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Company No 2027951

GOLDEN LADY (UK) LIMITED

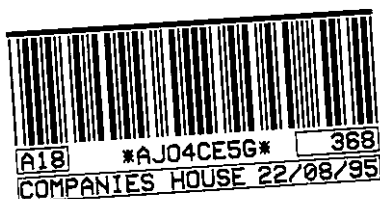
Annual Report

Year ended 31 December 1994

PANNELL KERR FORSTER

CHARTERED ACCOUNTANTS

Pannell House
159 Charles Street
LEICESTER LE1 1LD



**PANNELL
KERR
FORSTER**

CHARTERED ACCOUNTANTS

GOLDEN LADY (UK) LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1994

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DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements of the Company for the year ended 31 December 1994.

1 RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year amounted to £39,950.

There are no distributable profits available for payment of a dividend.

2 PRINCIPAL ACTIVITY

The principal activity of the Company throughout the year continued to be the sale, marketing and distribution of ladies and childrens tights and stockings.

3 REVIEW OF BUSINESS

The Company continued the development of its principle brand name 'Golden Lady' within the UK and when combined with its associate companies makes 'Golden Lady' Europe's leading hosiery brand.

All manufacturing is carried out at the Group's own hi-tech factories in Italy but some packing operations are done at the Company's freehold premises in Huthwaite, Notts, from where all UK Sales, Marketing and Distribution is undertaken.

The Company continued to increase its share of the hosiery market within the major grocery chains as well as supplying smaller UK retail outlets through distributors/wholesalers.

The directors are satisfied with the increase in activity in the period and consider the company to be well placed for further growth.

4 DIRECTORS

The directors of the Company at the end of the year were:

United Kingdom

Alan Cotton	(Managing Director)
David Anthony Dodds	(Financial Director)

Italy

N Grassi
M Grassi

Dr S Veronesi resigned as a director on 21 February 1994.

The Company is a wholly owned subsidiary of a company incorporated outside Great Britain and it is exempt from the requirement to disclose the interests of the directors in other group companies, all of which are incorporated outside Great Britain.

DIRECTORS' REPORT

5 FIXED ASSETS

Changes in tangible fixed assets are shown in note 7 to the financial statements.

6 STATUS

The Company is a close company under the provisions of the Income and Corporation Taxes Act 1988.

7 AUDITORS

A resolution to re-appoint the auditors, Pannell Kerr Forster, Chartered Accountants, will be proposed at the Annual General Meeting.

By order of the board



David Anthony Dodds

Secretary

County Estate
Nunn Brook Road
Huthwaite
Sutton in Ashfield
Notts
NG17 2HU

8 August 1995

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 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;

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 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.

GOLDEN LADY (UK) LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 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.

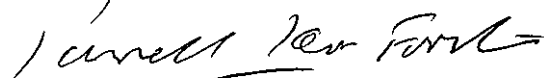
Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 Company 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.



PANNELL KERR FORSTER

Chartered Accountants

Registered Auditors

Leicester

14 August 1995

GOLDEN LADY (UK) LIMITED
 PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31 DECEMBER 1994

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	<u>Note</u>	£	<u>1994</u>	£	£	<u>1993</u>	£
TURNOVER	2		4,061,589			3,758,520	
Cost of sales			(2,755,186)			(2,651,585)	
GROSS PROFIT			1,306,403			1,106,935	
Distribution costs		618,407			590,363		
Administration expenses		648,254	1,266,661		489,254	1,079,617	
OPERATING PROFIT			39,742			27,318	
Interest receivable			208			-	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4		39,950			27,318	
TAX ON PROFIT ON ORDINARY ACTIVITIES	5		-			-	
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS			39,950			27,318	
DEFICIENCY BROUGHT FORWARD			(1,177,769)			(1,205,087)	
DEFICIENCY CARRIED FORWARD			(1,137,819)			(1,177,769)	

All items relate to continuing operations.

