

Registered in England
Company No. 2241601

**Report
And
Financial Statements**

ABLEROSE LIMITED

for the year ended 31 December 1998



K J Pittalis & Co.

KJP

ACCOUNTANTS

90-92 HIGH ROAD, EAST FINCHLEY, LONDON N2 9EB

ABLEROSE LIMITED

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ABLEROSE LIMITED

Officers and Company Information

Directors: Mr Evelthon Georgiades, Cypriot (Chairman)
Mr Robert Chamberlain, British (Managing)
Miss Koula Georgiadou, Cypriot
Mr George Vassiliou, Cypriot
Miss Julie Thompson, British

Company secretary: Julie Thompson

Registered in England: 2241601

Registered office: 90-92 High Road
London
N2 9EB

Trading address: 361B-363B Liverpool Road
London
N1 1NL

Bankers: Bank of Cyprus (London) Limited
162 Seven Sisters Road
London
N7 7PT

Auditors: K J Pittalis & Co
90-92 High Road
London
N2 9EB

Solicitors: Pittalis & Co
98 High Road
London
N2 9EB

ABLEROSE LIMITED

Directors' Report

The directors present their report together with the accounts of the company for the year ended 31 December 1998.

Principal activity

The principal activity of the company is that of manufacturers and wholesalers of ladies garments. The company trades under the name of Alison Hayes.

Results and dividends

The profit and loss account of the company is set out on page 5 and shows the results for the year. Profit for the financial year amounted to £156,234.

Review of the business and future developments

Turnover increased significantly and the gross margin was maintained at the same level as the previous year.

The company continued its expansion and has made further investment in Alison Hayes (Brittanica) SA.

Fixed assets

Details and movements in the fixed assets of the company are detailed in the balance sheet and note 6 of the accounts on page 11.

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;

state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;

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 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.

ABLEROSE LIMITED

Directors' Report

Year 2000

As discussed at length in the media, many computers and microchips only recognise dates using the last two digits of the year and will therefore need to be modified or replaced to record the year 2000. Our business depends on a computerised accounting system to prepare the accounts and record the transactions, as well as control stock. In addition, we could be affected by the systems used by our suppliers and customers. As a result we could be at risk if other parties do not deal adequately with the year 2000 issue.

We have also assessed the possibility of year 2000 related failures in our significant suppliers, all of whom inform us that they are already dealing with the problem.

It is impossible to guarantee that no year 2000 problems will remain. However, the directors feel that the company will be able to deal promptly with any failures that may occur.

The Euro

Although the single European currency (the Euro) came into existence on 1 January 1999, the UK Government has indicated that the UK will not participate at this stage. The impact on our business has been considered and it is not expected to have any material effect due to the nature of our operations.

Directors

The directors of the company during the year and their interest in the share capital of the company were:

	Ordinary Shares of £1 each	
	1998	1997
Mr E Georgiades	--	--
Mr R A Chamberlain	75,000	75,000
Miss K Georgiadou	--	--
Mr C Vakis (resigned 31 December 1998)	--	--
Mr G Vassiliou	--	--
Miss J Thompson	--	--

Synek Limited, a company incorporated in Cyprus, holds **425,000** (1997 - 425,000) shares of £1 each and apart from R A Chamberlain and J Thompson, the others are also directors of Synek Limited.

Auditors

Messrs K J Pittalis & Co are deemed to be reappointed in accordance with Section 386 of the Companies Act 1985.

BY ORDER OF THE BOARD



Julie Thompson
Secretary

15 July 1999

ABLEROSE LIMITED

Report of the Auditors to the members of Ablerose Limited

We have audited the financial statements on pages 5 to 14 which have been prepared in accordance with the accounting policies set out on page 9.

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 state of the company's affairs as at 31 December 1998 and its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.



