

MONSOON HOLDINGS LIMITED

FINANCIAL STATEMENTS

AS AT

25 MAY 1996



MONSOON HOLDINGS LIMITED

DIRECTORS

P M Simon  
P Harris  
A J May  
J S F Spooner  
G Searle

SECRETARY

A J May

JOINT AUDITORS

MacIntyre & Co  
28 Ely Place  
London  
EC1N 6RL

KPMG  
1 Waterloo Way  
Leicester  
LE1 6LP

BANKERS

National Westminster Bank Plc  
Mayfair Branch  
18A Curzon Street  
London  
W1A 4ND

REGISTERED OFFICE

87 Lancaster Road  
London  
W11 1QQ

MONSOON HOLDINGS LIMITED

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## MONSOON HOLDINGS LIMITED

## REPORT OF THE DIRECTORS

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

The directors present herewith their annual report together with the audited financial statements for the financial year ended 25 May 1996.

## PRINCIPAL ACTIVITY

The principal activity of the group continues to be the sale of ladies' clothing and accessories,

## BUSINESS REVIEW

The group had a very successful year and its financial position is considered strong. The group intends to open additional retail units during the course of the next financial year using internally generated funds.

The results for the financial year are shown in the consolidated profit and loss account.

## DIVIDEND

The company paid an interim dividend of £11,974,400 (£128.00 per share) during the financial year (1995 £3,722,800 - £39.7948 per share) and proposes no final dividend (1995: £467,750 - £5.00 per share).

## FIXED ASSETS

Fixed asset movements are shown in notes 11 and 12 of the notes to the financial statements.

## DIRECTORS

The directors who served during the financial year and their beneficial interests in the share capital of the company were as follows:-

	Ordinary shares	
	<u>25.5.96</u>	<u>27.5.95</u>
P M Simon	27,405	27,405
A D Simon (non executive, resigned 24 May 1996)	-	-
A J May	1,535	1,535
J S F Spooner	1,535	1,535
R F Randon (non executive, resigned 24 May 1996)	-	-
P Harris (non executive, appointed 2 February 1996)	-	-
G Searle (non-executive, appointed 10 June 1996)	-	-

## SECRETARY

On 21 May 1996, P M Simon resigned as secretary and A J May was appointed in his place.

MONSOON HOLDINGS LIMITED

REPORT OF THE DIRECTORS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

CHARITABLE DONATIONS

During the year the group made charitable donations totalling £15,876 (1995: £6,887).

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 group and company and of the profit or loss 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EMPLOYEE MATTERS

Employee involvement in the group's success and profitability is encouraged through various sales and profit related incentive schemes.

Employees are encouraged to involve themselves in all aspects of the group's activities.

It is the group's policy to give full and fair consideration to suitable applications for employment by disabled persons and, so far as particular disabilities permit, to give continued employment to any existing employee who becomes disabled.

AUDITORS

During the year KPMG were appointed as joint auditors to the company. A resolution will be submitted to the Annual General Meeting to re-appoint Messrs MacIntyre & Co and KPMG as joint auditors to the company.

By Order of the Board

  
A J May  
Secretary

87 Lancaster Road  
London  
W11 1QQ

20th March 1997

REPORT OF THE AUDITORS TO THE MEMBERS OF  
MONSOON HOLDINGS LIMITED  
FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

We have audited the financial statements on pages 4 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 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 affairs of the group and the company as at 25 May 1996 and of the profit of the group for the financial year then ended and have been properly prepared in accordance with the Companies Act 1985.

