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Company No. 2027951

GOLDEN LADY (UK) LIMITED

Annual Report

Year ended 31 December 1997



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 1997

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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 1997.

1 RESULTS AND DIVIDENDS

The profit on ordinary activities after taxation for the year amounted to £408,872.

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 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

8 September 1998

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

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 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 of fraud and other irregularities.

GOLDEN LADY (UK) LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 14 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 1997 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

10 September 1998

GOLDEN LADY (UK) LIMITED
 PROFIT AND LOSS ACCOUNT
 YEAR ENDED 31 DECEMBER 1997

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	<u>Note</u>	£	<u>1997</u>	£	£	<u>1996</u>	£
TURNOVER	2		7,022,814			4,790,435	
Cost of sales			<u>(4,839,875)</u>			<u>(2,978,314)</u>	
GROSS PROFIT			2,182,939			1,812,121	
Distribution costs		986,903			847,092		
Administration expenses		<u>788,171</u>	<u>1,775,074</u>		<u>706,797</u>	<u>1,553,889</u>	
OPERATING PROFIT			407,865			258,232	
Interest receivable		(5,464)			(4,590)		
Interest payable and similar charges	4	<u>3,269</u>	<u>(2,195)</u>		<u>1,126</u>	<u>(3,464)</u>	
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4		410,060			261,696	
TAX ON PROFIT ON ORDINARY ACTIVITIES	5		<u>1,188</u>			<u>1,066</u>	
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO EQUITY SHAREHOLDERS			408,872			260,630	
DEFICIENCY BROUGHT FORWARD			<u>(631,373)</u>			<u>(892,003)</u>	
DEFICIENCY CARRIED FORWARD			<u>(222,501)</u>			<u>(631,373)</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 1997

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	Note	£	1997	£	£	1996	£
FIXED ASSETS							
Tangible assets	7		2,088,539			1,752,104	
CURRENT ASSETS							
Stocks	8	1,964,389			1,569,622		
Debtors	9	1,840,395			996,609		
Cash at bank and in hand		480,788			435,764		
			4,285,572		3,001,995		
CREDITORS - Amounts falling due within one year	10	3,589,251			2,370,354		
NET CURRENT ASSETS			696,321			631,641	
TOTAL ASSETS LESS CURRENT LIABILITIES			2,784,860			2,383,745	
CREDITORS - Amounts falling due after more than one year	10		7,361			15,118	
NET ASSETS			2,777,499			2,368,627	
CAPITAL AND RESERVES							
Called up share capital	12		3,000,000			3,000,000	
Profit and loss account			(222,501)			(631,373)	
EQUITY SHAREHOLDERS' FUNDS	13		2,777,499			2,368,627	

Approved by the board on 8 September 1998

A. COTTON

D. A. DODDS

Alan Cotton
Directors
D. A. Dodds

GOLDEN LADY (UK) LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1997

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	<u>Note</u>	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	14	715,979	362,797
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	15	2,195	3,464
TAXATION		(1,111)	(908)
CAPITAL EXPENDITURE	15	(657,770)	(288,619)
FINANCING	15	<u>(14,269)</u>	<u>44,997</u>
INCREASE IN CASH	16	<u>45,024</u>	<u>121,731</u>

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	33.3%

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

The charge for taxation takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise. Account is taken of the benefit of unused advance corporation tax available for set off against future taxation liabilities.

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>1997</u> £	<u>1996</u> £
Wages and salaries	341,146	308,051
Social security costs	33,919	31,625
Other pension costs	25,899	23,915
	<u>400,964</u>	<u>363,591</u>

The average number of employees during the year was:

	<u>Number</u>	<u>Number</u>
Sales and distribution	13	12
Administration	6	5
	<u>19</u>	<u>17</u>

4 RESULTS

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

	<u>1997</u> £	<u>1996</u> £
Directors' remuneration (Note 6)	161,643	148,776
Auditors' remuneration	6,100	6,000
Depreciation of tangible fixed assets	321,518	305,990
Profit on disposal of tangible fixed assets	(183)	(8,083)
Operating lease rentals - plant and machinery	39,019	9,435
Interest payable - bank overdraft	115	212
- hire purchase	3,154	914
	<u>531,762</u>	<u>572,242</u>

5 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1997</u> £	<u>1996</u> £
Corporation tax based on the profit for the year at 21.7% (1996: 24.2%)	1,188	1,111
Adjustment in respect of prior year's corporation tax	-	(45)
	<u>1,188</u>	<u>1,066</u>

The company has trading losses amounting to £238,501 (1996: £572,242)
 available for set off against future profits.

6 DIRECTORS' REMUNERATION

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
Aggregate emoluments	<u>148,762</u>	<u>132,818</u>
Company contributions to money purchase schemes	<u>12,881</u>	<u>15,958</u>

Two directors are accruing benefits under money purchase schemes.

