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TSE EUROPE LIMITED

REPORT AND ACCOUNTS

1996

LEVY, HYAMS & CO

CHARTERED ACCOUNTANTS



TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

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TSE EUROPE LIMITED

COMPANY INFORMATION

DIRECTORS: J.M.Mortner
L.J.Mortner

SECRETARY: L.V.Mortner

REGISTERED OFFICE: Treasure House
19-21 Hatton Garden
London EC1N 8BA

REGISTERED NUMBER: 2242951

AUDITORS: LEVY, HYAMS & CO
Chartered accountants
Registered auditor
London

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the company for the year ended 31 March 1996.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of importers and exporters of knitwear.

REVIEW OF BUSINESS

The results for the year and financial position of the group are as shown in the annexed financial statements.

DIVIDENDS AND TRANSFERS TO RESERVES

No dividends will be distributed for the year ended 31 March 1996. The group's deficit transferred to reserves will be £668,027. The company's own deficit transferred to reserves will be £190,754.

DIRECTORS

The directors of the company in office during the year and their beneficial interests in the issued share capital were as follows:

Name	Class of Capital	31. 3.96	1. 4.95
J.M.Mortner	Ordinary £1	59,100	19,100
L.J.Mortner	Ordinary £1	59,100	19,100
D.J.Fromm (Resigned 20.09.1996)		-	-
Simtax Tse (Resigned 05.09.1996)		-	-
Augustine Tse (Resigned 05.09.1996)		-	-

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

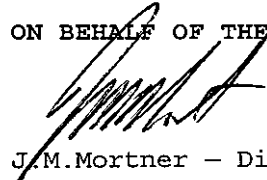
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and 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.

AUDITORS

The auditors, LEVY, HYAMS & CO, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



J.M.Mortner - Director

Dated: 12 December 1996

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
TSE EUROPE LIMITED**

We have audited the financial statements on pages four to twenty one which have been prepared under the historical cost convention and the accounting policies set out on pages ten and eleven.

Respective responsibilities of directors and auditors

As described on page two 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 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 judgments 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.

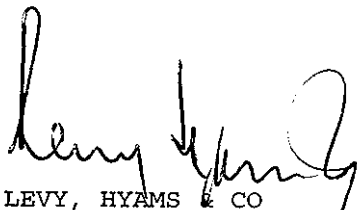
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

The financial statements have been prepared on a going concern basis; the validity of which depends on the continuing support of the group's bank and its major foreign supplier. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the group's affairs as at 31 March 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



LEVY, HYAMS & CO
Chartered accountants
Registered auditor
London

Dated: 12 December 1996

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the Year Ended 31 March 1996

		1996	1995
	Notes	£	£
TURNOVER	2	6,112,522	3,922,452
Cost of Sales		2,901,531	1,748,927
GROSS PROFIT		3,210,991	2,173,525
Administrative Expenses		3,812,166	2,373,764
		(601,175)	(200,239)
Other Operating Income	3	11,412	195
OPERATING LOSS	5	(589,763)	(200,044)
Interest Receivable	6	2,810	16,229
		(586,953)	(183,815)
Interest Payable and Similar Charges	7	106,813	24,759
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(693,766)	(208,574)
Tax on Loss on Ordinary Activities	8	(25,739)	26,785
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION		(668,027)	(235,359)
(Deficit)/Retained Profit brought forward		(98,633)	135,436
		(766,660)	(99,923)
(Loss)\Gain on Retranslation of Net Investment in Foreign Subsidiary		(5,937)	1,290
DEFICIT CARRIED FORWARD		£(772,597)	£(98,633)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current and previous years.