*MacIntyre & Co.*

MacIntyre & Co  
Chartered Accountants  
Registered Auditors

28 Ely Place  
London  
EC1N 6RL

20th March 1997

*KPMG*

KPMG  
Chartered Accountants  
Registered Auditors

1 Waterloo Way  
Leicester  
LE1 6LP

20th March 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

	Notes	1996 £	1995 £
Turnover	2	79,559,604	62,070,432
Cost of sales		(26,140,313)	(21,380,847)
Gross profit		<u>53,419,291</u>	<u>40,689,585</u>
Administrative expenses		(36,163,043)	(28,797,021)
Other operating income	4	322,408	343,894
Operating profit	5	<u>17,578,656</u>	<u>12,236,458</u>
Interest receivable and similar income	6	1,025,946	682,579
(Diminution)/appreciation in value of investments		(7,775)	39,144
Interest payable and similar charges	7	(6,496)	(20,561)
Profit on ordinary activities before taxation		<u>18,590,331</u>	<u>12,937,620</u>
Tax on profit on ordinary activities	9	(6,193,572)	(4,028,441)
Profit on ordinary activities after taxation		<u>12,396,759</u>	<u>8,909,179</u>
Dividends	10	(11,974,400)	(4,190,550)
RETAINED PROFIT FOR THE FINANCIAL YEAR	21	<u>422,359</u>	<u>4,718,629</u>

The attached notes form part of these financial statements.

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	1996 £	1995 £ (Restated)
Profit attributable to members of the the parent company	12,396,759	8,909,179
Currency translation adjustments	214,416	(179,395)
Total recognised gains and losses relating to the financial year	<u>12,611,175</u>	<u>8,729,784</u>

The figures in respect of 1995 have been restated to take account of the currency translation adjustment.

## RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group £	1996 Company £	Group £	1995 Company £
Total recognised gains and losses relating to the financial year	12,611,175	20,439,398	8,729,784	6,212,594
Dividends	(11,974,400)	(11,974,400)	(4,190,550)	(4,190,550)
New share capital subscribed	-	-	32,160	32,160
Net addition to shareholders' funds	<u>636,775</u>	<u>8,464,998</u>	<u>4,571,394</u>	<u>2,054,204</u>
Opening shareholders' funds	16,106,189	2,130,556	11,534,795	76,352
Closing shareholders' funds	<u>16,742,964</u>	<u>10,595,554</u>	<u>16,106,189</u>	<u>2,130,556</u>



## CONSOLIDATED BALANCE SHEET

	Notes	£	25 May 1996 £	£	27 May 1995 £	£
FIXED ASSETS						
Tangible assets	11		11,856,944		8,339,091	
Investments	12		34,000		31,775	
			<u>11,890,944</u>		<u>8,370,866</u>	
CURRENT ASSETS						
Stock	13	7,901,327		5,005,305		
Debtors	14	4,202,540		2,446,338		
Investments	15	2,293,794		8,316,841		
Cash at bank and in hand		7,566,209		4,854,733		
		<u>21,963,870</u>		<u>20,623,217</u>		
CREDITORS						
Amounts falling due within one year	16	(16,715,850)		(12,722,831)		
NET CURRENT ASSETS			<u>5,248,020</u>		<u>7,900,386</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>17,138,964</u>		<u>16,271,252</u>	
Provisions for liabilities and charges	17		(396,000)		(165,063)	
NET ASSETS			<u>16,742,964</u>		<u>16,106,189</u>	
CAPITAL AND RESERVES						
Called-up share capital	18		9,355		9,355	
Share premium account	19		77,855		77,855	
Capital reserve	20		618,659		618,659	
Profit and loss account	21		16,037,095		15,400,320	
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>16,742,964</u>		<u>16,106,189</u>	

  
..... P M Simon (Director)

  
..... A J May (Secretary)

The accounts were approved by the Board of Directors on 20th March 1997.

The attached notes form part of these financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

	Notes	£	1996 £	£	Restated 1995 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	28		16,921,577		12,852,028
<b>Returns on investments and servicing of finance</b>					
Interest received		368,015		260,088	
Income received from current asset investments		179,549		369,480	
Interest paid		(6,496)		(20,561)	
Dividends paid		(12,442,150)		(3,722,800)	
			(11,901,082)		(3,113,793)
<b>Taxation</b>					
Corporation tax paid			(4,018,759)		(2,823,435)
<b>Investing Activities</b>					
Payments to acquire tangible fixed assets		(5,201,262)		(3,506,089)	
Receipts from sale of tangible fixed assets		42,897		65,514	
Payments to terminate lease agreements		(65,000)		-	
Payments to acquire investments		(8,530,000)		(8,298,000)	
Receipts from sale of investments		15,136,115		7,418,661	
			1,382,750		(4,319,914)
<b>Financing</b>					
Issue of Ordinary share capital		-		32,160	
			-		32,160
Increase in cash and cash equivalents	30		2,384,486		2,627,046

The attached notes form part of these financial statements.

