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Company No 2027951

GOLDEN LADY (UK) LIMITED

Annual Report

Year ended 31 December 1996



PANNEL KERR FORSTER
CHARTERED ACCOUNTANTS
Pannell House
159 Charles Street
LEICESTER LE1 1LD

**PANNEL
KERR
FORSTER**
CHARTERED ACCOUNTANTS

GOLDEN LADY (UK) LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1996

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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 1996.

1 RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year amounted to £260,630.

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

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

Details of 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

22 October 1997

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster

PANNELL KERR FORSTER

Chartered Accountants

Registered Auditors

Leicester

22 October 1997

GOLDEN LADY (UK) LIMITED
 PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31 DECEMBER 1996

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	<u>Note</u>	£	<u>1996</u>	£	£	<u>1995</u>	£
TURNOVER	2		4,790,435			4,603,398	
Cost of sales			<u>(2,978,314)</u>			<u>(2,971,099)</u>	
GROSS PROFIT			1,812,121			1,632,299	
Distribution costs		847,092			782,442		
Administration expenses		<u>706,797</u>	<u>1,553,889</u>		<u>610,942</u>	<u>1,393,384</u>	
OPERATING PROFIT			258,232			238,915	
Interest receivable		(4,590)			(3,810)		
Interest payable and similar charges	4	<u>1,126</u>	<u>(3,464)</u>		<u>-</u>	<u>(3,810)</u>	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4		261,696			242,725	
TAX ON PROFIT ON ORDINARY ACTIVITIES	5		<u>1,066</u>			<u>(3,091)</u>	
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS			260,630			245,816	
DEFICIENCY BROUGHT FORWARD			<u>(892,003)</u>			<u>(1,137,819)</u>	
DEFICIENCY CARRIED FORWARD			<u>(631,373)</u>			<u>(892,003)</u>	

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 1996

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	Note	£	1996	£	£	1995	£
FIXED ASSETS							
Tangible assets	7			1,752,104			1,761,392
CURRENT ASSETS							
Stocks	8	1,569,622			1,275,170		
Debtors	9	996,609			931,434		
Cash at bank and in hand		435,764			314,033		
			3,001,995		2,520,637		
CREDITORS - Amounts falling due within one year	10	2,370,354			2,174,032		
NET CURRENT ASSETS				631,641			346,605
TOTAL ASSETS LESS CURRENT LIABILITIES				2,383,745			2,107,997
CREDITORS - Amounts falling due after more than one year	10			15,118			-
NET ASSETS				2,368,627			2,107,997
CAPITAL AND RESERVES							
Called up share capital	12			3,000,000			3,000,000
Profit and loss account				(631,373)			(892,003)
EQUITY SHAREHOLDERS' FUNDS	13			2,368,627			2,107,997

Approved by the board on 22 October 1997

A. COTTON)
D. A. DODDS) Directors

Alison
John Dodds

GOLDEN LADY (UK) LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1996

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	<u>Note</u>	£	<u>1996</u>	£	£	<u>1995</u>	£
NET CASH INFLOW FROM OPERATING ACTIVITIES	14			362,815			466,933
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE							
Interest paid		(1,126)				-	
Interest received		4,590				3,810	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				3,464			3,810
				366,279			470,743
TAXATION							
UK corporation tax paid		908				52	
				908			52
				365,371			470,691
INVESTING ACTIVITIES							
Payments to acquire tangible fixed assets		(305,554)				(196,633)	
Receipts from sale of tangible fixed assets		16,935				1,500	
Hire purchase advances		72,173				-	
Hire purchase repayments		(27,176)				-	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES				(243,622)			(195,133)
CHANGE IN CASH AND CASH EQUIVALENTS	15			121,749			275,558

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	4%
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 Hire purchase, finance leases and operating lease agreements

Tangible fixed assets which are the subject of hire purchase or finance lease agreements are capitalised on the basis of actual cost or discounted minimum lease payments. Instalments payable under each agreement are apportioned between capital and revenue to write off the finance charge in equal amounts over the period of the agreement. Rentals under operating leases are charged to revenue as they fall due.

1.5 Exchange conversions

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions during the year in foreign currencies are recorded at the rates applicable at the date of the transactions. All differences are taken to profit and loss account.

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>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Wages and salaries	312,851	301,857
Social security costs	31,625	29,988
Other pension costs	23,915	23,482
	<u>368,391</u>	<u>355,327</u>

The average number of employees during the year was:

	<u>Number</u>	<u>Number</u>
Sales and distribution	12	12
Administration	5	5
	<u>17</u>	<u>17</u>

4 RESULTS

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

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Directors' remuneration (Note 6)	148,776	139,846
Auditors' remuneration	6,000	6,000
Depreciation of tangible fixed assets	305,990	219,387
Profit on disposal of tangible fixed assets	(8,083)	(696)
Operating lease rentals - plant and machinery	9,435	8,859
Interest payable - bank overdraft	212	-
- hire purchase	914	-
	<u> </u>	<u> </u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Corporation tax based on the profit for the year at 25%	1,111	953
Adjustment in respect of prior year's corporation tax	(45)	(4,044)
	<u>1,066</u>	<u>(3,091)</u>

There are trading losses amounting to £572,242 (1995 £947,183) available
for set off against future profits.

