

**CONDICI LIMITED**

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

***for the year ended  
31 December 1998***



***Company Number: 1678961***

**DIRECTORS' REPORT***for the year ended 31 December 1998*

*The directors submit their report together with the audited financial statements of the company for the year ended 31 December 1998.*

**FINANCIAL RESULTS AND DIVIDENDS**

	£
Retained profits brought forward	596,534
Profit after taxation	145,317
Dividends	(150,000)
Retained profits carried forward	<u>591,851</u>

*Details of dividends are given in note 9 to the accounts.*

**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 1998 is reflected in the audited financial statements for the year ended on that date. The company has made a positive start to 1999.*

**YEAR 2000 AND THE EURO**

*The directors have considered the potential issues that the year 2000 and the Euro may have on the information technology dependant systems operating within the company and have taken appropriate action to ensure that no disruption will occur as a consequence of the millennium and the adoption of the Euro. The expenditure incurred to date has occurred as a part of regular upgrading processes and the directors do not anticipate that future expenditure will have a material impact on the company's finances.*

**DIRECTORS**

*The directors who served during the year were as follows:*

D P Levy  
M A Fallman  
M D Jones

*None of the directors at 31 December 1998 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' REPORT***for the year ended 31 December 1998 (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:*

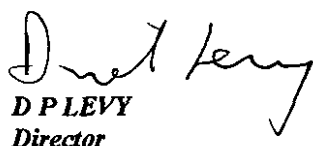
- select suitable accounting policies and then apply them consistently;*
- make judgements and estimates that are reasonable and prudent;*
- state whether applicable accounting policies have been followed, subject to any material departures disclosed and explained in the financial statements; and*
- 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.*

**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 16 March 1999.*

  
**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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Andersen Worldwide

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20 Old Bailey  
London EC4M 7BH

## Auditors' report

### To the shareholders of Condici Limited

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and on the basis of 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 the 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.

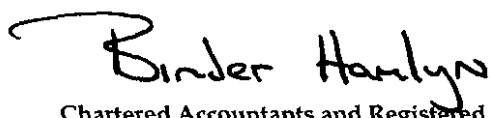
### Basis of opinion

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 company's state of affairs as at 31 December 1998 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 and Registered Auditors

16 March 1999

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 1998

## Notes

		1998 £	1997 £
Turnover	2	2,804,595	2,599,457
Cost of sales		(1,591,885)	(1,502,734)
Gross profit		1,212,710	1,096,723
Distribution costs		(390,631)	(372,621)
Administrative expenses		(637,674)	(604,505)
Operating profit	3	184,405	119,597
Other income	6	39,050	16,196
Interest payable	7	-	(946)
Profit on ordinary activities before taxation		223,455	134,847
Tax on profit on ordinary activities	8	(78,138)	(43,885)
Profit on ordinary activities after taxation	15	145,317	90,962
Dividends	9	(150,000)	-
Retained profits brought forward		596,534	505,572
Retained profits carried forward		£591,851	£596,534

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.

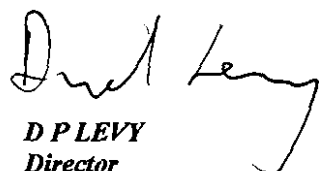
The accompanying notes are an integral part of this profit and loss account.

**BALANCE SHEET**  
as at 31 December 1998

	Notes	1998	1997
		£	£
<b>FIXED ASSETS</b>			
Tangible assets	10	52,981	64,240
<b>CURRENT ASSETS</b>			
Stock	11	248,442	230,793
Debtors	12	679,245	807,395
Cash at bank and in hand		253,109	103,714
		<u>1,180,796</u>	<u>1,141,902</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>636,924</u>	<u>604,606</u>
Net current assets		543,872	537,296
Total assets less current liabilities		<u>£596,853</u>	<u>£601,536</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	5,002	5,002
Profit and loss account		591,851	596,534
Equity Shareholders' funds	15	<u>£596,853</u>	<u>£601,536</u>

The accompanying notes are an integral part of this balance sheet.

The financial statements on pages 4 to 10 were approved by the Board on 16 March 1999.

  
**D P LEVY**  
Director

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1998

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**1. ACCOUNTING POLICIES**

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

**Basis of accounting**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

**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:

Fixtures and fittings	10 years
Computers and equipment	5 years
Leasehold improvements	2 years

**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.

**Operating leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

**Foreign currency**

Transactions denominated in foreign currencies are recorded at the rate of exchange 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.