## Reason for Restatement

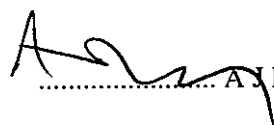
The cashflow statement has been restated to reflect movements in current asset investments as investing activities as opposed to movements in cash equivalents.

## BALANCE SHEET

	Notes	£	25 May 1996 £	£	27 May 1995 £
FIXED ASSETS					
Investments	12		18,779		822
			<u>18,779</u>		<u>822</u>
CURRENT ASSETS					
Debtors	14	14,640,983		3,725,742	
		<u>14,640,983</u>		<u>3,725,742</u>	
CREDITORS:					
Amounts falling due within one year	16	(4,064,208)		(1,596,008)	
NET CURRENT ASSETS			10,576,775		2,129,734
NET ASSETS			<u>10,595,554</u>		<u>2,130,556</u>
CAPITAL AND RESERVES					
Called-up share capital	18		9,355		9,355
Share premium account	19		77,855		77,855
Profit and loss account	21		10,508,344		2,043,346
TOTAL EQUITY SHAREHOLDERS' FUNDS			<u>10,595,554</u>		<u>2,130,556</u>



P-M Simon (Director)



A J May (Secretary)

The accounts were approved by the Board of Directors on 20th March 1997.

The attached notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

## a) Basis of Accounting

These accounts have been prepared under the historical cost convention.

## b) Consolidation

- i) The consolidated accounts incorporate the accounts of Monsoon Holdings Limited, and all of its subsidiary undertakings. The accounts of all group undertakings are made up annually to the last Saturday in May, resulting in an accounting period of 52 weeks (1995: 52 weeks), with the exception of Monsoon Accessorize APS which is required to have accounts produced to 31 May.
- ii) The subsidiary undertakings, which are listed in note 12, are consolidated using the principles of acquisition accounting. Under these principles, any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to a capital reserve.
- iii) In accordance with the exemptions allowed by Section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the company only has not been presented.
- iv) On consolidation, balance sheet items and profits and losses of overseas subsidiaries are translated into sterling at the year end rates of exchange. Exchange differences arising on consolidation are recorded as movements on reserves.

## c) Depreciation

## i) Leasehold Premises

Monsoon Limited, the company's principal subsidiary undertaking, operates from certain leasehold premises under licences from Monsoon Holdings Limited. Monsoon Limited bears all the costs of leasehold improvements and pays all rentals and lease premiums due to the head lessor.

Monsoon Limited capitalises all expenditure on lease premiums and leasehold improvements and depreciates them on a straight line basis over the terms of the leases held by Monsoon Holdings Limited.

Rent free periods and reverse premiums received and receivable as incentives to sign leases are spread on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.

## ii) Motor Vehicles

Depreciation of motor vehicles is calculated on a reducing balance basis at 25% per annum.

## iii) Fixtures and Fittings

Depreciation of fixtures and fittings is calculated on a reducing balance basis at 15% per annum.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## iv) Computer Equipment

Depreciation is provided on computer hardware on a straight line basis calculated to write off the cost of the equipment over periods of up to five years.

## d) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling on the date of the transactions. All profits and losses on exchange are dealt with in the profit and loss account.

## e) Investment Income

Income from investments is included, together with the related tax credit in the consolidated profit and loss account on an accruals basis.

## f) Deferred Taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences other than those which are expected with reasonable probability to continue in the foreseeable future.

Where there is no intention to distribute the profit of overseas subsidiary undertakings, no deferred tax is provided in respect of liabilities which might arise on distributions by these companies.

## g) Stock

Stock is valued at the lower of cost and net realisable value.

## h) Current Asset Investments

Current asset investments are valued at the lower of cost and net market value.

