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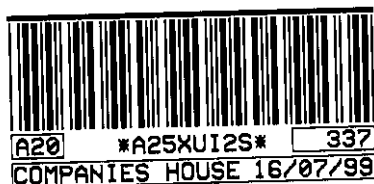
Registrars' Copy

Company No: 2027951

GOLDEN LADY (UK) LIMITED

Annual Report

Year ended 31 December 1998



PANNELL KERR FORSTER

CHARTERED ACCOUNTANTS

Pannell House

159 Charles Street

LEICESTER LE1 1LD

**PANNELL
KERR
FORSTER**

CHARTERED ACCOUNTANTS

GOLDEN LADY (UK) LIMITED

COMPANY INFORMATION

Directors	United Kingdom: Alan Cotton (Managing Director) David Anthony Dodds (Financial Director) Italy: Nadia Grassi Monica Grassi
Secretary	David Anthony Dodds
Company Number	02027951
Registered Office	County Estate Nunn Brook Road Huthwaite Sutton in Ashfield Nottinghamshire NG17 2HU
Auditors	Pannell Kerr Forster Chartered Accountants Pannell House 159 Charles Street Leicester LE1 1LD
Bankers	Lloyds Bank plc 7 High Street Leicester LE1 9FS

GOLDEN LADY (UK) LIMITED

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GOLDEN LADY (UK) LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 1998

The directors submit their annual report and the audited financial statements for the year ended 31 December 1998.

Results and dividends

The profit for the year, after taxation but before exceptional item amounted to £284,888 (1997 - £408,872).

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

Principal activity and review of business

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

The Company continued the development of its principal brand name "Golden Lady" within the UK and when combined with its associate companies makes "Golden Lady" Europe's leading hosiery brand. At the end of 1998, the Group expanded its activities to acquire the Kayser Roth hosiery brands in North America.

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 the UK Sales, Marketing and Distribution is undertaken.

The company sustained its share of the UK hosiery market but in a declining market both within the major grocery chains and with smaller UK retail outlets through distributors/wholesalers.

The directors will be satisfied if the Company is able to maintain its current share of the UK hosiery market through 1999 as further deterioration in that market is anticipated.

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:

Nadia Grassi

Monica 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.

Political and charitable contributions

During the year the Company made charitable contributions amounting to £239.

Fixed assets

Details of fixed assets are shown in note 8 to the financial statements.

Year 2000

The company has assessed the risks and uncertainties associated with the Year 2000 and is in the process of making changes to its computer systems to make them Year 2000 compliant. The cost of compliance is not expected to be material in the context of other normal operating costs.

GOLDEN LADY (UK) LIMITED
DIRECTORS' REPORT (continued)
YEAR ENDED 31 DECEMBER 1998

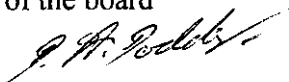
Status

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

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

9 July 1999
County Estate
Nunn Brook Road
Huthwaite
Sutton in Ashfield
Notts
NG17 2HU

GOLDEN LADY (UK) LIMITED
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 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 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 and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
GOLDEN LADY (UK) LIMITED**

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LEICESTER
9 July 1999


PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

GOLDEN LADY (UK) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £	1997 £
TURNOVER	2	6,612,137	7,022,814
Cost of sales		(4,407,906)	(4,839,875)
GROSS PROFIT		2,204,231	2,182,939
Distribution costs		(1,128,721)	(986,903)
Administrative expenses		(890,027)	(788,171)
OPERATING PROFIT	3	185,483	407,865
<i>Interest receivable and similar items</i>		9,843	5,464
Interest payable and similar items	6	(3,183)	(3,269)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		192,143	410,060
TAXATION	7	(3,584)	(1,188)
PROFIT FOR THE FINANCIAL YEAR		188,559	408,872

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

GOLDEN LADY (UK) LIMITED
BALANCE SHEET
31 DECEMBER 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible	8	2,065,042	2,088,539
CURRENT ASSETS			
Stocks	9	1,857,661	1,964,389
Debtors	10	1,368,821	1,840,395
Cash at bank and in hand		178,746	480,788
		<u>3,405,228</u>	<u>4,285,572</u>
CREDITORS: amounts falling due within one year	11	(2,502,444)	(3,589,251)
NET CURRENT ASSETS		<u>902,784</u>	<u>696,321</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,967,826</u>	<u>2,784,860</u>
CREDITORS: amounts falling due after more than one year	12	(1,768)	(7,361)
NET ASSETS		<u><u>2,966,058</u></u>	<u><u>2,777,499</u></u>
CAPITAL AND RESERVES			
Called up share capital	14	3,000,000	3,000,000
Profit and loss account	15	(33,942)	(222,501)
SHAREHOLDERS' FUNDS	16	<u><u>2,966,058</u></u>	<u><u>2,777,499</u></u>

