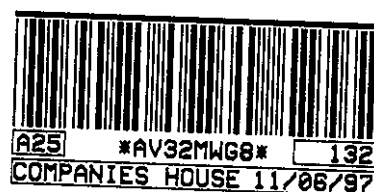


**CONDICI LIMITED**

***DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS***

*for the year ended  
31 December 1996*



*Company Number: 1678961*

**DIRECTORS' REPORT**  
*for the year ended 31 December 1996*

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**DIRECTORS**

*D P Levy  
M A Fallman  
M D Jones*

*The directors submit their report together with the audited financial statements of the Company for the year ended 31 December 1996.*

**FINANCIAL RESULTS AND DIVIDENDS**

	£
<i>Retained profits brought forward</i>	<i>378,818</i>
<i>Profit after taxation</i>	<i>126,754</i>
<i>Retained profits carried forward</i>	<u><u>£505,572</u></u>

**REVIEW OF THE BUSINESS**

*The principal activities of the Company remained that of wholesale suppliers, importers and exporters in the clothing and fashion trade.*

**FUTURE DEVELOPMENTS**

*The directors have continued to develop the business of the Company in the light of prevailing trading conditions and the position as at 31 December 1996 is reflected in the audited financial statements for the year ended on that date. The Company has made a positive start to 1997.*

**DIRECTORS**

*None of the directors at 31 December 1996 held shares in the Company.*

*All the directors served throughout the year.*

*Mr D P Levy is a director of Rapallo Limited, the Company's ultimate holding Company, and his interest in the shares of that company is disclosed in its Directors' Report.*

**DIRECTORS' REPORT**

*for the year ended 31 December 1996 (continued)*

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**DIRECTORS' RESPONSIBILITIES**

*Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those 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 policies 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.*

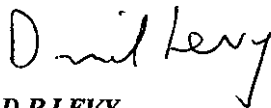
*The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.*

*After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the financial statements.*

**AUDITORS**

*In accordance with Section 185 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.*

*This report was approved by the Board on 10 April 1997.*



**D P LEVY**  
*Director*

*Registered office:*

*2<sup>nd</sup> Floor, Regent House, 235/241 Regent Street, London W1R 8PS*

# BINDER HAMLYN

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20 Old Bailey  
London EC4M 7BH

## **AUDITORS' REPORT** to the members of Condici Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

### **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 the company's affairs as at 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Chartered Accountants and Registered Auditors**

10 April 1997

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1996


	Notes	1996 £	1995 £
Turnover	2	2,036,944	2,055,271
Cost of sales		(1,212,944)	(1,251,049)
Gross profit		824,000	804,222
Distribution costs		(252,731)	(286,045)
Administrative expenses		(391,681)	(395,496)
Other operating income		-	25,087
Operating profit	3	179,588	147,768
Other income	6	5,348	5,173
Interest payable	7	(1,008)	(6,135)
Profit on ordinary activities before taxation		183,928	146,806
Tax on profit on ordinary activities	8	(57,174)	(45,624)
Profit on ordinary activities after taxation		126,754	101,182
Dividend	9	-	(50,000)
Profit for the period		126,754	51,182
Retained profits brought forward		378,818	327,636
Retained profits carried forward		£505,572	£378,818

There were no recognised gains or losses in the year other than as shown in the Profit and Loss Account. All operations of the company continued throughout both periods and no operations were discontinued.

**BALANCE SHEET**  
as at 31 December 1996

	Notes	£	1996	£	£	1995	£
<b>FIXED ASSETS</b>							
Tangible assets	10		56,198			64,656	
<b>CURRENT ASSETS</b>							
Stock	11	152,766			190,269		
Debtor	12	672,118			566,258		
Cash at bank and in hand		205,775			62,020		
		<u>1,030,659</u>			<u>818,547</u>		
<b>CREDITORS: amounts falling due within one year</b>	13	<u>576,283</u>			<u>499,383</u>		
Net current assets			454,376			319,164	
Total assets less current liabilities			<u>£510,574</u>			<u>£383,820</u>	
<b>CAPITAL AND RESERVES</b>							
Called up share capital	14		5,002			5,002	
Profit and loss account			505,572			378,818	
Equity Shareholders' funds			<u>£510,574</u>			<u>£383,820</u>	

The financial statements on pages 4 to 10 were approved by the Board on 10 April 1997.