**2. SEGMENT INFORMATION**

**Business Activity:**

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

**Geographical Analysis by destination:**

	1998 £	1997 £
United Kingdom	2,636,976	2,434,184
Other EC Countries	85,304	81,701
Other	82,315	83,572
	<u>£2,804,595</u>	<u>£2,599,457</u>

All turnover originates in the United Kingdom.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1998 (continued)**

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

	1998	1997
	£	£
Depreciation	24,184	21,208
Auditors' remuneration	5,000	4,700
Operating lease rentals - land and buildings	56,482	52,460
Gain on foreign exchange	(6,052)	(45,116)
Management charge to parent undertaking	250,000	250,000
	<u>250,000</u>	<u>250,000</u>

4. **STAFF COSTS**

The monthly average number of employees including executive directors during the year was 20 (1997: 21), made up as follows:

	1998	1997
	Number	Number
Administration and management	5	5
Distribution and sales	2	2
Production	13	14
	<u>20</u>	<u>21</u>

Their aggregate remuneration comprised:

	£	£
Salaries	304,323	262,926
Social security costs	8,988	8,107
	<u>£313,311</u>	<u>£271,033</u>

5. **DIRECTORS' EMOLUMENTS**

	1998	1997
	£	£
Fees	15,300	15,300
Remuneration for management services	108,696	84,700
	<u>£123,996</u>	<u>£100,000</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 December 1998 (continued)**

**6. OTHER INCOME**

	1998	1997
Interest receivable	£39,050	£16,196

**7. INTEREST PAYABLE**

	1998	1997
On bank loans and overdrafts repayable within five years	£-	£946

**8. TAXATION**

	1998	1997
Corporation tax on adjusted profit at 31% (1997 : 31.5%)	£78,138	£43,885

**9. DIVIDENDS**

	1998	1997
Interim dividend	£150,000	£-

**10. TANGIBLE FIXED ASSETS**

	Fixtures, fittings and equipment £	Leasehold improvements £	Total £
<b>Cost</b>			
At 1 January 1998	108,507	11,488	119,995
Additions	12,925	-	12,925
Disposals	(5,116)	-	(5,116)
At 31 December 1998	116,316	11,488	127,804
<b>Depreciation</b>			
At 1 January 1998	51,447	4,308	55,755
Charge for the period	18,440	5,744	24,184
Relating to disposals	(5,116)	-	(5,116)
At 31 December 1998	64,771	10,052	74,723
<b>Net book value</b>			
At 31 December 1998	£51,545	£1,436	£52,981
At 31 December 1997	£57,060	£7,180	£64,240

**NOTES TO THE FINANCIAL STATEMENTS**  
*for the year ended 31 December 1998 (continued)*

**11. STOCK**

	1998	1997
	£	£
Raw materials	10,402	19,365
Finished goods	238,040	211,428
	<u>£248,442</u>	<u>£230,793</u>

**12. DEBTORS**

	1998	1997
	£	£
Trade debtors	528,319	625,913
Other debtors	102,019	125,224
Prepayments and accrued income	48,907	56,258
	<u>£679,245</u>	<u>£807,395</u>

**13. CREDITORS: amounts falling due within one year**

	1998	1997
	£	£
Trade creditors	284,535	217,321
Amounts due to holding company	-	150,000
Corporation tax	78,138	43,885
Other taxes and social security costs	12,854	52,400
Accruals and deferred income	261,397	141,000
	<u>£636,924</u>	<u>£604,606</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 December 1998 (continued)

**14. SHARE CAPITAL**

	1998	Authorised 1997	1998	Allotted, issued and fully paid 1997
Ordinary shares of £1 each	£100,000	£100,000	£5,002	£5,002

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

<b>Equity Shareholders' funds</b>	£
At 1 January 1998	601,536
Retained profit after tax for the year	145,317
Dividends	(150,000)
At 31 December 1998	£596,853

**16. LEASE OBLIGATIONS**

At 31 December 1998 the company was committed to make payments during the following year under non-cancellable operating leases in respect of land and buildings as follows:

	1998 £	1997 £
Operating leases which expire within one year	39,922	-
Operating leases which expire within two to five years	-	35,900
	£39,922	£35,900

**17. 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.

**18. RELATED PARTY TRANSACTIONS**

Tamarind International Limited (Tamarind) is wholly owned by Mr J Lewis. Tamarind provides general shipping and bookkeeping services to the company in Hong Kong and until April 1997 it also provided office space. The rental for the office space of £9,700 represented 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 1998 totalled £10,000 (1997: £13,800).