6 DIRECTORS' REMUNERATION

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Emoluments including pension contributions	<u>148,776</u>	<u>140,122</u>
Emoluments excluding pension contributions:		
Chairman	<u>4,800</u>	<u>4,800</u>
Highest paid director	<u>75,159</u>	<u>71,200</u>
Ranges of emoluments of all directors excluding pension contributions:		
	<u>Number</u>	<u>Number</u>
£ Nil - £ 5,000	2	2
£50,001 - £55,000	1	1
£70,001 - £75,000	-	1
£75,001 - £80,000	1	-

7 TANGIBLE FIXED ASSETS

Cost	Freehold land and building <u>£</u>	Plant and equipment <u>£</u>	Merchandising equipment <u>£</u>	Motor vehicles <u>£</u>	Total <u>£</u>
At 31 December 1995	1,601,968	377,391	290,706	90,991	2,361,056
Additions	57,109	39,362	135,998	73,085	305,554
Disposals	-	(50,739)	(177,320)	(66,721)	(294,780)
At 31 December 1996	<u>1,659,077</u>	<u>366,014</u>	<u>249,384</u>	<u>97,355</u>	<u>2,371,830</u>
Depreciation					
At 31 December 1995	148,936	236,122	156,653	57,953	599,664
Charge for the year	60,099	68,314	151,374	26,203	305,990
Disposals	-	(50,739)	(177,320)	(57,869)	(285,928)
At 31 December 1996	<u>209,035</u>	<u>253,697</u>	<u>130,707</u>	<u>26,287</u>	<u>619,726</u>
Net book amounts					
At 31 December 1995	<u>1,453,032</u>	<u>141,269</u>	<u>134,053</u>	<u>33,038</u>	<u>1,761,392</u>
At 31 December 1996	<u>1,450,042</u>	<u>112,317</u>	<u>118,677</u>	<u>71,068</u>	<u>1,752,104</u>

The net book amount of tangible fixed assets included under motor vehicles which are the subject of hire purchase agreements is £63,790. The depreciation charge for the year in respect of these assets amounted to £9,295.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 1996

8 STOCKS

Stock consists of finished goods and goods for resale.

9 DEBTORS

	<u>1996</u> £	<u>1995</u> £
All due within one year.		
Trade debtors	809,706	872,279
Other debtors	152,393	16,363
Prepayments and accrued income	34,510	42,792
	<u>996,609</u>	<u>931,434</u>

10 CREDITORS

Amounts falling due within one year.

Trade creditors	133,778	104,407
Amounts due to group undertakings	1,836,769	1,679,800
Other taxation and social security	227,633	228,237
Corporation tax	1,111	953
Other creditors	32,515	6,953
Accruals and deferred income	138,548	153,682
	<u>2,370,354</u>	<u>2,174,032</u>

Amounts falling due after more than one year.

Other creditors	<u>15,118</u>	<u>-</u>
-----------------	---------------	----------

Other creditors include hire purchase instalments secured on certain tangible fixed assets as follows:

	<u>1996</u> £	<u>1995</u> £
Due within one year	29,879	-
Due within one to two years	15,118	-
	<u>44,997</u>	<u>-</u>

11 DEFERRED TAXATION

There is no potential liability to deferred taxation at 31 December 1996.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1996

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>1996</u> £	<u>1995</u> £
At 1 January 1996	2,107,997	1,862,181
Profit for the financial year	<u>260,630</u>	<u>245,816</u>
At 31 December 1996	<u>2,368,627</u>	<u>2,107,997</u>

14 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>1996</u> £	<u>1995</u> £
Operating profit	258,232	238,915
Depreciation charge	305,990	219,387
Profit on disposal of fixed assets	(8,083)	(695)
Increase in stock	(294,452)	(46,775)
(Increase)/decrease in debtors	(65,175)	137,735
Increase/(decrease) in creditors	<u>166,303</u>	<u>(81,634)</u>
	<u>362,815</u>	<u>466,933</u>

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

	<u>1996</u> £	<u>1995</u> £
Balance at 1 January 1996	314,015	38,457
Net cash inflow	<u>121,749</u>	<u>275,558</u>
Balance at 31 December 1996	<u>435,764</u>	<u>314,015</u>

16 LEASING COMMITMENTS

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

	f
Leases expiring between two and five years	<u>4,725</u>

17 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. Unpaid contributions at the year end amounted to £3,942 (1995 £6,955).

18 DIRECTORS' INTERESTS IN CONTRACTS

During the year a motor vehicle was sold for £500 to A. Cotton, a director of the company.

19 ULTIMATE PARENT COMPANY

The ultimate parent Company is Gilfin Spa, a company incorporated in Italy, which is also the ultimate controlling party.