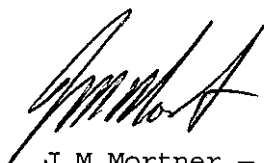
The notes form part of these financial statements

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

CONSOLIDATED BALANCE SHEET
As at 31 March 1996

	Notes	1996		1995	
		£	£	£	£
FIXED ASSETS:					
Intangible Assets	9		6,687		7,626
Tangible Assets	10		784,220		610,755
			<u>790,907</u>		<u>618,381</u>
CURRENT ASSETS:					
Stocks	12	1,350,976		694,076	
Debtors	13	1,180,531		712,494	
Investments	14	—		4,340	
Cash at Bank and In Hand		337,612		140,146	
		<u>2,869,119</u>		<u>1,551,056</u>	
CREDITORS: Amounts falling due within one year	15	<u>3,829,377</u>		<u>2,048,777</u>	
NET CURRENT LIABILITIES:			<u>(960,258)</u>		<u>(497,721)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>(169,351)</u>		<u>120,660</u>
PROVISIONS FOR LIABILITIES AND CHARGES:	18		<u>12,246</u>		<u>28,293</u>
			<u>£ (181,597)</u>		<u>£92,367</u>
CAPITAL AND RESERVES:					
Called Up Share Capital	19		591,000		191,000
Profit & Loss Account			(772,597)		(98,633)
Shareholders' Funds	20		<u>£ (181,597)</u>		<u>£92,367</u>

ON BEHALF OF THE BOARD:



J.M. Mortner — DIRECTOR

Approved by the Board on 12 December 1996

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

HOLDING COMPANY'S BALANCE SHEET

As at 31 March 1996

		1996		1995	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible Assets	9		4,280		5,810
Tangible Assets	10		282,157		255,341
Investments	11		22,899		22,899
			<u>309,336</u>		<u>284,050</u>
CURRENT ASSETS:					
Stocks	12	1,271,383		694,076	
Debtors	13	2,180,150		1,131,328	
Cash at Bank and In Hand		225,670		91,983	
		<u>3,677,203</u>		<u>1,917,387</u>	
CREDITORS: Amounts falling due within one year	15	<u>3,572,966</u>		<u>1,995,290</u>	
NET CURRENT ASSETS:			<u>104,237</u>		<u>(77,903)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			413,573		206,147
PROVISIONS FOR LIABILITIES AND CHARGES:	18		—		1,820
			<u>£413,573</u>		<u>£204,327</u>
CAPITAL AND RESERVES:					
Called Up Share Capital	19		591,000		191,000
Profit & Loss Account			(177,427)		13,327
Shareholders' Funds	20		<u>£413,573</u>		<u>£204,327</u>

The notes form part of these financial statements

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

CASH FLOW STATEMENT

for the Year Ended 31 March 1996

	1996		1995	
	£	£	£	£
Net Cash (Outflow)/Inflow from Operating Activities		(1,330,328)		74,704
Returns on Investments and Servicing of Finance				
Interest Received	2,810		16,229	
Interest Paid	(98,897)		(23,690)	
Interest Element of Finance Lease Rentals Payments	(7,916)		(1,069)	
Net Cash Outflow from Returns on Investments and Servicing of Finance		(104,003)		(8,530)
Taxation				
Corporation Tax	25,739		(27,171)	
Tax Received/(Paid)		25,739		(27,171)
Investing Activities				
Purchase of Intangible Fixed Assets	(1,306)		(8,367)	
Purchase of Tangible Fixed Assets	(343,705)		(516,376)	
Sale of Tangible Fixed Assets	19,650		—	
Net Cash Outflow from Investing Activities		(325,361)		(524,743)
Net Cash (Outflow)/Inflow before Financing		(1,733,953)		(485,740)
Financing				
New Loan taken out in year	922,000		—	
Cash Receipt re Share Issue	400,000		—	
Net Cash Inflow from Financing		1,322,000		—
(Decrease)/Increase in Cash and Cash Equivalents		£(411,953)		£(485,740)