**D P LEVY**  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
for the period ended 31 December 1996

**1. ACCOUNTING POLICIES**

*The following are the more important accounting policies adopted by the company.*

**Basis of accounting**

*The financial statements are prepared under the historical cost convention.*

**Fixed assets and depreciation**

*Fixed assets are stated at cost and all repairs are written off as incurred. Fixed assets are written down evenly over their expected useful lives as follows:*

<i>Fixtures and fittings</i>	<i>10 years</i>
<i>Computers and equipment</i>	<i>5 years</i>

**Stocks**

*Stocks are stated at the lower of cost and net realisable value.*

**Deferred taxation**

*Deferred taxation is provided on timing differences where a liability for the payment of such taxation is expected to arise in the foreseeable future.*

**Foreign currencies**

*Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction, or, if hedged, at the forward contract rate. Assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date, or, if appropriate, at the forward contract rate. All differences are taken to the profit and loss account.*

**Compliance with accounting standards**

*The financial statements have been prepared in accordance with applicable accounting standards.*

**2. SEGMENTAL INFORMATION**

**Business Activity:**

*The Company's turnover and profit before taxation arise from the design and distribution of ladies' occasionwear.*

**Geographical Analysis by destination:**

	<i>1996</i>	<i>1995</i>
	<i>£</i>	<i>£</i>
<i>United Kingdom</i>	<i>1,764,819</i>	<i>1,820,881</i>
<i>Other EC Countries</i>	<i>81,322</i>	<i>133,829</i>
<i>Other</i>	<i>190,803</i>	<i>100,561</i>
	<i>£2,036,944</i>	<i>£2,055,271</i>

*All turnover originates in the United Kingdom; profit and net assets are therefore from that force.*

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1996 (continued)

3. **OPERATING PROFIT** is stated after charging/(crediting):

	1996 £	1995 £
Depreciation	12,717	12,955
Auditors' remuneration	4,500	4,000
Operating lease rentals - land and buildings	16,560	16,560
Loss/(gain) on foreign exchange	24,881	(591)
Management charge to parent undertaking	100,000	100,000
	<u>158,668</u>	<u>136,924</u>

4. **EMPLOYEE INFORMATION**

The average number of employees during the year was 19 (1995: 7), made up as follows:

	1996 £	1995 £
Administration and management	5	5
Distribution and sales	2	2
Production	12	-
	<u>19</u>	<u>7</u>

In addition during 1995 an average of eleven staff were employed in Hong Kong on behalf of the Company. These staff were responsible for sourcing and sample production. Since 2 January 1996 these staff became direct employees of the Company.

Staff costs during the year amounted to:

	£	£
Salaries	223,882	70,612
Social security costs	7,786	7,179
	<u>£231,668</u>	<u>£77,791</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1996 (continued)

**5. DIRECTORS' EMOLUMENTS**

	1996	1995
	£	£
<i>Fees</i>	13,200	12,000
<i>Remuneration for management services</i>	57,800	54,360
	<u>£71,000</u>	<u>£66,360</u>

*The directors' emoluments above includes:*

	£	£
<i>Chairman</i>	-	-
<i>Highest paid director</i>	36,000	36,360

*Other directors' emoluments fell within the following ranges:*

	Number	Number
<i>£25,001 - £30,000</i>	-	1
<i>£30,001 - £35,000</i>	1	-

**6. OTHER INCOME**

	1996	1995
	£	£
<i>Interest receivable</i>	£5,348	£5,173

**7. INTEREST PAYABLE**

	1996	1995
	£	£
<i>On bank loans and overdrafts repayable within five years</i>	£1,008	£6,135

**8. TAXATION**

	1996	1995
	£	£
<i>Corporation tax on adjusted profit at 33%</i>	59,309	45,759
<i>Prior year adjustment</i>	(2,135)	(135)
	<u>£57,174</u>	<u>£45,624</u>

**9. DIVIDEND**

	1996	1995
	£	£
<i>Interim dividend</i>	£-	£50,000

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1996 (continued)**

**10. TANGIBLE FIXED ASSETS**

	<i>Fixtures, fittings and equipment</i>
	<i>£</i>
<i>Cost</i>	
<i>1 January 1996</i>	86,486
<i>Additions</i>	4,259
<i>31 December 1996</i>	<u>90,745</u>
<i>Accumulated depreciation</i>	
<i>1 January 1996</i>	21,830
<i>Charge for the period</i>	12,717
<i>31 December 1996</i>	<u>34,547</u>
<i>Net book amount</i>	
<i>31 December 1996</i>	<u>£56,198</u>
<i>31 December 1995</i>	<u>£64,656</u>