The financial statements were approved by the board on 9 July 1999

Signed on behalf of the board of directors


Alan Cotton Director


David Anthony Dodds Director

GOLDEN LADY (UK) LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 1998

	1998 £	1997 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	185,483	407,865
Depreciation of tangible fixed assets	373,558	321,518
Profit on sale of fixed assets	(11,449)	(183)
Decrease/(increase) in debtors	471,574	(843,786)
Decrease/(increase) in stocks	106,728	(394,767)
(Decrease)/increase in creditors	(1,070,891)	1,225,332
Net cash inflow from operating activities	<u>55,003</u>	<u>715,979</u>
CASH FLOW STATEMENT (note 17)		
Net cash inflow from operating activities	55,003	715,979
Returns on investments and servicing of finance	6,660	2,195
Taxation	(1,720)	(1,111)
Capital expenditure	(338,610)	(657,770)
	<u>(278,667)</u>	<u>59,293</u>
Financing	(23,375)	(14,269)
(Decrease)/increase in cash	<u>(302,042)</u>	<u>45,024</u>
Reconciliation of net cash flow to movement in net debt (note 18)		
(Decrease)/increase in cash in the period	(302,042)	45,024
Decrease in hire purchase financing	23,375	40,958
New hire purchase agreements	-	(26,689)
Change in net debt	<u>(278,667)</u>	<u>59,293</u>
Net debt at 1 January 1998	450,060	390,767
Net debt at 31 December 1998	<u>171,393</u>	<u>450,060</u>

GOLDEN LADY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

(b) 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.

(c) Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

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

(d) Stocks and work in progress

Goods 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.

(e) 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.

(f) 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 tax liabilities.

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 turnover arises in the United Kingdom.

GOLDEN LADY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	1998 £	1997 £
Depreciation of tangible fixed assets:		
- owned by the company	367,001	294,813
- held under finance lease or hire purchase contracts	6,557	26,705
Audit fees	6,200	6,100
Operating lease rentals:		
- plant & machinery	24,630	39,019
Directors remuneration (Note 4)	153,768	161,643
Profit on disposal of fixed assets	(11,449)	(183)
Exceptional item:		
Unrecovered costs on warehouse roof claim	96,329	-
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	1998 £	1997 £
Directors' emoluments	141,659	148,762
Contributions to money purchase pension schemes	12,109	12,881
	<u> </u>	<u> </u>

The numbers of directors who were members of company pension schemes were:

	No	No
Money purchase schemes	2	2
	<u> </u>	<u> </u>

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	1998 £	1997 £
Wages and salaries	369,262	341,146
Social security costs	35,366	33,919
Other pension costs	24,166	25,899
	<u> </u>	<u> </u>
	428,794	400,964
	<u> </u>	<u> </u>

The average monthly number of employees, including executive directors, during the year was:

	No.	No.
Sales and distribution	12	13
Administration	6	6
	<u> </u>	<u> </u>
	18	19
	<u> </u>	<u> </u>

GOLDEN LADY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

6 INTEREST PAYABLE AND SIMILAR ITEMS

	1998 £	1997 £
Bank overdraft	359	115
Finance charges under finance lease and hire purchase contracts	2,824	3,154
	<u>3,183</u>	<u>3,269</u>

7 TAXATION

	1998 £	1997 £
Current year taxation		
UK corporation tax at 31% (1997 - 31%)	3,051	1,188
Adjustments in respect of prior periods		
Corporation tax	533	-
	<u>3,584</u>	<u>1,188</u>

The company has trading losses amounting to £43,220 available for set off against future profits.