The notes form part of these financial statements

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 March 1996

1. RECONCILIATION OF OPERATING LOSS

TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	1996 £	1995 £
Operating Loss	(589,763)	(200,044)
Depreciation Charges	160,392	93,947
Loss on Sale of Fixed Assets	1,381	17,651
Profit on Sale of Fixed Assets	(8,938)	—
Increase in Stocks	(656,900)	(295,129)
Increase in Debtors	(468,037)	(540,554)
Increase in Creditors	237,474	997,543
Effects of Foreign Exchange Rate Changes re Foreign Subsidiary	(5,937)	1,290
Net Cash (Outflow)/Inflow from Operating Activities	<u>(1,330,328)</u>	<u>74,704</u>

2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

Year Ended 31 March 1996

	£
Balance at 1 April 1995	(214,000)
Net Cash Outflow	<u>(411,953)</u>
Balance at 31 March 1996	<u>(625,953)</u>

Year Ended 31 March 1995

	£
Balance at 1 April 1994	271,740
Net Cash Outflow	<u>(485,740)</u>
Balance at 31 March 1995	<u>(214,000)</u>

3. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS SHOWN IN
THE BALANCE SHEET

Year Ended 31 March 1996

	31. 3.96 £	1. 4.95 £	Change in Year £
Cash at Bank and In Hand	337,612	140,146	197,466
Short-term Investments	—	4,340	(4,340)
Bank Overdrafts	<u>(963,565)</u>	<u>(358,486)</u>	<u>(605,079)</u>
	<u>(625,953)</u>	<u>(214,000)</u>	<u>(411,953)</u>

The notes form part of these financial statements

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE CASH FLOW STATEMENT
for the Year Ended 31 March 1996

Year Ended 31 March 1995

	31. 3.95	1. 4.94	Change in Year
	£	£	£
Cash at Bank and In Hand	140,146	306,238	(166,092)
Short-term Investments	4,340	—	4,340
Bank Overdrafts	(358,486)	(34,498)	(323,988)
	<u>(214,000)</u>	<u>271,740</u>	<u>(485,740)</u>

4. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

Year Ended 31 March 1996

	Bank Loan	Share Capital
	£	£
Balance at 1 April 1995	—	191,000
Bank Loan Taken Out	922,000	—
Issue of Shares	—	400,000
Balance at 31 March 1996	<u>922,000</u>	<u>591,000</u>

There were no changes in financing during the year ended 31 March 1995.

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1996

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold Property	- 10% on cost
Shop & Office Equipment	- 15% on reducing balance
Fixtures & Fittings	- 15% on reducing balance
Motor Vehicles	- 25% on reducing balance
Computer Equipment	- 25% on cost

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred Taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Hire Purchase and Leasing Commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

Basis of Consolidation

The consolidated accounts, which comprise the accounts of the company and its undertakings, are prepared in compliance with section 257 to 260 of, and Schedule 9 to, the Companies Act 1985. No profit and loss account is shown for the company, as permitted by section 228(7) of the Companies Act 1985, and the balance sheet has been prepared in compliance with section 228 of, and Schedule 4 to, that Act.

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1996

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

2. TURNOVER

The turnover and loss before taxation are attributable to the principal activities of the company.

3. OTHER OPERATING INCOME

	1996	1995
	£	£
Sundry Receipts	4,347	195
Commissions Receivable	7,065	—
	<u>11,412</u>	<u>195</u>

4. STAFF COSTS

	1996	1995
	£	£
Wages and Salaries	1,007,844	520,550
Social Security Costs	87,991	49,885
Other Pension Costs	5,000	4,583
	<u>1,100,835</u>	<u>575,018</u>

The average weekly number of employees during the year was as follows:

	1996	1995
Sales	59	41
Administration	13	10
	<u>72</u>	<u>51</u>

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

5. OPERATING LOSS

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

	1996	1995
	£	£
Hire of Plant and Machinery	1,616	2,155
Depreciation - Owned Assets	145,873	88,775
Depreciation - Assets on Hire Purchase or Finance Leases	12,274	3,187
(Profit)/Loss on Disposal of Fixed Assets	(7,557)	17,651
Patents & Licences Written Off	2,245	1,984
Auditors' Remuneration	32,826	26,436
	<u> </u>	<u> </u>
Directors' Emoluments	44,500	37,000
	<u> </u>	<u> </u>

