

CONDICI LIMITED
(formerly Kent House Marketing Limited)

DIRECTORS' REPORT AND

FINANCIAL STATEMENTS

for the year ended 31 December 1994

Company number 1678961



CONDICI LIMITED**(formerly Kent House Marketing Limited)****DIRECTORS' REPORT****for the year ended 31 December 1994****DIRECTORS***D P Levy**M D Jones**M A Fallman (appointed 1 July 1994)*

The directors submit their report together with the audited financial statements of the company for the year ended 31 December 1994.

FINANCIAL RESULTS AND DIVIDENDS

	£
<i>Retained profits brought forward</i>	295,097
<i>Profit after taxation</i>	82,539
<i>Interim dividend</i>	(50,000)
	<hr/>
<i>Retained profits carried forward</i>	327,636
	<hr/>

REVIEW OF THE BUSINESS

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

During 1992 the directors decided to terminate the unprofitable activities of the company and concentrate on its core business, being the Condici label. The results for the year ended 31 December 1993 have been analysed between continuing and discontinued activities in note 2.

The company changed its name from Kent House Marketing Limited to Condici Limited on 4 May 1994.

EVENTS SINCE THE YEAR END AND FUTURE DEVELOPMENTS

In February 1995, the directors became aware of an infringement of the company's design copyright by a competitor. The company took the necessary legal steps to successfully protect the violated designs and was granted an injunction in April.

The directors have continued to develop the business of the company in the light of prevailing trading conditions and Condici Limited has made a positive start to 1995.

FIXED ASSETS

The movements in fixed assets are shown in note 11 of the financial statements.

CONDICI LIMITED**(formerly Kent House Marketing Limited)****DIRECTORS' REPORT****for the year ended 31 December 1994 (continued)****DIRECTORS**

None of the directors at 31 December 1994 held shares in the company.

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' RESPONSIBILITIES

The directors have prepared financial statements for the year ended 31 December 1994 which give a true and fair view of the state of affairs and the profit of the company for that period and have been properly prepared in accordance with the provisions of the Companies Act 1985.

In preparing these 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;*

and

- * 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 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.

AUDITORS

On 1 October 1994 our auditors, BDO Binder Hamlyn joined the Arthur Andersen worldwide organisation and now practise in the name, Binder Hamlyn. They have signed their audit report in their new name. 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 3 May 1995

D P Levy
Director

Registered office:

2nd Floor, Regent House, 235/241 Regent Street, London W1R 7AG

20 Old Bailey
London EC4M 7BH

AUDITORS' REPORT
to the members of Condici Limited

We have audited the financial statements on pages 4 to 11 which have been prepared on the basis of the accounting policies set out on page 6.

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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Chartered Accountants
Registered Auditors

11 May 1995

CONDICI LIMITED*(formerly Kent House Marketing Limited)***PROFIT AND LOSS ACCOUNT***for the year ended 31 December 1994*

	Notes	1994 £	1993 £
Turnover	2	2,302,651	2,325,258
Cost of sales	3	(1,419,394)	(1,483,736)
Gross profit		883,257	841,522
Distribution costs	3	(354,618)	(324,164)
Administrative expenses	3	(426,719)	(383,557)
Other operating income	3	17,545	13,821
Operating profit	4	119,465	147,622
Other income	7	5,390	2,405
Interest payable	8	(3,728)	(14,942)
Profit on ordinary activities before taxation		121,127	135,085
Tax on profit on ordinary activities	9	38,588	45,960
Profit on ordinary activities after taxation		82,539	89,125
Dividend	10	50,000	70,000
Profit for the year		32,539	19,125
Retained profits brought forward		295,097	275,972
Retained profits carried forward		£327,636	£295,097

There were no recognised gains or losses in the year other than as shown in the Profit and Loss Account.

CONDICI LIMITED
(formerly Kent House Marketing Limited)

BALANCE SHEET
as at 31 December 1994

	Notes	£	1994 £	£	1993 £
FIXED ASSETS					
Tangible assets	11		52,113		34,243
CURRENT ASSETS					
Stock	12	202,920		244,543	
Debtors	13	718,393		689,575	
Cash at bank and in hand		55,924		1,813	
			977,237		935,931
CREDITORS: amounts falling due within one year	14	696,712		670,075	
Net current assets			280,525		265,856
Total assets less current liabilities			£332,638		£300,099
CAPITAL AND RESERVES					
Called up share capital	15		5,002		5,002
Profit and loss account			327,636		295,097
			£332,638		£300,099

The financial statements on pages 4 to 11 were approved by the Board on 3 May 1995

Daniel Levy

D P Levy
Director

CONDICI LIMITED
(formerly Kent House Marketing Limited)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994

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>Motor vehicles</i>	<i>5 years</i>
<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. Assets and liabilities are translated into sterling at the exchange rate ruling at the balance sheet date. 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.