## i) Fixed Asset Investments

Fixed asset investments are shown at the lower of amortised cost and market value .

## j) Operating Leases

The group's principal leased assets are properties acquired under operating leases. The cost of such leases is charged to operating profit in the period to which it relates.

## k) Cash and Cash Equivalents

It is the policy of the group, where there are surplus funds, to invest these in stocks and bonds. Investments are made with regard to minimising the additional risks incurred. Such investments do not fall within the definition of cash equivalents and are hence shown as investing activities in the cash flow statements.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 2. TURNOVER

Turnover represents the total amount receivable by the group from external customers in respect of goods provided during the financial year, excluding Value Added Tax and its overseas equivalents.

In the opinion of the directors, the group operates only one class of business, being the sale of ladies' clothing and accessories. The analysis of turnover by destination by type of retail format is as follows:-

	1996			1995		
	UK & Ireland £	Rest of World £	Total £	UK & Ireland £	Rest of World £	Total £
Monsoon	56,721,454	2,857,717	59,579,171	46,745,066	1,567,278	48,312,344
Accessorize	18,760,773	191,475	18,952,248	12,267,910	142,502	12,410,412
Other	1,028,185	-	1,028,185	1,347,676	-	1,347,676
	<u>76,510,412</u>	<u>3,049,192</u>	<u>79,559,604</u>	<u>60,360,652</u>	<u>1,709,780</u>	<u>62,070,432</u>

Analyses of the group's turnover, operating profit and net assets by geographical origin are not produced as, by origin, substantially all operations emanate from the UK.

## 3. STAFF NUMBERS AND COSTS

The average number of persons employed on a full-time equivalent basis by the group (including directors) during the financial year was as follows:-

	1996 No.	1995 No.
Retail and distribution	1,113	868
Design and buying	16	13
Administration	128	109
	<u>1,257</u>	<u>990</u>

Aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	13,953,915	11,186,468
Social Security costs	1,123,370	929,924
Pension costs	172,790	145,580
	<u>15,250,075</u>	<u>12,261,972</u>

## 4. OTHER OPERATING INCOME

	1996 £	1995 £
Rent receivable	281,688	153,567
Other income	40,720	190,327
	<u>322,408</u>	<u>343,894</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

5.	OPERATING PROFIT	1996 £	1995 £
	Operating profit is stated after charging the following:-		
	Depreciation of tangible fixed assets	1,572,253	1,137,932
	Loss on disposal of fixed assets	157,833	127,001
	Auditors' remuneration - audit	40,000	26,000
	- other	13,804	7,000
	Operating lease rentals		
	- land and buildings	10,101,245	7,964,188
		<hr/>	<hr/>
6.	INTEREST RECEIVABLE AND SIMILAR INCOME	1996 £	1995 £
	Bank interest	367,870	259,782
	Other interest	145	306
	Income from listed investments	203,908	382,749
	Net gain on sale of investments	454,023	39,742
		<hr/>	<hr/>
		1,025,946	682,579
		<hr/>	<hr/>
7.	INTEREST PAYABLE AND SIMILAR CHARGES	1996 £	1995 £
	Bank interest and charges	6,496	7,852
	Other interest	-	12,709
		<hr/>	<hr/>
		6,496	20,561
		<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

8. DIRECTORS' EMOLUMENTS	1996	1995
	£	£
Emoluments (including pension contributions and benefits in kind)	493,079	761,463

Excluding pension contributions, the emoluments of the chairman and highest paid director of the group were £159,047 (1995: £291,134). Emoluments (excluding pension contributions) paid to the directors, including amounts paid by subsidiaries during the year were as follows:-

Income Bracket	Number of Directors	
	1996	1995
£Nil	1	1
£ 1 - £ 5,000	1	1
£5,001 - £ 10,000	1	-
£6,5001 - £ 70,000	1	-
£90,001 - £ 95,000	1	-
£150,001 - £155,000	-	1
£155,001 - £160,000	1	-
£175,001 - £180,000	-	1
£290,001 - £295,000	-	1

