

Registration No: 2455044

TOUCHSTONE IMPORTS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1998

NEWMAN & COMPANY
Chartered Accountants



TOUCHSTONE IMPORTS LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 1998

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TOUCHSTONE IMPORTS LIMITED

COMPANY INFORMATION

DIRECTORS:

R S SAHNI

G S SAHNI

SECRETARY:

H SAHNI

REGISTERED OFFICE:

UNIT 6

HERON TRADING ESTATE

ALLIANCE ROAD

LONDON W3 0RA

AUDITORS:

NEWMAN & COMPANY

CHARTERED ACCOUNTANTS

REGENT HOUSE

1 PRATT MEWS

LONDON NW1 0AD

TOUCHSTONE IMPORTS LIMITED

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the company is the wholesaling of fashion products.

REVIEW OF THE BUSINESS

The directors are pleased with the trading results for the year.

YEAR 2000

The directors have considered in detail the potential effects of the year 2000 as it relates to the computers and automated machinery used by this company in all aspects of its business. This review has included computer hardware and software programmes.

The directors believe that they have taken all necessary action to ensure the relevant assets will be fully millennium compliant. The full costs of the above compliance have been properly accounted for in the financial statements.

FIXED ASSETS

Expenditure and disposal of fixed tangible assets during the year amounted to £3,420 and £77,576 respectively. Details of changes are shown in the attached financial statements.

DIVIDENDS AND TRANSFER TO RESERVES

An interim dividend of £160,000 (1997: £160,000) was paid during the year. The directors do not recommend a final dividend. The profit is transferred to reserves.

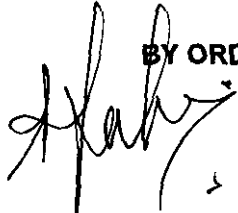
DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their interests in the ordinary shares of the company at the beginning and end of the year were as follows:

R S SAHNI	76
G S SAHNI	-

AUDITORS

Newman & Company, Chartered Accountants, have expressed their willingness to continue in office and a resolution for their reappointment will be proposed at the forthcoming annual general meeting.


BY ORDER OF THE BOARD
R S SAHNI
CHAIRMAN

3 August 1999

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

TOUCHSTONE IMPORTS LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out in note 2.

Respective Responsibilities of Directors and Auditors

As described in note 1 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.

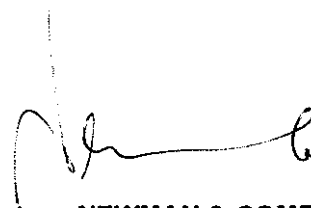
Basis of Opinion

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 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.



NEWMAN & COMPANY

**CHARTERED ACCOUNTANTS AND
REGISTERED AUDITORS**

Regent House
1 Pratt Mews
London NW1 0AD

3 August 1999

TOUCHSTONE IMPORTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £	1997 £
TURNOVER - CONTINUING OPERATIONS	3	1,923,598	1,860,071
COST OF SALES		1,096,836	1,062,019
GROSS PROFIT		<u>826,762</u>	<u>798,052</u>
OTHER INCOME	4	24,356	20,982
		<u>851,118</u>	<u>819,034</u>
OPERATING EXPENSES		546,111	609,219
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>305,007</u>	<u>209,815</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	6	61,341	46,524
PROFIT FOR THE YEAR		<u>243,666</u>	<u>163,291</u>
DIVIDENDS	7	160,000	160,000
		<u>83,666</u>	<u>3,291</u>
RETAINED PROFIT BROUGHT FORWARD		653,957	650,666
RETAINED PROFIT CARRIED FORWARD		<u>737,623</u>	<u>653,957</u>

TOUCHSTONE IMPORTS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1998

	Note	1998 £	1997 £
FIXED ASSETS			
Tangible assets	8	120,213	183,658
CURRENT ASSETS			
Stocks	9	185,467	172,217
Debtors	10	202,191	293,915
Cash at bank		608,455	200,760
		<u>996,113</u>	<u>666,892</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>378,603</u>	<u>196,493</u>
NET CURRENT ASSETS		617,510	470,399
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>737,723</u>	<u>654,057</u>
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account		737,623	653,957
SHAREHOLDERS FUNDS		<u>737,723</u>	<u>654,057</u>

R S SAHNI

) DIRECTOR



Approved by the board on
3 August 1999

TOUCHSTONE IMPORTS LIMITED**OTHER STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1998****STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	1998 £	1997 £
Profit for the financial year	243,666	163,291
Total recognised gains for the year	<u>243,666</u>	<u>163,291</u>

NOTE OF HISTORICAL COST PROFIT AND LOSSES

There is no material difference between the reported profit for 1997 and 1998 and the profit for those years restated on an historical cost basis.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

Profit for the financial year	243,666	163,291
Dividends	(160,000)	(160,000)
	<u>83,666</u>	<u>3,291</u>
Opening shareholders funds	654,057	650,766
Closing shareholders funds	<u>737,723</u>	<u>654,057</u>

TOUCHSTONE IMPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

1. STATEMENT OF DIRECTORS RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which gives 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:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) 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 maintaining 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.