K J Pittalis & Co
Registered Auditors
90-92 High Road
London N2 9EB

15 July 1999

ABLEROSE LIMITED

Profit and Loss Account for the year ended 31 December 1998

	Notes	1998 £	1997 £
Gross profit		4,151,306	3,421,858
Distribution costs		(2,893,886)	(2,331,358)
Administrative expenses		(1,031,190)	(742,193)
Operating profit	3	226,230	348,307
Interest receivable		12,604	13,858
Interest payable		(18,606)	(23,263)
Profit on ordinary activities before taxation		220,228	338,902
Taxation	5	(63,994)	(112,529)
Profit for the financial year		156,234	226,373
Dividend proposed		--	(200,000)
Retained profit for the financial year		156,234	26,373
Retained profit at 1 January 1998		313,624	287,251
Retained profit at 31 December 1998		469,858	313,624

All of the company's activities derive from continuing operations.

ABLEROSE LIMITED

Statement of total recognised gains and losses for the year ended 31 December 1998

	1998	1997
	£	£
Profit for the financial year	156,234	26,373
Unrealised surplus on revaluation of property	--	166,986
	-----	-----
Total recognised gains relating to the year	156,234	193,359
	=====	=====

Note of historical cost profits and losses

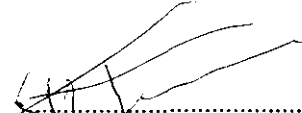
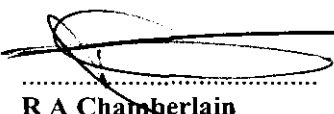
The difference between the results as disclosed in the profit and loss account and the results on an unmodified historical cost basis is not material.

ABLEROSE LIMITED

Balance Sheet As at 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	6	965,404	868,540
Investments	7	800,187	719,187
		1,765,591	1,587,727
Current assets			
Stock	8	1,729,396	1,946,167
Debtors	9	1,099,680	439,111
Cash at bank and in hand		107,003	565,559
		2,936,079	2,950,837
Creditors			
Amounts falling due within one year	10	2,893,342	2,913,215
		42,737	37,622
Net current assets			
		1,808,328	1,625,349
Total assets less current liabilities			
Creditors			
Amounts falling due after more than one year	11	671,484	644,739
		1,136,844	980,610
Net assets			
Capital and reserves			
Called up share capital	12	500,000	500,000
Revaluation reserve	13	166,986	166,986
Profit and loss account		469,858	313,624
		1,136,844	980,610
Shareholders' funds			
		1,136,844	980,610

The accounts were approved by the board of directors on 15 July 1999 and signed on its behalf by:


)
E Georgiades)
) **Directors**

)
R A Chamberlain)

ABLEROSE LIMITED

Cash Flow Statement for the year ended 31 December 1998

	Notes	1998		1997	
		£	£	£	£
Net cash inflow from operating activities	1		167,841		522,752
Returns on investment and servicing of finance					
Interest paid		(18,606)		(23,263)	
Interest received		12,604		13,858	
Dividend paid		(200,000)		--	
Net cash outflow from returns on investment & servicing of finance			(206,002)		(9,405)
Taxation					
Corporation tax paid			(112,529)		(96,876)
Investing activities					
Investment in subsidiaries		(81,000)		(384,687)	
Payments to acquire tangible fixed assets		(203,997)		(87,158)	
Receipts from sale of fixed assets		--		26,493	
Net cash outflow from investing activities			(284,997)		(445,352)
Net cash outflow before financing			(435,687)		(28,881)
Financing					
Loan		--		500,000	
Loan repayments		(36,138)		(81,481)	
Net cash (outflow)/inflow from financing			(36,138)		418,519
(Decrease)/increase in cash & cash equivalents 2			(471,825)		389,638

NOTES TO CASH FLOW STATEMENT

1. Reconciliation of operating profit to net cash inflow from operating activities.

	1998	1997
	£	£
Operating profit	226,230	348,307
Depreciation charge	107,133	67,057
Profit on sale of fixed assets	--	(6,998)
Decrease/(increase) in stocks & work in progress	216,771	(783,360)
(Increase)/decrease in debtors	(660,569)	72,176
Increase in creditors	278,276	825,570
Net cash inflow from operating activities	167,841	522,752

