed on its behalf by:



D.F. Goldwater
Director



A. Coulter
Financial Director

DISTINCTIVE CLOTHING COMPANY LIMITED

7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 1999

1 ACCOUNTING POLICIES

The following accounting policies have been prepared in accordance with applicable accounting standards.

(a) Accounting convention

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain assets.

(b) Turnover

Turnover represents amounts invoiced, excluding value added tax, in respect of the sale of goods to customers.

(c) Tangible fixed assets and depreciation

No depreciation is provided on freehold land.

Provision for depreciation, mainly on a reducing balance basis, is charged to write off all other tangible fixed assets over their anticipated lives which are estimated to be:

Freehold buildings	-	50 years
Plant, machinery, equipment and vehicles	-	3 - 10 years

(d) Stock and work in progress

These are valued at the lower of cost and net realisable value. Cost of work in progress and finished goods includes materials, direct labour and production overheads. Net realisable value is based on estimated selling prices less distribution costs.

(e) Deferred tax

Deferred taxation is accounted for on the liability method in respect of all timing differences, except where they are not expected to reverse in the foreseeable future.

(f) Foreign currencies

Assets, liabilities and costs in foreign currencies are translated into sterling at rates of exchange ruling on the date on which transactions occur, except for:

i) trading transactions settled against forward contracts; and

ii) monetary assets and liabilities translated at exchange rates applicable at the balance sheet date.

Differences arising on the translation of such terms are dealt with in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999 (continued)

1 ACCOUNTING POLICIES (continued)

(g) Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

(h) Finance leases

Assets held under finance leases and related lease obligations are included at the fair value of the assets 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.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable, so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

(i) Pension costs

The company makes contributions to directors' personal pension plans. Contributions are charged to the profit and loss account in the period to which they relate and pension costs for the year amounted to £10,734 (1998:£4,420). No contributions were outstanding at the balance sheet date.

(j) 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

	1999 £	1998 £
United Kingdom	2,724,452	2,643,952
Eire	109,448	100,209
Rest of Europe	165,850	301,459
Other	104,536	172,149
	<u>3,104,286</u>	<u>3,217,769</u>

3 OPERATING PROFIT

	1999 £	1998 £
Operating profit is stated after charging/(crediting)		
Directors' emoluments (note 6)	200,616	148,140
Depreciation - assets owned	30,149	29,929
- assets leased	16,033	10,228
Foreign exchange profits	(5,514)	742)
Auditors remuneration	12,000	12,000
(Profit) /Loss on sale fixed assets	-	(5,560)
	<u></u>	<u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999 (continued)

4	INTEREST PAYABLE AND SIMILAR CHARGES	1999 £	1998 £
	Bank loans, overdrafts and other loans repayable within five years not by instalments	728	11,545
	Finance leases and hire purchase obligations terminating within five years	<u>3,863</u>	<u>1,609</u>
		<u>4,591</u>	<u>13,154</u>

5	STAFF COSTS	1999 £	1998 £
	Wages and salaries	1,013,152	990,659
	Social security costs	78,239	75,749
	Other pension costs	<u>10,734</u>	<u>4,420</u>
		<u>1,102,125</u>	<u>1,070,828</u>

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

	1999	1998
Sales and distribution	3	3
Office, administration and management	7	7
Production	<u>78</u>	<u>84</u>
	<u>88</u>	<u>94</u>

6	DIRECTORS	1999 £	1998 £
	Directors' emoluments amounted to:		
	Remuneration as executives	165,500	128,750
	Pensions	10,734	4,420
	Taxable benefits	<u>24,382</u>	<u>14,970</u>
		<u>200,616</u>	<u>148,140</u>

The emoluments of the directors disclosed above include the following amounts in respect of the highest paid director:

Emoluments	67,740	64,934
Pensions	<u>4,500</u>	<u>2,700</u>
	<u>72,240</u>	<u>67,634</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999(continued)

7

TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
UK corporation tax at 21.08% (1998: 31%)	8,600	41,838
Transfer from deferred tax	(1,704)	-
	<u>6,896</u>	<u>41,838</u>

8

TANGIBLE FIXED ASSETS

	Freehold properties £	Plant machinery equipment and vehicles £	Total £
COST AND VALUATION			
At 1 January 1999	325,000	479,772	804,772
Additions	-	64,390	64,390
	<u>325,000</u>	<u>544,162</u>	<u>869,162</u>
At 31 December 1999	325,000	544,162	869,162
DEPRECIATION			
At 1 January 1999	43,787	337,902	381,689
Charge for the period	5,500	40,682	46,182
	<u>49,287</u>	<u>378,584</u>	<u>427,871</u>
At 31 December 1999	49,287	378,584	427,871
NET BOOK VALUES			
At 31 December 1999	<u>275,713</u>	<u>165,578</u>	<u>441,291</u>
At 31 December 1998	<u>281,213</u>	<u>141,870</u>	<u>423,083</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999(continued)