2. ACCOUNTING POLICIES

(a) Accounting Convention

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

As the company falls within the definition of a 'small company', it is not required to provide a cash flow statement.

(b) Depreciation

Depreciation of fixed assets is provided to write off each asset over its estimated useful life at the following annual rates:

Leasehold property	-	over period of lease
Motor vehicles	-	25% pa on reducing balance
Office equipment	-	20% pa on reducing balance

(c) Turnover

Turnover represents the invoiced value of goods sold.

(d) Foreign Currencies

Assets and liabilities in foreign currencies are translated to sterling at rates of exchange ruling at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

(e) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

TOUCHSTONE IMPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

3. TURNOVER

The contribution of the principal activities of the company in turnover is shown below:

	1998 £	1997 £
By geographical area:		
United Kingdom	1,438,883	1,474,244
Rest of Europe	484,715	385,827
	<hr/> 1,923,598	<hr/> 1,860,071

4. OTHER INCOME

Bank interest received	24,356	20,982
	<hr/>	<hr/>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

After charging:		
Auditors remuneration	3,500	3,500
Depreciation - owned assets	35,160	27,867
Directors remuneration	125,000	175,000
Hire of equipment	-	271
	<hr/>	<hr/>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Corporation tax overprovision last year	-	(4)
Corporation tax based on the results for the year at 21%/21.75%	61,341	46,528
	<hr/> 61,341	<hr/> 46,524

7. DIVIDENDS

Paid	160,000	160,000
	<hr/>	<hr/>

TOUCHSTONE IMPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

8. TANGIBLE ASSETS

	Leasehold Property £	Motor Vehicles £	Office Equipment £	Total £
COST				
At 1 January 1998	12,177	198,827	112,575	323,579
Additions	-	-	3,420	3,420
Disposals	-	(77,576)	-	(77,576)
AT 31 December 1998	12,177	121,251	115,995	249,423
DEPRECIATION				
At 1 January 1998	4,718	67,742	67,461	139,921
Charge for the year	609	24,845	9,706	35,160
Eliminated on disposals	-	(45,871)	-	(45,871)
AT 31 December 1998	5,327	46,716	77,167	129,210
NET BOOK VALUE				
AT 31 December 1998	6,850	74,535	38,828	120,213
AT 31 December 1997	7,459	131,085	45,114	183,658

9. STOCKS

	1998 £	1997 £
Finished goods	185,467	172,217

10. DEBTORS

Amounts falling due within one year:

Trade debtors	178,842	270,866
Other debtors	5,000	-
Prepayments	18,349	23,049
	<u>202,191</u>	<u>293,915</u>

TOUCHSTONE IMPORTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1998

**11. CREDITORS: AMOUNTS FALLING DUE
WITHIN ONE YEAR**

	1998	1997
	£	£
Bank overdraft	717	10,011
Trade creditors	23,898	38,427
Corporation tax	21,342	6,528
Other taxation & social security	51,882	80,549
Other creditors & accruals	240,764	20,978
ACT payable	40,000	40,000
	<hr/>	<hr/>
	378,603	196,493
	<hr/>	<hr/>

12. CALLED UP SHARE CAPITAL

Authorised, Issued and Fully Paid 100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>

13. EMPLOYEE INFORMATION

The average number of employees, including directors, employed by the company during the year was 11 (1997 - 8).

Their total remuneration was:

Wages & salaries	289,898	316,278
Social security costs	32,418	34,300
Pension costs	14,739	9,604
	<hr/>	<hr/>
	337,055	360,182
	<hr/>	<hr/>

14. DIRECTORS EMOLUMENTS

Aggregate emoluments:

Management remuneration (excluding pension contributions)	125,000	175,000
	<hr/>	<hr/>
Highest paid director	125,000	175,000
	<hr/>	<hr/>

TOUCHSTONE IMPORTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

15. PENSION COSTS

The company operates pension arrangements for the benefit of certain employees which are in the nature of defined contribution schemes. The assets of the schemes are held separately from those of the company and are invested with an insurance company. The charge to the profit and loss account comprises £14,739 (1997: £9,604).

16. DEBENTURE

The company has granted a mortgage debenture over its assets in favour of the bank.