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

GOLDEN LADY (UK) LIMITED
BALANCE SHEET
31 DECEMBER 1994

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	Note	£	1994	£	£	1993	£
FIXED ASSETS							
Tangible assets	7		1,784,951			1,644,499	
CURRENT ASSETS							
Stocks	8	1,228,395			1,087,234		
Debtors	9	1,069,169			713,144		
Cash at bank and in hand		38,475			180,592		
			2,336,039		1,980,970		
CREDITORS - Amounts falling due within one year	10	2,258,809			1,803,238		
NET CURRENT ASSETS			77,230			177,732	
NET ASSETS			1,862,181			1,822,231	
CAPITAL AND RESERVES							
Called up share capital	12		3,000,000			3,000,000	
Profit and loss account			(1,137,819)			(1,177,769)	
EQUITY SHAREHOLDERS' FUNDS	13		1,862,181			1,822,231	

Approved by the board on 8th August 1995

A. COTTON)
D. A. DODDS) Directors

M. Cotton
D. A. Dodds

GOLDEN LADY (UK) LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1994

7

	<u>Note</u>	<u>1994</u>	<u>1993</u>
		£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	14	158,036	(755,160)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		208	-
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		208	-
		158,244	(755,160)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(305,611)	(111,657)
Receipts from sale of tangible fixed assets		5,250	9,928
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(300,361)	(101,729)
NET CASH OUTFLOW BEFORE FINANCING		(142,117)	(856,889)
NET CASH INFLOW FROM FINANCING			
Issue of shares		-	1,000,000
NET CASH INFLOW FROM FINANCING		-	1,000,000
CHANGE IN CASH AND CASH EQUIVALENTS	15	(142,117)	143,111

1 ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention.

The principal accounting policies adopted in their preparation are as follows:

1.1 Tangible fixed assets and depreciation

Tangible fixed assets except freehold land are depreciated by equal annual instalments over their anticipated useful lives on the following bases:

Buildings	2%
Plant and equipment	20 - 33 1/3%
Merchandising equipment	50%
Motor vehicles	30%

Periodic reviews are made to take into account usage and obsolescence.

1.2 Stock

Goods held for resale are stated at the lower of cost and net realisable value.

Cost is determined on a first in first out basis.

Net realisable value is the estimated selling price reduced by all costs of marketing, selling and distribution.

1.3 Deferred taxation

Provision is only made for deferred taxation to the extent that it is probable that a liability will crystallise in the foreseeable future. The provision is calculated at the rate of corporation tax which it is anticipated will apply when the tax becomes payable.

1.4 Operating lease agreements

Rentals under operating leases are charged to revenue as they fall due.

1.5 Exchange conversions

All items arising in overseas currencies are converted into sterling at the rates ruling at the date of the balance sheet.

2 TURNOVER

Turnover represents the amounts derived from the provision of goods and services falling within the Company's ordinary activities after the deduction of trade discounts and value added tax.

The Company engages in only one class of business and the majority of the company's turnover arises in the United Kingdom.

3 STAFF COSTS AND NUMBERS

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Wages and salaries	226,024	237,433
Social security costs	21,027	21,726
Other pension costs	17,910	16,385
	<u>272,961</u>	<u>275,544</u>

The average number of employees during the year was:

	<u>Number</u>	<u>Number</u>
Sales and distribution	11	10
Administration	5	5
	<u>16</u>	<u>15</u>

4 RESULTS

Profit on ordinary activities before taxation is stated after charging/
 (crediting):

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Directors' remuneration (Note 7)	122,297	117,837
Auditors' remuneration	6,000	6,000
Depreciation of tangible fixed assets	160,379	129,532
Profit on disposal of tangible fixed assets	(470)	(2,179)
Operating lease rentals - plant and machinery	<u>7,965</u>	<u>5,264</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

No charge to corporation tax arises based on the results for the year.

There are trading losses amounting to £1,256,000 (1993 £1,320,000) available
 for set off against future profits.

6 DIRECTORS' REMUNERATION

	<u>1994</u> <u>£</u>	<u>1993</u> <u>£</u>
Emoluments including pension contributions	<u>122,297</u>	<u>117,837</u>
Emoluments excluding pension contributions:		
Chairman	<u>4,800</u>	<u>4,800</u>
Highest paid director	<u>57,053</u>	<u>55,145</u>
Ranges of emoluments of all directors excluding pension contributions:		
	<u>Number</u>	<u>Number</u>
£ Nil - £ 5,000	2	3
£45,001 - £50,000	1	1
£55,001 - £60,000	1	1