2. Analysis of change in cash and cash equivalents during the year

	1998	1997	Change in year
	£	£	£
Cash at bank and in hand	107,003	565,559	(458,556)
Bank overdraft	(13,269)	--	(13,269)
	93,734	565,559	(471,825)

ABLEROSE LIMITED

Notes forming part of the accounts for the year ended 31 December 1998

1. ACCOUNTING POLICIES

(i) Accounting convention

The financial statements were prepared under the historical cost convention modified to include the revaluation of the freehold property and comply with all applicable accounting standards.

(ii) Depreciation

Depreciation is calculated at the following rates using the reducing balance method and aims to write off the cost of assets over their expected useful lives.

Freehold buildings - 2% on cost or revalued amounts
Other assets - 25% on cost

(iii) Stocks

Stocks and work-in-progress are valued by the directors at the lower of cost and net realisable value after making due allowance for obsolete and slow moving items.

(iv) Investment in subsidiaries

The investment in the subsidiary undertakings is stated at cost. The directors consider that there has not been any permanent diminution in the value of the investments.

(v) Foreign currency translation

(a) Monetary assets and liabilities denominated in a foreign currency are translated into Sterling at the foreign exchange rate ruling at the balance sheet date.

(b) Revenue and expenses in foreign currencies are recorded in Sterling at an average rate during the year in which the transactions arise.

(c) Gains and losses on translation are included in the profit and loss account.

(vi) Deferred taxation

Deferred tax is not provided as there is no reasonable probability of a material amount becoming payable in the foreseeable future.

(vii) Pensions

The company operates a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the company.

In principle the company contributes to the scheme an amount equal to the regular cost of pensions as calculated by a qualified actuary. The regular pensions costs so calculated are charged to the profit and loss account.

The company also makes contributions to a defined contributions scheme. The pension costs so calculated are charged to the profit and loss account.

ABLEROSE LIMITED

Notes forming part of the accounts for the year ended 31 December 1998

2. TURNOVER

Turnover represents the amounts receivable, excluding VAT, by the company for goods sold in the United Kingdom.

3. OPERATING PROFIT	1998	1997
	£	£
Operating profit is after charging:		
Depreciation	107,133	67,057
Auditors' emoluments	22,500	15,000
Directors' emoluments	308,077	137,695

4. STAFF COSTS

i) Directors:

Emoluments for service as directors	147,335	108,965
Pension contributions	21,000	18,750
Compensation for loss of office	121,773	--
Benefits in kind	17,969	9,980
	<u>308,077</u>	<u>137,695</u>

Mr C Vakis' contract of employment was terminated on 31 December 1998. The amount of £121,773 was agreed to be paid as compensation for loss of office.

ii) Employee costs during the year amounted to:

Wages & salaries	944,299	841,503
Social security costs	106,346	83,163
Pension contributions	14,158	8,715
	<u>1,064,803</u>	<u>933,381</u>

ii) Employees:

The average number of employees during the year was 55 (1997 - 42).

iv) There is one director who is accruing benefits under a defined benefits scheme.

v) There is one director who is accruing benefits under a defined contributions scheme.

ABLEROSE LIMITED

Notes forming part of the accounts for the year ended 31 December 1998

5.	TAXATION	1998	1997
		£	£
	Taxation based on the adjusted profit for the year:		
	Corporation tax @ 28%	<u>63,994</u>	<u>112,529</u>
	The directors do not consider that any provision is required for deferred taxation, as no material liability is expected to crystallise. No provision has been made for deferred taxation. The amount of deferred tax not provided for was as follows:		
	Unprovided deferred tax- accelerated capital allowances	<u>8,986</u>	<u>840</u>