**11. STOCK**

	<i>1996</i>	<i>1995</i>
	<i>£</i>	<i>£</i>
<i>Raw materials</i>	36,162	65,443
<i>Finished goods</i>	116,604	124,826
	<u>£152,766</u>	<u>£190,269</u>

**12. DEBTORS**

	<i>1996</i>	<i>1995</i>
	<i>£</i>	<i>£</i>
<i>Trade debtors</i>	575,935	511,814
<i>Prepayments and accrued income</i>	96,183	54,444
	<u>£672,118</u>	<u>£566,258</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1996 (continued)

13. **CREDITORS** amount falling due within one year

	1996 £	1995 £
Trade creditors	153,143	178,092
Amounts due to holding company	100,000	50,000
Corporation tax	59,309	56,903
Other taxes and social security costs	39,163	40,829
Other creditors	122,347	84,112
Accruals and deferred income	102,321	89,447
	<u>£576,283</u>	<u>£499,383</u>

The other creditors were secured under a confidential invoice discounting facility over trade debtors.

14. **SHARE CAPITAL**

	1996	Authorised 1995	Allotted, issued and fully paid 1996	1995
Ordinary shares of £1 each	<u>£100,000</u>	<u>£100,000</u>	<u>£5,002</u>	<u>£5,002</u>

15. **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

Equity Shareholders' funds	£
1 January 1996	383,820
Profit after tax for the year	126,754
31 December 1996	<u>£510,574</u>

16. **ULTIMATE HOLDING COMPANY**

The ultimate holding company is Rapallo Limited, a company registered in England and Wales. Rapallo Limited is the parent of the largest group for which consolidated accounts including the results of Condict Limited are drawn up. Condict Holdings Limited, a company registered in England and Wales, is the parent of the smallest such group. Copies of the final group accounts of Rapallo Limited and Condict Holdings Limited are available from the Registrar of Companies, Cardiff.

The ultimate controlling party is Mr J Lewis.

17. **RELATED PARTY TRANSACTIONS**

Tamarind International Limited ('Tamarind') is wholly owned by Mr J Lewis. Tamarind provides office space and general shipping and book-keeping services to the company in Hong Kong. The rental for the office space of £29,400 (1995: £25,900) represents the actual rent paid on it by Tamarind to its landlords. The other services are covered by a fixed monthly fee, which during the year ended 31 December 1996 totalled £22,000 (1995: £20,000).

For Directors' Use Only**CONDICI LIMITED****PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 December 1996**

	1996		1995	
	£	£	£	£
<b>Turnover</b>		2,036,944		2,055,271
<b>Cost of sales</b>		(1,212,944)		(1,251,049)
		<hr/>		<hr/>
<b>Gross profit</b>		824,000		804,222
<b>Other operating income</b>		-		25,087
		<hr/>		<hr/>
		824,000		829,309
<b>Distribution costs</b>				
Travelling	28,802		28,884	
Advertising and exhibition costs	44,101		49,132	
Commissions	140,519		156,507	
Packing and carriage	27,127		27,116	
Entertainment	231		680	
Discounts	11,951		23,726	
	<hr/>		<hr/>	
		(252,731)		(286,045)
<b>Administrative expenses</b>				
Directors' remuneration	71,000		66,360	
Wages and salaries	70,432		77,791	
Insurance	3,207		3,850	
Light and heat	1,405		1,977	
Printing and stationery	9,302		10,697	
Rent and rates	41,426		41,657	
Repairs and renewals	5,952		6,318	
Staff canteen and office cleaning	6,912		6,326	
Sundry expenses	925		240	
Telephone and telex	4,510		4,580	
Audit fees	4,500		4,000	
Legal and professional fees	30,723		31,482	
Bank charges	5,991		7,430	
Debt collection charges	8,364		7,850	
Depreciation of fixed assets	12,717		12,955	
Profit on disposal of fixed asset	(100)		(426)	
Bad debt provision	14,415		12,409	
Management charge	100,000		100,000	
	<hr/>		<hr/>	
		(391,681)		(395,496)
		<hr/>		<hr/>
<b>Profit on ordinary activities before interest and taxation</b>		£179,588		£147,768
		<hr/>		<hr/>