9. TAXATION	1996	1995
Taxation based on the profit for the financial year:-	£	£
UK Corporation tax at 33% (1995 - 33%)	6,023,284	3,883,531
Tax credits attributable to dividends received	-	53,420
Overseas taxation	54,154	30,309
Deferred taxation (note 17)	114,000	58,300
Adjustment in respect of prior years	2,134	2,881
	<u>6,193,572</u>	<u>4,028,441</u>

10. DIVIDENDS	1996	1995
	£	£
Dividend paid £128.00 (1995: £39.7948) per share	11,974,400	3,722,800
Dividend proposed £Nil (1995: £5.00) per share	-	467,750
	<u>11,974,400</u>	<u>4,190,550</u>



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 11. TANGIBLE FIXED ASSETS

GROUP

	Short Leasehold premises £	Fixtures, fittings and equipment £	Motor vehicles £	TOTAL £
<b>COST</b>				
At 28 May 1995	5,499,556	6,846,523	378,413	12,724,492
Currency adjustment	31,638	16,552	(287)	47,903
Additions	2,211,949	2,786,461	202,852	5,201,262
Disposals	(164,511)	(65,694)	(90,334)	(320,539)
At 25 May 1996	<u>7,578,632</u>	<u>9,583,842</u>	<u>490,644</u>	<u>17,653,118</u>
<b>DEPRECIATION</b>				
At 28 May 1995	1,115,568	3,101,570	168,263	4,385,401
Currency adjustment	14,111	9,290	(72)	23,329
Charge for financial year	408,871	1,069,871	93,511	1,572,253
On disposals	(92,690)	(41,890)	(50,229)	(184,809)
At 25 May 1996	<u>1,445,860</u>	<u>4,138,841</u>	<u>211,473</u>	<u>5,796,174</u>
<b>NET BOOK VALUE</b>				
At 25 May 1996	<u>6,132,772</u>	<u>5,445,001</u>	<u>279,171</u>	<u>11,856,944</u>
At 27 May 1995	<u>4,383,988</u>	<u>3,744,953</u>	<u>210,150</u>	<u>8,339,091</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 12. FIXED ASSETS - INVESTMENTS

<u>GROUP</u>	Other Investments
COST	£
At 28 May 1995	47,325
Additions	14,000
Disposals	(27,325)
At 25 May 1996	34,000
AMOUNTS PROVIDED	
At 28 May 1995	15,550
Provided in financial year	7,775
Disposals	(23,325)
At 25 May 1996	Nil
NET BOOK VALUE	
At 25 May 1996	34,000
At 27 May 1995	31,775
AGGREGATE MARKET VALUE	
At 25 May 1996	34,000
At 27 May 1995	51,500
<u>COMPANY</u>	
COST	£
At 28 May 1995	822
Additions	17,957
At 25 May 1996	18,779
AMOUNTS PROVIDED	
At 27 May 1995 and 25 May 1996	Nil
NET BOOK VALUE	
At 25 May 1996	18,779
At 27 May 1995	822

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 12. FIXED ASSETS - INVESTMENTS (continued)

Details of the investments in which the group or company holds more than 10% of the nominal value of any class of share capital are as follows:-

Name of Company	Country of registration (or incorporation)	Holding	Proportion of voting rights and shares held
<b>SUBSIDIARY UNDERTAKINGS</b>			
All held by the company.			
Monsoon Limited	England and Wales	Ordinary Shares	100%
Monsoon of London Pty Ltd	Australia	Ordinary Shares	90%
Monsoon Co-ordination Services Limited	Hong Kong	Shares	100%
Monsoon Twilight Inc (Delaware)	USA	Capital Stock	100%
Monsoon Twilight Inc (Texas)	USA	Capital Stock	100%
Monsoon S.A.R.L	France	Ordinary Shares	100%
Monsoon Accessorize APS	Denmark	Ordinary Shares	100%

All subsidiary undertakings are involved in the clothing retail business with the exception of Monsoon Co-ordination Services Limited which undertakes buying and inspection services and Monsoon Twilight Inc (Texas) which was dormant throughout the period.