8

TANGIBLE FIXED ASSETS(continued)

	1999 £	1998 £
The cost or valuation figure for land and buildings includes:		
Valuation made in 1992	219,345	219,345
Valuation made in 1998	(40,000)	(40,000)
Stated at historical cost	<u>145,655</u>	<u>145,655</u>
	325,000	325,000

Freehold property was revalued in February 1999 by Messrs Lamb & Edge, Chartered Surveyors on the basis on the open market value for existing use.

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

	1999 £	1998 £
Cost	145,655	145,655
Depreciation	(105,176)	(99,676)
Net book value	<u>40,479</u>	<u>45,979</u>

The net book values of land and buildings comprise:

Freehold land	50,000	50,000
Freehold buildings	<u>225,713</u>	<u>231,213</u>
	275,713	281,213

The net book values (N.B.V.) and related depreciation charge for the period in respect of assets held under finance leases and hire purchase contracts are as follows:

	N.B.V.		Depreciation	
	1999	1998	1999	1998
Motor vehicles	50,016	34,169	26,262	10,228

9

STOCKS

	1999 £	1998 £
Raw materials and consumables	254,742	233,322
Work in progress	129,972	105,268
Finished goods and goods for resale	<u>179,834</u>	<u>224,401</u>
	564,548	562,991

DISTINCTIVE CLOTHING COMPANY LIMITED

12

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999(continued)

10	DEBTORS:	1999 £	1998 £
	Trade debtors	269,229	326,076
	Amount owed by parent undertaking	221,258	193,717
	Other debtors	27,573	16,110
	Prepayments and accrued income	27,479	28,938
		<u>545,539</u>	<u>564,841</u>

Trade debtors include an amount of £5103 due from a fellow subsidiary undertaking.

11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1999 £	1998 £
	Obligations under finance leases and hire purchase contracts	19,684	5,959
	Trade creditors	165,144	162,100
	Amounts owed to group undertaking	74,248	61,840
	Corporation tax	(2,772)	47,461
	Other taxes and social security	21,774	19,703
	Proposed dividend	500,000	-
	Accruals and deferred income	88,347	92,999
		<u>866,425</u>	<u>390,062</u>

12	CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	1999 £	1998 £
	Trade creditors	-	3,880
	Obligations under finance leases and hire purchase contracts	25,306	12,846
	Deferred income	4,064	4,963
		<u>29,370</u>	<u>21,689</u>

DISTINCTIVE CLOTHING COMPANY LIMITED

13

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999(continued)

13 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

1999	1998
£	£

The balance at 31 December 1999 is made up as follows:

Timing difference:

Accelerated capital allowances	9,185	10,889
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A revaluation surplus of £221,741 is not regarded as giving rise to a timing difference and consequently the associated deferred tax has not been quantified.

14 CALLED UP SHARE CAPITAL

1999	1998
£	£

Authorised, allotted, called up and fully paid:
5,000 'A' ordinary shares of £1 each

5,000	5,000
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Authorised, allotted, called up and fully paid:
10,000 ordinary shares of £1 each

10,000	10,000
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15,000	15,000
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15 RESERVES

Revaluation reserve	Profit and loss account
£	£

At 1 January 1999

225,341	1,331,933
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Loss for the period

(334,193)

Transfer from revaluation reserve to profit and loss account

(3,600)	3,600
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At 31 December 1999

221,741	1,001,340
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DISTINCTIVE CLOTHING COMPANY LIMITED

14

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1999(continued)

16	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS		
		1999	1998
		£	£
	Profit for the financial year	165,807	145,865
	Dividend payable	(500,000)	-
	Revaluation of freehold properties	(-)	(40,000)
	Net (decrease)/increase to shareholders' funds	(334,193)	105,865
	Opening shareholders' funds	<u>1,572,274</u>	<u>1,466,409</u>
	Closing shareholders' funds	<u>1,238,081</u>	<u>1,572,274</u>
17	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 1999 is £2,860,925 (1998:£1,446,791)		
18	ULTIMATE HOLDING COMPANY		
	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 holding company.		
19	CAPITAL COMMITMENTS		
		1999	1998
		£	£
	Capital expenditure contracted for but not provided for in the financial statements	-	16,038
20	FINANCIAL COMMITMENTS		
	At 31 December 1999 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2000:		
		1999	1998
		£	£
	Operating leases which expire: within 2 to 5 years	-	14,474
21	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.		