6.	TANGIBLE FIXED ASSETS	Land & Buildings	Computer Equipment	Fixtures & Fittings	Plant & Machinery	Motor Vehicles	Total
		£	£	£	£	£	£
	Cost/ revaluation						
	At 1 January 1998	710,878	111,413	69,721	17,604	92,163	1,001,779
	Additions	--	46,158	58,268	82,171	17,400	203,997
	At 31 December 1998	710,878	157,571	127,989	99,775	109,563	1,205,776
	Depreciation						
	At 1 January 1998	10,878	49,827	33,449	10,372	28,713	133,239
	Charge for the year	14,000	26,936	23,635	22,350	20,212	107,133
	At 31 December 1998	24,878	76,763	57,084	32,722	48,925	240,372
	Net Book Values						
	At 31 December 1998	686,000	80,808	70,905	67,053	60,638	965,404
	At 31 December 1997	700,000	61,586	36,272	7,232	63,450	868,540

The freehold property was valued in May 1998 at £700,000 by Calder & Co, chartered surveyors, on the basis of open market value. The cost on which depreciation is charged amounts to £543,892.

ABLEROSE LIMITED

Notes forming part of the accounts for the year ended 31 December 1998

7. INVESTMENTS

	Subsidiary Undertaking	
	1998	1997
Cost	£	£
At 1 January 1998	719,187	334,500
Further shares acquired in Alison Hayes (Romania) SA	--	335,600
Further shares in Alison Hayes (Brittanica) SA	81,000	49,087
	800,187	719,187
Subsidiary undertakings	800,187	719,187

The company's investment in its subsidiary companies represents the cost of acquisition of 100% of the ordinary share capital of Alison Hayes (Romania) SA and Alison Hayes (Brittanica) SA.

At 31 December 1998, the aggregate of the share capital and reserves of Alison Hayes (Romania) SA amounted to £737,225 and the profit for the year to that date was £94,594.

Alison Hayes (Brittanica) SA has not yet commenced trading.

8. STOCK

Stock has been valued at the lower of cost and net realisable value and comprises of the following:

	1998	1997
	£	£
Fabric and trimmings	929,610	1,138,890
Finished goods	350,474	503,481
Goods in transit	63,179	19,431
Work in progress	386,133	284,365
	1,729,396	1,946,167
	1,729,396	1,946,167

9. DEBTORS

Trade debtors	682,279	260,200
Amounts owed by group undertakings	283,829	85,113
Other debtors	90,820	38,574
Prepayments	42,752	55,224
	1,099,680	439,111
	1,099,680	439,111

Other debtors include amounts of £74,711 falling due after more than one year.

ABLEROSE LIMITED

Notes forming part of the Accounts for the year ended 31 December 1998

10. CREDITORS

	1998	1997
	£	£
Amounts falling due within one year		
Bank loan	54,744	54,744
Bank overdraft	13,269	--
Trade creditors	1,269,592	1,544,951
Amounts owed to group undertakings	1,081,525	577,735
Customs & Excise – VAT	279,928	280,686
Inland Revenue – PAYE & NIC	40,138	69,979
Corporation tax	63,994	112,529
Other creditors & accruals	90,152	72,591
Proposed dividend	--	200,000
	2,893,342	2,913,215

11. CREDITORS

Amounts falling due after more than one year

Bank loan - repayable between 1-5 years	108,601	144,739
Amount owed to group undertakings	500,000	500,000
Other creditors	62,883	--
	671,484	644,739

The loan was initially for £350,000 and advanced in order to assist with the purchase of the freehold property in March 1996. The loan is repayable over 10 years by annual instalments of £54,744 and is secured by a first legal charge on the property together with a debenture giving a fixed and floating charge over the company's assets.

The company made voluntary payments towards the loan of £100,000 by 31 December 1998.

12. CALLED UP SHARE CAPITAL

Authorised

1,000,000 ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
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Allotted, called up and fully paid

500,000 ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>
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13. REVALUATION RESERVE

At beginning and end of year	<u>166,986</u>	
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