6. INTEREST RECEIVABLE

	1996	1995
	£	£
Deposit Account Interest	2,810	16,229
	<u> </u>	<u> </u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1996	1995
	£	£
Bank Loans, Overdrafts and Other Loans repayable within five years: otherwise than by instalments	98,897	23,690
Finance Charges - Hire Purchase Contracts and Finance Leases	7,916	1,069
	<u> </u>	<u> </u>
	106,813	24,759
	<u> </u>	<u> </u>

8. TAXATION

The tax charge on the loss on ordinary activities for the year was as follows:

	1996	1995
	£	£
Based on the adjusted results of the year:		
Overprovision in Prior Years	(9,215)	-
Other Foreign Taxes	223	11
Deferred Taxation	-	26,774
Reduction in Deferred Taxation	(16,747)	-
	<u> </u>	<u> </u>
	(25,739)	26,785
	<u> </u>	<u> </u>

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

9. INTANGIBLE FIXED ASSETS (GROUP)

	Patents & Licences
	<u>£</u>
COST:	
As at 1 April 1995	9,921
Additions	1,306
	<u> </u>
As at 31 March 1996	11,227
	<u> </u>
AMORTISATION:	
As at 1 April 1995	2,295
Charge for Year	2,245
	<u> </u>
As at 31 March 1996	4,540
	<u> </u>
NET BOOK VALUE:	
As at 31 March 1996	£6,687
	<u> </u>
As at 31 March 1995	£7,626
	<u> </u>

INTANGIBLE FIXED ASSETS (COMPANY)

	Patents & Licences
	<u>£</u>
COST:	
As at 1 April 1995 and 31 March 1996	7,651
	<u> </u>
AMORTISATION:	
As at 1 April 1995	1,841
Charge for Year	1,530
	<u> </u>
As at 31 March 1996	3,371
	<u> </u>
NET BOOK VALUE:	
As at 31 March 1996	£4,280
	<u> </u>
As at 31 March 1995	£5,810
	<u> </u>

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

10. TANGIBLE FIXED ASSETS (GROUP)

	Leasehold Property	Shop & Office Equipment	Fixtures & Fittings
	£	£	£
COST:			
As at 1 April 1995	119,672	90,579	469,638
Additions	51,902	33,920	151,712
Disposals	—	—	(3,402)
As at 31 March 1996	171,574	124,499	617,948
DEPRECIATION:			
As at 1 April 1995	6,189	23,851	106,568
Charge for Year	15,912	14,916	77,452
Eliminated on Disposals	—	—	(871)
As at 31 March 1996	22,101	38,767	183,149
NET BOOK VALUE:			
As at 31 March 1996	£149,473	£85,732	£434,799
As at 31 March 1995	£113,483	£66,728	£363,070

	Motor Vehicles	Computer Equipment	Totals
	£	£	£
COST:			
As at 1 April 1995	34,220	137,486	851,595
Additions	57,095	49,076	343,705
Disposals	(30,220)	—	(33,622)
As at 31 March 1996	61,095	186,562	1,161,678
DEPRECIATION:			
As at 1 April 1995	21,658	82,574	240,840
Charge for Year	15,024	34,843	158,147
Eliminated on Disposals	(20,658)	—	(21,529)
As at 31 March 1996	16,024	117,417	377,458
NET BOOK VALUE:			
As at 31 March 1996	£45,071	£69,145	£784,220
As at 31 March 1995	£12,562	£54,912	£610,755

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

Fixed assets, included in the above, which are held under hire purchase or finance leases are as follows:

	Motor Vehicles
	£
COST:	
As at 1 April 1995	30,220
Additions	49,095
Disposals	(30,220)
As at 31 March 1996	49,095
DEPRECIATION:	
As at 1 April 1995	20,658
Charge for Year	12,274
Eliminated on Disposals	(20,658)
As at 31 March 1996	12,274
NET BOOK VALUE:	
As at 31 March 1996	£36,821
As at 31 March 1995	£9,562