13. STOCK	1996		1995	
	Group £	Company £	Group £	Company £
Goods held for resale	7,901,327	-	5,005,305	-
<hr/>				
14. DEBTORS	1996		1995	
	Group £	Company £	Group £	Company £
Trade debtors	497,583	-	476,360	-
Amounts owed by subsidiary undertakings	-	7,620,983	-	3,725,742
Corporation Tax recoverable	1,020,000	1,020,000	-	-
Other debtors	77,960	6,000,000	36,721	-
Prepayments and accrued income	2,606,997	-	1,933,257	-
	<hr/> 4,202,540	<hr/> 14,640,983	<hr/> 2,446,338	<hr/> 3,725,742

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 15. CURRENT ASSET INVESTMENTS

GROUP	Cost		Market Value	
	1996 £	1995 £	1996 £	1995 £
Investments listed on UK exchange	317,457	3,448,943	803,250	3,544,544
Investments listed on foreign exchanges	-	3,030,992	-	3,101,830
Short term deposits	1,976,337	1,837,292	1,976,337	1,837,292
Diminution in value of investments	-	(386)	-	-
	<u>2,293,794</u>	<u>8,316,841</u>	<u>2,779,587</u>	<u>8,483,666</u>

## 16. CREDITORS: Amounts falling due within one year

	1996		1995	
	Group £	Company £	Group £	Company £
Bank overdraft	1,435,886	516,608	969,851	-
Trade creditors	4,365,108	-	3,973,472	-
Corporation Tax	3,929,482	540,000	2,935,928	983,531
ACT payable	2,993,600	2,993,600	1,047,637	-
Other Taxation and Social Security	790,123	-	1,019,473	-
Other creditors	2,641,151	14,000	1,736,123	-
Accruals and deferred income	560,500	-	572,597	144,727
Dividends payable	-	-	467,750	467,750
	<u>16,715,850</u>	<u>4,064,208</u>	<u>12,722,831</u>	<u>1,596,008</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

17. PROVISIONS FOR LIABILITIES AND CHARGES	Group £	1996 Company £	Group £	1995 Company £
Deferred Taxation				
At beginning of financial year	165,063	-	223,700	-
ACT recoverable	116,937	-	(116,937)	-
Transfer from profit and loss account (note 9)	114,000	-	58,300	-
At end of financial year	<u>396,000</u>	<u>-</u>	<u>165,063</u>	<u>-</u>

The deferred taxation provision relates entirely to accelerated capital allowances and in respect of which full provision has been made. The composition of the year end balance is as follows:-

	1996 £	1995 £
Accelerated capital allowances	396,000	282,000
Advance corporation tax recoverable	-	(116,937)
	<u>396,000</u>	<u>165,063</u>

18. SHARE CAPITAL	1996 £	1995 £
Authorised		
100,000 Ordinary Shares of 10p each	10,000	10,000
Share Capital Allotted, Called-up and Fully Paid		
93,550 Ordinary Shares of 10p each	<u>9,355</u>	<u>9,355</u>

19. SHARE PREMIUM ACCOUNT	£
Balance at 27 May 1995 and 25 May 1996	<u>77,855</u>

20. CAPITAL RESERVE - GROUP	£
Capital reserve arising on consolidation	
Balance at 27 May 1995 and 25 May 1996	<u>618,659</u>

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

	Group £	Company £
21. PROFIT AND LOSS ACCOUNT		
At 28 May 1995	15,400,320	2,043,346
Retained profit for the financial year	422,359	8,464,998
Currency translation adjustment	214,416	-
At 25 May 1996	<u>16,037,095</u>	<u>10,508,344</u>

The profit after taxation for the year dealt with by the company was £20,439,398 (1995: £6,212,594).

## 22. LEASE COMMITMENTS

The group had no material obligations under finance leases at 25 May 1996.

At 25 May 1996 the group had annual commitments under non-cancellable operating leases which are subject to periodic rent review for short leasehold premises as follows:

	1996 £	1995 £
Expiring within one year	161,433	242,036
Expiring between two and five years inclusive	836,445	1,045,750
Expiring in over five years	9,500,066	7,331,235
	<u>10,497,944</u>	<u>8,619,021</u>

The accounting policy in relation to leasehold premises is detailed in note 1(c) to the financial statements.