CONDIC LIMITED*(formerly Kent House Marketing Limited)***NOTES TO THE FINANCIAL STATEMENTS**
*for the year ended 31 December 1994 (continued)***2. SEGMENTAL INFORMATION****Business Analysis:**

	Turnover		Profit before interest and taxation	
	1994	1993	1994	1993
	£	£	£	£
<i>Continuing operations</i>				
<i>Ladies' occasion wear</i>	2,302,651	2,203,072	119,465	147,512
<i>Discontinued operations:</i>				
<i>Ladies' daywear</i>	—	122,186	—	110
	<u>£2,302,651</u>	<u>£2,325,258</u>	<u>£119,465</u>	<u>£147,622</u>

Geographical Analysis:

<i>United Kingdom</i>	2,174,576	2,221,501
<i>Other EC Countries</i>	66,230	73,724
<i>Other</i>	61,845	30,033
	<u>£2,302,651</u>	<u>£2,325,258</u>

3. COMPARATIVE OPERATING COSTS

	1993		
	Continuing operations	Discontinued operations	Total
	£	£	£
<i>Cost of sales</i>	1,381,677	102,059	1,483,736
<i>Distribution costs</i>	310,702	13,462	324,164
<i>Administrative expenses</i>	375,557	8,000	383,557
<i>Other operating income</i>	(12,376)	(1,445)	(13,821)

4. OPERATING PROFIT is stated after charging:

	1994	1993
	£	£
<i>Depreciation</i>	29,271	16,712
<i>Auditors' remuneration</i>	4,000	4,000

CONDICI LIMITED*(formerly Kent House Marketing Limited)***NOTES TO THE FINANCIAL STATEMENTS**
*for the year ended 31 December 1994 (continued)***5. EMPLOYEE INFORMATION***The average number of employees during the year was 7 (1993: 7), made up as follows:*

	1994	1993
	Number	Number
<i>Administration and management</i>	5	5
<i>Distribution and sales</i>	2	2
	<u>7</u>	<u>7</u>

Staff costs during the year amounted to:

	£	£
<i>Salaries</i>	119,386	148,057
<i>Social security costs</i>	11,040	13,893
	<u>£130,426</u>	<u>£161,950</u>

6. DIRECTORS' EMOLUMENTS

	1994	1993
	£	£
<i>Fees</i>	32,863	50,045
<i>Remuneration for management services</i>	27,916	—
	<u>60,779</u>	<u>50,045</u>

The directors' emoluments above includes:

	£	£
<i>Chairman</i>	—	—
<i>Highest paid director</i>	49,529	46,378

Other directors' emoluments fell within the following ranges:

	Number	Number
<i>£0 –£5,000</i>	—	1
<i>£20,001 –£25,000</i>	1	1

CONDICI LIMITED (formerly Kent House Marketing Limited)**NOTES TO THE FINANCIAL STATEMENTS**
for the year ended 31 December 1994 (continued)

7. OTHER INCOME	1994	1993
<i>Interest receivable</i>	<u>£5,390</u>	<u>£2,405</u>
8. INTEREST PAYABLE	1994	1993
<i>On loans and overdrafts repayable within 5 years</i>	<u>£3,728</u>	<u>£14,942</u>
9. TAXATION	1994	1993
	£	£
<i>Corporation tax on adjusted profit at 33%</i>	40,128	26,312
<i>Prior year adjustment</i>	(1,540)	19,648
	<u>£38,588</u>	<u>£45,960</u>
10. DIVIDEND	1994	1993
	£	£
<i>Interim dividend</i>	50,000	—
<i>Final dividend proposed</i>	—	70,000
	<u>£50,000</u>	<u>£70,000</u>

CONDICI LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994 (continued)

11. TANGIBLE FIXED ASSETS

	<i>Fixtures, fittings and equipment £</i>	<i>Motor vehicles £</i>	<i>Total £</i>
Cost			
1 January 1994	69,774	25,495	95,269
Additions	54,141	—	54,141
Disposals	(31,693)	(25,495)	(57,188)
31 December 1994	92,222	—	92,222
Accumulated depreciation			
1 January 1994	45,730	15,296	61,026
Charge for the year	26,072	3,199	29,271
Relating to disposals	(31,693)	(18,495)	(50,188)
31 December 1994	40,109	—	40,109
Net book amount			
31 December 1994	£52,113	£—	£52,113
31 December 1993	£24,044	£10,199	£34,243

12. STOCK

	<i>1994 £</i>	<i>1993 £</i>
Raw materials	63,407	79,570
Finished goods	139,513	164,973
	£202,920	£244,543

13. DEBTORS

	<i>1994 £</i>	<i>1993 £</i>
Trade debtors	667,840	559,210
Other debtors	102	7,820
Prepayments and accrued income	50,451	122,545
	£718,393	£689,575

CONDICI LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1994 (continued)

14. CREDITORS amounts falling due within one year	1994	1993
	£	£
Trade creditors	246,014	324,283
Other taxes and social security costs	2,001	43,686
Corporation tax	40,127	26,312
Other creditors	269,043	-
Accruals and deferred income	89,527	205,794
Dividend payable	50,000	70,000
	<u>£696,712</u>	<u>£670,075</u>

The other creditors at 31 December 1994 were secured under a confidential invoice discounting facility over trade debtors.

15. SHARE CAPITAL

	Authorised		Allotted, issued and fully paid	
	1994	1993	1994	1993
Ordinary shares of £1 each	<u>£100,000</u>	<u>£100,000</u>	<u>£5,002</u>	<u>£5,002</u>

16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Shareholders' funds	£
1 January 1994	300,099
Profit after tax for the period	82,539
Dividend	(50,000)
31 December 1994	<u>£332,638</u>

17. ULTIMATE HOLDING COMPANY

The ultimate holding company is Rapallo Limited, a company registered in England and Wales. Copies of the group accounts of Rapallo Limited are available from the Registrar of Companies, Cardiff.