TANGIBLE FIXED ASSETS (COMPANY)

	Leasehold Property	Shop & Office Equipment	Fixtures & Fittings
	£	£	£
COST:			
As at 1 April 1995	14,395	45,009	185,564
Additions	—	1,736	34,005
As at 31 March 1996	14,395	46,745	219,569
DEPRECIATION:			
As at 1 April 1995	1,439	21,168	34,494
Charge for Year	1,439	3,836	27,761
As at 31 March 1996	2,878	25,004	62,255
NET BOOK VALUE:			
As at 31 March 1996	£11,517	£21,741	£157,314
As at 31 March 1995	£12,956	£23,841	£151,070

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

	Motor Vehicles	Computer Equipment	Totals
	£	£	£
COST:			
As at 1 April 1995	34,220	137,486	416,674
Additions	57,095	18,902	111,738
Disposals	(30,220)	—	(30,220)
As at 31 March 1996	61,095	156,388	498,192
DEPRECIATION:			
As at 1 April 1995	21,658	82,574	161,333
Charge for Year	15,024	27,300	75,360
Eliminated on Disposals	(20,658)	—	(20,658)
As at 31 March 1996	16,024	109,874	216,035
NET BOOK VALUE:			
As at 31 March 1996	£45,071	£46,514	£282,157
As at 31 March 1995	£12,562	£54,912	£255,341

Fixed assets, included in the above, which are held under hire purchase or finance leases are as follows:

	Motor Vehicles
	£
COST:	
As at 1 April 1995	30,220
Additions	49,095
Disposals	(30,220)
As at 31 March 1996	49,095
DEPRECIATION:	
As at 1 April 1995	20,658
Charge for Year	12,274
Eliminated on Disposals	(20,658)
As at 31 March 1996	12,274
NET BOOK VALUE:	
As at 31 March 1996	£36,821
As at 31 March 1995	£9,562

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

11. FIXED ASSET INVESTMENTS (COMPANY)

The company's investments in the ordinary share capital of unlisted companies at the balance sheet date include the following:

Company	%age Holding	Country of Incorporation
TSE Limited	100	England
Le Baron Europe Limited	100	England
Cashmere By Design Limited	100	England
TSE Europe GMBH	100	Germany

The details of unlisted investments were as follows:

	1996 £	1995 £
TSE Limited	100	100
Le Baron Europe Limited	100	100
Cashmere By Design Limited	1,000	1,000
TSE Europe GmbH	21,699	21,699
	<u>22,899</u>	<u>22,899</u>

12. STOCKS (GROUP)

	1996 £	1995 £
Stock	1,350,976	694,076
	<u>1,350,976</u>	<u>694,076</u>

STOCKS (COMPANY)

	1996 £	1995 £
Stock	1,271,383	694,076
	<u>1,271,383</u>	<u>694,076</u>

13. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR (GROUP)

	1996 £	1995 £
V.A.T.	64,615	35,145
Trade Debtors	844,643	469,493
Other Debtors	173,103	141,450
Prepayments & Accrued Income	98,170	66,305
German Corporation Tax	—	26
Other Foreign Tax	—	75
	<u>1,180,531</u>	<u>712,494</u>

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR (COMPANY)

	1996 £	1995 £
V.A.T.	41,370	2,878
Trade Debtors	610,709	325,968
Other Debtors	137,353	105,259
Prepayments & Accrued Income	57,501	28,131
Group Company Balances	1,333,217	669,092
	<u>2,180,150</u>	<u>1,131,328</u>

14. CURRENT ASSET INVESTMENTS (GROUP)

	1996 £	1995 £
Payments on Account	—	4,340
	<u>—</u>	<u>4,340</u>

15. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR (GROUP)