7 TANGIBLE FIXED ASSETS

Cost	<u>Land and building</u> <u>£</u>	<u>Plant and equipment</u> <u>£</u>	<u>Merchandising equipment</u> <u>£</u>	<u>Motor vehicles</u> <u>£</u>	<u>Total</u> <u>£</u>
At 31 December 1993	1,553,294	264,105	75,159	56,940	1,949,498
Additions	42,150	47,208	162,757	53,496	305,611
Disposals	-	-	(60,596)	(11,250)	(71,846)
At 31 December 1994	<u>1,595,444</u>	<u>311,313</u>	<u>177,320</u>	<u>99,186</u>	<u>2,183,263</u>
Depreciation					
At 31 December 1993	91,377	138,331	44,272	31,019	304,999
Charge for the year	28,431	57,826	56,520	17,602	160,379
Disposals	-	-	(60,596)	(6,470)	(67,066)
At 31 December 1994	<u>119,808</u>	<u>196,157</u>	<u>40,196</u>	<u>42,151</u>	<u>398,312</u>
Net book amounts					
At 31 December 1993	<u>1,461,917</u>	<u>125,774</u>	<u>30,887</u>	<u>25,921</u>	<u>1,644,499</u>
At 31 December 1994	<u>1,475,636</u>	<u>115,156</u>	<u>137,124</u>	<u>57,035</u>	<u>1,784,951</u>

During the year the depreciation policy for merchandising equipment was changed from 33% to 50% to agree to the parent company's policy. The change does not have a material effect on the financial statements.

8 STOCKS

Stock consists of finished goods and goods for resale.

9 DEBTORS

All due within one year.	<u>1994</u> £	<u>1993</u> £
Trade debtors	1,049,076	454,042
Other debtors	2,449	237,131
Prepayments and accrued income	17,644	21,971
	<u>1,069,169</u>	<u>713,144</u>

10 CREDITORS

Trade creditors	114,984	87,445
Amounts due to group undertakings	1,778,851	1,398,991
Taxation and social security	236,896	206,869
Other creditors	3,354	1,273
Accruals and deferred income	124,724	108,660
	<u>2,258,809</u>	<u>1,803,238</u>

11 DEFERRED TAXATION

There is no potential liability to deferred taxation at 31 December 1994 on account of unrelieved trading losses.

12 SHARE CAPITAL

	<u>Authorised</u> £	<u>Allotted and fully paid</u> £
Ordinary shares of £100 each	<u>4,000,000</u>	<u>3,000,000</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1994</u> £	<u>1993</u> £
At 1 January 1994	1,822,231	794,913
Profit for the financial year	39,950	27,318
Share capital issued	-	1,000,000
At 31 December 1994	<u>1,862,181</u>	<u>1,822,231</u>

14 RECONCILIATION OF OPERATING PROFIT TO NET CASH
 INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	<u>1994</u> £	<u>1993</u> £
Operating profit	39,742	27,318
Depreciation charge	160,379	129,532
Profit on disposal of fixed assets	(470)	(2,179)
(Increase)/decrease in stock	(141,161)	327,495
(Increase)/decrease in debtors	(356,025)	13,692
Increase/(decrease) in creditors	455,571	(1,251,018)
	<u>158,036</u>	<u>(755,160)</u>

15 ANALYSIS OF CHANGES IN CASH AND CASH
 EQUIVALENTS DURING THE YEAR

	£
Balance at 1 January 1994	180,592
Net cash outflow	(142,117)
Balance at 31 December 1994	<u>38,475</u>

16 LEASING COMMITMENTS

Payments falling due within one year under operating leases in respect of plant and machinery are as follows:

	£
Leases expiring between two to five years	<u>4,300</u>

17 CAPITAL COMMITMENTS

	£
Authorised but not contracted for	<u>18,000</u>

18 PENSION SCHEME

The Company operates money purchase pension schemes for the benefit of directors of the company. The assets of the schemes are held separately from those of the Company, being invested with insurance companies. The Company also contributes to personal pension plans for certain employees. The pension costs charge represents contributions payable by the Company during the year and is disclosed in note 3.

19 CONTINGENT LIABILITIES

The companys accounts and corporation tax computations for earlier periods are under negotiation with the Inland Revenue. There is a maximum potential liability with regard to international tax matters of some £130,000. The directors consider that no liability is due and no provisions have been made in the financial statements.

20 ULTIMATE PARENT COMPANY

The ultimate parent Company is Gilfin Spa, a company incorporated in Italy.