## 23. CAPITAL COMMITMENTS

	1996		1995	
	Group £	Company £	Group £	Company £
Contracted for	<u>790,000</u>	<u>-</u>	<u>595,000</u>	<u>-</u>

## 24. CONTINGENT LIABILITIES

Monsoon Holdings Limited has given unlimited guarantees to the Group's bankers.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 25. RELATED PARTY TRANSACTIONS

The following related party transactions occurred during the year:-

## i) Monsoon Executive Pension Scheme

Five retail properties are leased to the group by the Monsoon Executive Pension Scheme, the members of which are P M Simon and his family. The aggregate rentals paid by the group amounted to £148,860. The contributions made by the company to the scheme during the year amounted to £150,000.

## ii) Brands Exploitation Limited

Brands Exploitation Limited is a subsidiary of Sycamore Holdings Limited. Pursuant to an arrangement with Brands Exploitation Limited a range of fragrance and body care products is produced and marketed under the Monsoon name. The arrangements were established outside the Group due to the reluctance of the Company to incur the advertising and start-up costs associated with bringing a Monsoon fragrance and body care range to the UK and overseas markets. Under these arrangements, Brands Exploitation Limited receives a royalty of 3½ per cent of net worldwide sales. In the year to 31 December 1995 the royalty amounted to £79,000. The Monsoon fragrance and body care range is sold in Monsoon and Accessorize stores as well as by other retailers.

## iii) Sycamore Aps

After the balance sheet date Monsoon Accessorize Aps, a subsidiary of the group has agreed to enter into a lease with Sycamore Aps, a subsidiary of Sycamore Holdings Limited, of a property in Copenhagen at an annual rent of DKK1,850,000.

## 26. ULTIMATE HOLDING UNDERTAKING

Sycamore Holdings Limited, an investment company registered in Malta, directly and indirectly owns 67% of the ordinary share capital of the company. Details of the related party transactions between Sycamore Holdings Limited and its subsidiary are given in note 25 above.

In accordance with the disclosure requirements of the Companies Act the directors believe that Monsoon Holdings Limited is the largest group for which consolidated accounts are drawn up.

## 27. PENSIONS

The company operates a defined contribution pension scheme known as The Monsoon Executive Pension Scheme. Details of related party transactions are given in note 25. The assets of the scheme are held separately from those of the group in an independently administered fund. The level of the defined contributions are determined by the company and the trustees of the scheme. In addition to the Monsoon Executive Pension Scheme the group pays contributions to the personal pension schemes of two Directors.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

FOR THE 52 WEEK PERIOD ENDED 25 MAY 1996

## 28. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £	Restated 1995 £
Operating profit	17,578,656	12,236,458
Depreciation charges	1,572,253	1,137,932
Loss on sale of fixed assets	157,833	127,001
(Increase) in stocks	(2,896,022)	(863,890)
(Increase)/decrease in debtors	(736,202)	596,704
Increase/(decrease) in creditors	1,055,217	(205,356)
Currency translation difference	189,842	(176,821)
	<u>16,921,577</u>	<u>12,852,028</u>

## 29. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	1996 £	1995 £
Balance at beginning of financial year	5,722,174	3,095,128
Net cash inflow	<u>2,384,486</u>	<u>2,627,046</u>
Balance at end of financial year	<u>8,106,660</u>	<u>5,722,174</u>

## 30. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	1996 £	1995 £	Change in year £
Cash at bank and in hand	7,566,209	4,854,733	2,711,476
Bank overdrafts	(1,435,886)	(969,851)	(466,035)
Short term deposits	1,976,337	1,837,292	139,045
	<u>8,106,660</u>	<u>5,722,174</u>	<u>2,384,486</u>

## 31. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR 1996

	1996 £	1995 £
Share capital (including premium)		
Balance at beginning of the financial year	87,210	55,050
Cash inflow from financing	-	32,160
	<u>87,210</u>	<u>87,210</u>