	1996 £	1995 £
Bank Loans and Overdrafts (See Note 16)	1,885,565	358,486
Trade Creditors	1,182,859	1,244,637
Hire Purchase	21,983	—
Other Creditors	598,331	306,211
Other Taxes & Social Security	31,862	18,650
Accrued Expenses	108,777	120,793
	<u>3,829,377</u>	<u>2,048,777</u>

CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR (COMPANY)

	1996 £	1995 £
Bank Loans and Overdrafts (See Note 16)	1,885,123	347,075
Trade Creditors	1,014,666	1,161,825
Hire Purchase	21,983	—
Other Creditors	594,677	298,927
Group Company Balances	—	95,937
Other Taxes & Social Security	12,834	6,563
Accrued Expenses	43,683	84,963
	<u>3,572,966</u>	<u>1,995,290</u>

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

16. LOANS AND OVERDRAFTS (GROUP)

An analysis of the maturity of loans and overdrafts is given below:

	1996 £	1995 £
Amounts falling due within one year or on demand:		
Bank Overdrafts	963,565	358,486
Bank Loans	922,000	—
	<u>1,885,565</u>	<u>358,486</u>

LOANS AND OVERDRAFTS (COMPANY)

An analysis of the maturity of loans and overdrafts is given below:

	1996 £	1995 £
Amounts falling due within one year or on demand:		
Bank Overdrafts	963,123	347,075
Bank Loans	922,000	—
	<u>1,885,123</u>	<u>347,075</u>

The loan and overdrafts facilities are repayable upon demand. Subject to this, capital repayment are made quarterly commencing eighteen months after initial drawdown and interest is charged at 2.25% pa over the bank base rate.

17. SECURED DEBTS

The facilities are secured on the company's and its subsidiary undertakings' assets via an Unlimited Multilateral Guarantee, and Joint and Several Guarantee for £2,005,000 given by Hsiang Chian Tang and Augustine Ka Kwan Tse.

18. PROVISIONS FOR LIABILITIES AND CHARGES (GROUP)

	Deferred Taxation £	Other Provisions £
Balance at 1 April 1995	26,774	1,519
Reduction in Deferred Taxation	(16,747)	—
Increase in Other Provisions	—	700
Balance at 31 March 1996	<u>10,027</u>	<u>2,219</u>

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

PROVISIONS FOR LIABILITIES AND CHARGES (COMPANY)

	Deferred Taxation £
Balance at 1 April 1995	1,820
Reduction in Deferred Taxation	(1,820)
Balance at 31 March 1996	<u> </u>

19. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal Value:	1996 £	1995 £
600,000	Ordinary	£1	<u>600,000</u>	<u>200,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal Value:	1996 £	1995 £
591,000	Ordinary	£1	<u>591,000</u>	<u>191,000</u>

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (GROUP)

	1996 £	1995 £
Loss for the Financial Year	(668,027)	(235,359)
(Loss)\Gain on Retranslation of Net Investment in Foreign Subsidiary	(5,937)	1,290
Issue of Share Capital	<u>400,000</u>	<u> </u>
NET REDUCTION OF SHAREHOLDERS' FUNDS	(273,964)	(234,069)
Opening Shareholders' Funds	<u>92,367</u>	<u>326,436</u>
CLOSING SHAREHOLDERS' FUNDS	<u>(181,597)</u>	<u>92,367</u>
Equity interests	<u>(181,597)</u>	<u>92,367</u>

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1996

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS (COMPANY)

	1996	1995
	£	£
Loss for the Financial Year	(190,754)	(32,371)
Exchange Loss on Translating Foreign Investment	—	1,290
Issue of Share Capital	400,000	—
NET ADDITION/(REDUCTION) TO SHAREHOLDERS' FUNDS	209,246	(31,081)
Opening Shareholders' Funds	204,327	235,408
CLOSING SHAREHOLDERS' FUNDS	413,573	204,327
Equity interests	413,573	204,327

21. POST BALANCE SHEET EVENTS

On 5th November 1996, the authorised share capital of the company was increased from £600,000 to £1,000,000. On the same day 250,000 ordinary shares of £1 each were allotted and the issued share capital increased from £591,000 to £841,000.