8 TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Plant & Merchandising equipment £	Merchandising equipment £	Motor vehicles £	Total £
Cost					
At 1 January 1998	1,906,493	581,828	308,600	110,028	2,906,949
Additions	35,679	79,737	198,848	40,412	354,676
Disposals	-	(1,501)	(274,499)	(39,938)	(315,938)
	<u>1,942,172</u>	<u>660,064</u>	<u>232,949</u>	<u>110,502</u>	<u>2,945,687</u>
Depreciation					
At 1 January 1998	274,624	319,623	164,476	59,687	818,410
Charge for year	71,383	93,557	169,867	38,751	373,558
On disposals	-	(1,501)	(274,499)	(35,323)	(311,323)
	<u>346,007</u>	<u>411,679</u>	<u>59,844</u>	<u>63,115</u>	<u>880,645</u>
Net book amount					
At 31 December 1998	<u>1,596,165</u>	<u>248,385</u>	<u>173,105</u>	<u>47,387</u>	<u>2,065,042</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>

GOLDEN LADY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

The net book value of assets held under finance lease or hire purchase contracts included above were:

	1998	1997
	£	£
Plant & equipment	8,748	11,082
Motor vehicles	6,689	50,340
	<u>15,437</u>	<u>61,422</u>

9 STOCKS

	1998	1997
	£	£
Finished goods and goods for resale	<u>1,857,661</u>	<u>1,964,389</u>

10 DEBTORS

	1998	1997
	£	£
Due within one year		
Trade debtors	1,328,816	1,594,815
Other debtors	-	182,599
Prepayments & accrued income	40,005	62,981
	<u>1,368,821</u>	<u>1,840,395</u>

11 CREDITORS:

Amounts falling due within one year

	1998	1997
	£	£
Trade creditors	144,880	131,851
Amounts owed to group undertakings	1,884,688	2,821,014
Corporation tax	3,051	1,188
Other tax and social security	320,081	444,397
Net obligations under finance lease and hire purchase contracts (note 13)	5,585	23,367
Other creditors	1,028	1,127
Accruals and deferred income	143,131	166,307
	<u>2,502,444</u>	<u>3,589,251</u>

GOLDEN LADY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

12 CREDITORS:

Amounts falling due after more than one year

	1998 £	1997 £
Net obligations under finance lease and hire purchase contracts (note 13)	1,768	7,361
	<u>1,768</u>	<u>7,361</u>

13 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

	1998 £	1997 £
Due within one year	5,585	23,367
Due within one and five years	1,768	7,361
	<u>7,353</u>	<u>30,728</u>

Finance lease and hire purchase creditors are secured on the assets concerned.

14 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No.	£
At 1 January 1998 and 31 December 1998 Ordinary shares of £100 each	4,000,000	30,000	3,000,000

15 RESERVES

Profit and loss account	£
At 1 January 1998	(222,501)
Profit for the year	188,559
At 31 December 1998	<u>(33,942)</u>

16 SHAREHOLDERS' FUNDS

	1998 £	1997 £
Shareholders' funds at 1 January 1998	2,777,499	2,368,627
Profit for the year	188,559	408,872
Shareholders' funds at 31 December 1998	<u>2,966,058</u>	<u>2,777,499</u>

GOLDEN LADY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

17 GROSS CASH FLOWS

	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	9,843	5,464
Interest paid	(3,183)	(3,269)
	<u>6,660</u>	<u>2,195</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(354,676)	(659,889)
Receipts from sales of tangible fixed assets	16,066	2,119
	<u>(338,610)</u>	<u>(657,770)</u>
Financing		
Hire purchase advances	-	26,689
Hire purchase repayments	(23,375)	(40,958)
	<u>(23,375)</u>	<u>(14,269)</u>

18 ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 1998 £	Cash flows £	Other changes £	At 31 December 1998 £
Cash at bank and in hand	480,788	(302,042)	-	178,746
Finance leases	(30,728)	23,375	-	(7,353)
Total	<u>450,060</u>	<u>(278,667)</u>	<u>-</u>	<u>171,393</u>

19 OTHER COMMITMENTS

At 31 December 1998 the company had annual commitments under operating leases as follows:

	1998 £	Other 1997 £
Expiry date:		
Between 2 and 5 years	14,885	13,845

20 DEFERRED TAXATION

There is no potential liability to deferred taxation at 31 December 1998 (1997: £Nil).

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.

GOLDEN LADY (UK) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1998

22 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 in 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 5. Unpaid contributions at the year end amounted to £293 (1997: £1,338).

23 ULTIMATE PARENT AND CONTROLLING PARTY

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