7 TANGIBLE FIXED ASSETS

Cost	<u>Freehold 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 1996	1,659,077	366,014	249,384	97,355	2,371,830
Additions	247,416	227,198	172,602	12,673	659,889
Disposals	-	(11,384)	(113,386)	-	(124,770)
At 31 December 1997	<u>1,906,493</u>	<u>581,828</u>	<u>308,600</u>	<u>110,028</u>	<u>2,906,949</u>
Depreciation					
At 31 December 1996	209,035	253,697	130,707	26,287	619,726
Charge for the year	65,589	75,374	147,155	33,400	321,518
Disposals	-	(9,448)	(113,386)	-	(122,834)
At 31 December 1997	<u>274,624</u>	<u>319,623</u>	<u>164,476</u>	<u>59,687</u>	<u>818,410</u>
Net book amounts					
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>
At 31 December 1997	<u>1,631,869</u>	<u>262,205</u>	<u>144,124</u>	<u>50,341</u>	<u>2,088,539</u>

Particulars of tangible fixed assets included above which are the subject of hire purchase agreements are as follows:

	<u>Plant and equipment</u> <u>£</u>	<u>Motor vehicles</u> <u>£</u>
Net book amount	<u>11,082</u>	<u>50,340</u>
Depreciation charge for the year	<u>583</u>	<u>26,122</u>

8 STOCKS

Stock consists of finished goods and goods for resale.

9 DEBTORS

	<u>1997</u> £	<u>1996</u> £
All due within one year.		
Trade debtors	1,594,815	809,706
Other debtors	182,599	152,393
Prepayments and accrued income	62,981	34,510
	<u>1,840,395</u>	<u>996,609</u>

10 CREDITORS

Amounts falling due within one year.

Trade creditors	131,851	133,778
Amounts due to group undertakings	2,821,014	1,836,769
Other taxation and social security	444,397	227,633
Corporation tax	1,188	1,111
Other creditors	24,494	32,515
Accruals and deferred income	166,307	138,548
	<u>3,589,251</u>	<u>2,370,354</u>

Amounts falling due after more than one year.

Other creditors	<u>7,361</u>	<u>15,118</u>
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Other creditors include hire purchase instalments secured on certain tangible fixed assets as follows:

	<u>1997</u> £	<u>1996</u> £
Due within one year	23,367	29,879
Due within one to two years	5,593	15,118
Due within two to five years	1,768	-
	<u>30,728</u>	<u>44,997</u>

11 DEFERRED TAXATION

There is no potential liability to deferred taxation at 31 December 1997 (1996: £Nil).

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>1997</u> £	<u>1996</u> £
At 1 January 1997	2,368,627	2,107,997
Profit for the financial year	<u>408,872</u>	<u>260,630</u>
At 31 December 1997	<u>2,777,499</u>	<u>2,368,627</u>

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

	<u>1997</u> £	<u>1996</u> £
Operating profit	407,865	258,232
Depreciation charge	321,518	305,990
Profit on disposal of fixed assets	(183)	(8,083)
Increase in stock	(394,767)	(294,452)
Increase in debtors	(843,786)	(65,175)
Increase in creditors	<u>1,225,332</u>	<u>166,285</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>715,979</u>	<u>362,797</u>

15 GROSS CASH FLOWS

	<u>1997</u> <u>£</u>	<u>1996</u> <u>£</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	5,464	4,590
Interest paid	(3,269)	(1,126)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>2,195</u>	<u>3,464</u>
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(659,889)	(305,554)
Receipts from sale of tangible fixed assets	2,119	16,935
NET CASH OUTFLOW FOR CAPITAL EXPENDITURE	<u>(657,770)</u>	<u>(288,619)</u>
FINANCING		
Hire purchase advances	26,689	72,173
Hire purchase repayments	(40,958)	(27,176)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING	<u>(14,269)</u>	<u>44,997</u>

16 ANALYSIS OF CHANGES IN NET FUNDS/(DEBT)

	<u>At</u> <u>31 December</u> <u>1996</u> <u>£</u>	<u>Cash flow</u> <u>£</u>	<u>Other</u> <u>non-cash</u> <u>changes</u> <u>£</u>	<u>At</u> <u>31 December</u> <u>1997</u> <u>£</u>
Cash in hand and at bank	435,764	45,024	-	480,788
Capital element of hire purchase agreements	(44,997)	40,958	(26,689)	(30,728)
	<u>390,767</u>	<u>85,982</u>	<u>(26,689)</u>	<u>450,060</u>

17 RECONCILIATION OF NET CASH INFLOW/(OUTFLOW) TO MOVEMENT IN NET FUNDS

	<u>1997</u> £	<u>1996</u> £
Increase in cash in the year	45,024	121,731
Cash flow from decrease in hire purchase financing	40,958	-
	<u>85,982</u>	<u>121,731</u>
Change in net funds resulting from cash flows	85,982	121,731
New hire purchase agreements	(26,689)	(44,997)
	<u>59,293</u>	<u>76,734</u>
Movement in net funds in the year	59,293	76,734
Net funds at 31 December 1996	390,767	314,033
	<u>450,060</u>	<u>390,767</u>
Net funds at 31 December 1997	450,060	390,767

18 LEASING COMMITMENTS

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

	£
Leases expiring between two and five years	<u>13,845</u>

19 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 £1,338 (1996 £3,942).

20 ULTIMATE PARENT COMPANY

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

21 RELATED PARTY TRANSACTIONS

As Golden Lady (UK) Limited is a subsidiary of Gilfin Spa and the consolidated accounts of Gilfin Spa are publicly available in Italy, advantage has been taken of the exemption offered by Financial Reporting Standard 8 from the requirement to disclose transactions with other group companies.