On 12th November 1996, Le Baron International Limited postponed £500,000 of its loan to the company in favour of Midland Bank, in consideration for the continuing bank facilities.

TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

**TSE EUROPE LIMITED INDIVIDUAL TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 March 1996**

	1996		1995	
	£	£	£	£
Income:				
United Kingdom	2,015,819		1,521,710	
Others	2,138,011		968,192	
		4,153,830		2,489,902
Cost of Sales:				
Opening Stock	694,076		398,947	
Purchases	3,176,247		1,832,549	
Design Fees - US	206,572		169,696	
Other Design Fees	1,627		54,941	
Cargo Insurance	13,330		6,249	
Warehouse Expenses	2,780		576	
Carriage Inwards	29,697		13,551	
	4,124,329		2,476,509	
Closing Stock	(1,271,383)		(694,076)	
		2,852,946		1,782,433
GROSS PROFIT		1,300,884		707,469
Other Income:				
Management Fees Receivable	34,113		115,000	
Deposit Account Interest	2,797		16,096	
		36,910		131,096
		1,337,794		838,565
Expenditure:				
Directors' Remuneration	39,500		32,417	
Social Security	4,029		3,774	
Pension Contributions	5,000		4,583	
Wages	180,930		111,808	
Social Security	18,202		12,098	
Telephone	19,648		21,121	
Postage & Stationery	24,116		27,497	
Travelling	92,944		67,204	
Motor Expenses	8,842		6,735	
Entertaining	8,237		11,206	
Insurance	30,642		14,959	
Hire of Equipment	1,616		2,155	
Computer Maintenance & Support	14,551		4,844	
Sundry Expenses	15,841		9,490	
Auditors Remuneration	21,858		15,000	
Bookkeeping	11,024		8,948	
Legal & Professional	3,365		11,553	
Commission Paid	299,273		144,474	
Public Relations & Advertising	280,378		63,763	
Bad Debts	7,639		9,220	
Promotion & Exhibitions	52,812		18,998	
Carried forward	1,140,447	1,337,794	601,847	838,565

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TSE EUROPE LIMITED AND SUBSIDIARY UNDERTAKINGS

TSE EUROPE LIMITED INDIVIDUAL TRADING AND PROFIT AND LOSS ACCOUNT
for the Year Ended 31 March 1996

	1996		1995	
	£	£	£	£
Brought forward	1,140,447	1,337,794	601,847	838,565
Carriage Outwards	77,223		43,607	
Sales administration	—		11,195	
Export Credit Insurance	15,154		8,799	
Staff Uniforms	1,642		677	
Credit Enquiries	8,134		4,735	
Staff Recruitment	1,581		20,299	
Staff Training	3,643		2,075	
Rent & Rates	39,950		22,005	
Light & Heat	4,677		2,619	
Repairs & Maintenance	2,820		7,735	
		1,295,271		725,593
		42,523		112,972
Finance Costs:				
Bank Interest	96,232		23,579	
Hire Purchase	1,783		145	
Bank Charges	29,094		11,910	
Credit Card	515		171	
Discounts	34,845		10,102	
Credit Collection	19,993		10,411	
		182,462		56,318
		(139,939)		56,654
Depreciation:				
Leasehold Property	1,439		1,439	
Shop & Office Equipment	3,836		4,207	
Fixtures & Fittings	27,761		26,660	
Motor Vehicles	15,024		4,187	
Computer Equipment	27,300		31,531	
Patents & Licences	1,530		1,530	
		76,890		69,554
		(216,829)		(12,900)
Profit/(Loss) on Disposal of Fixed Assets:				
Leasehold Property	—		(17,651)	
Motor Vehicles	8,938		—	
		8,938		(17,651)
NET LOSS		£(207,891)		£(30,551)

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