

HAC-TAC LIMITED

ACCOUNTS FOR THE YEAR ENDED 31ST JANUARY 1996

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HAC-TAC LIMITEDDIRECTORS' REPORT

The Directors present their report, together with the audited Accounts for the year ended 31st January 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are those of manufacturing and distribution of country and equestrian wear. During the year the company entered discussions and concluded a licence agreement with their US distributors. This will enable the HAC-TAC brand name to be marketed more competitively in North America with minimal future expenditure.

At the half way stage of the year under review, sales and profit margins were both on target. The unusual summer which followed had an impact on sales which resulted in the Directors taking radical steps to compensate. The benefits of these actions, while limiting the effects on the drop in sales, could not fully show themselves in the Accounts for the year ending 31st January 1996.

The first step was to appoint full time sales staff for the UK market.

Further, a substantial number of credit notes were issued in the last trading quarter of the year to accommodate a change in the marketing strategy as it affected relationships with some retailers. This meant that the company had to accept the return of goods previously sold under special arrangements. The Directors are confident that the combination of these actions has placed the company on a sounder footing for the future.

In 1995/96, sales grew by approximately 40 per cent and with the new sales force in place greater growth is being achieved in the current year. Improved margins are currently being obtained which, in the opinion of the Directors, will result in an overall profit for the current year.

Since the 1st February 1996, the Directors have made personal loans of £45,000 to the company. Of this sum, £35,000 is long term and, therefore, not repayable within the next twelve months.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The Directors at the Balance Sheet date and their interests in the company at that date and at the beginning of the year, were as follows:

	<u>Class of Share</u>	<u>Number of Shares</u>	
		<u>1996</u>	<u>1995</u>
P. Duff	Ordinary Shares	22,000	22,000
H.C. Blackie	Ordinary Shares	-	-
S. Jacobs	Ordinary Shares	10,288	10,288

HAC-TAC LIMITED

DIRECTORS' REPORT

CLOSE COMPANY

The Company is a close company as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

A resolution to reappoint Critchleys, Chartered Accountants, will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

H.C. Blackie

H.C. Blackie
Chairman

18 June 1996

AUDITORS' REPORT
TO THE SHAREHOLDERS OF HAC-TAC LIMITED

We have audited the Accounts on Pages 3 to 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on Page 5, the Company's Directors are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on those Accounts 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 Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, 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 Accounts 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 Accounts.

OPINION

In our opinion the Accounts give a true and fair view of the state of the company's affairs at 31st January 1996 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Critchleys

CRITCHLEYS
Chartered Accountants
Registered Auditors

20 June 1996
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HAC-TAC LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST JANUARY 1996

		<u>1996</u>	<u>1995</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
TURNOVER	3	454,231	328,675
Cost of Sales		(253,392)	(178,132)
GROSS PROFIT		200,839	150,543
Distribution Costs		(70,581)	(49,851)
Administrative Expenses		(167,398)	(113,441)
		(37,140)	(12,749)
Other Operating Income		14,200	13,148
OPERATING (LOSS)/PROFIT		(22,940)	399
Interest Payable	4	(16,152)	(17,445)
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(39,092)	(17,046)
Tax on (Loss) on ordinary activities	7	-	-
(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		(39,092)	(17,046)
Profit and Loss Account brought forward		(228,438)	(211,392)
Profit and Loss Account carried forward		<u>£(267,530)</u>	<u>£(228,438)</u>

All activities are continuing. There are no gains or losses other than those recognised through the Profit and Loss Account.

RECONCILIATION OF SHAREHOLDERS' FUNDS

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
(Loss) for the financial year	(39,092)	(17,046)
Share Capital subscribed	50,000	100,000
Movement on Shareholders' Funds	10,908	82,954
Opening Shareholders' Funds	(58,338)	(141,292)
Closing Shareholders' Funds	<u>£(47,430)</u>	<u>£(58,338)</u>

The notes on Pages 5 to 10 form part of these Accounts.

HAC-TAC LIMITEDBALANCE SHEET AS AT 31ST JANUARY 1996

		<u>1996</u>	<u>1995</u>
	<u>Note</u>	<u>£</u>	<u>£</u>
FIXED ASSETS			
Tangible Assets	8	<u>13,547</u>	<u>12,789</u>
CURRENT ASSETS			
Stocks	9	110,476	63,164
Debtors	10	108,667	60,601
Cash at Bank and in Hand		<u>227</u>	<u>4,949</u>
		219,370	128,714
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(203,962)</u>	<u>(106,396)</u>
NET CURRENT ASSETS		<u>15,408</u>	<u>22,318</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		28,955	35,107
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	<u>(76,385)</u>	<u>(93,445)</u>
NET (LIABILITIES)		<u>£(47,430)</u>	<u>£(58,338)</u>
CAPITAL AND RESERVES			
Called up Share Capital	14	415	364
Share Premium Account		219,685	169,736
Profit and Loss Account		<u>(267,530)</u>	<u>(228,438)</u>
		<u>£(47,430)</u>	<u>£(58,338)</u>

The notes on Pages 5 to 10 form part of these Accounts.

These Accounts were approved by the Board of Directors on 19 June 1996

.....Director
P Duff

HAC-TAC LIMITEDNOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JANUARY 1996**1. DIRECTORS' RESPONSIBILITIES**

Company Law requires the Directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the company and of the results of the company for that year.

In preparing those Accounts, the Directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the Accounts 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 to enable them to ensure that the Accounts 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

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Company's Accounts:

a) BASIS OF ACCOUNTING

The Accounts are prepared under the Historical Cost Convention.

b) TURNOVER

Turnover comprises the value of goods supplied and services provided to third parties and is exclusive of Value Added Tax.

c) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible Fixed Assets are stated at historical cost less depreciation. Depreciation is provided using the reducing balance basis at rates which reflect the anticipated useful lives of the assets and their estimated residual value.

d) STOCKS

Stocks are valued at the lower of cost and net realisable value.

e) RESEARCH AND DEVELOPMENT

Expenditure on research and development is written off as incurred.

HAC-TAC LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JANUARY 1996
 (continued)

2. ACCOUNTING POLICIES (contd)

f) FOREIGN CURRENCIES

Assets and liabilities expressed in foreign currencies are translated into sterling at year end exchange rates and differences arising are dealt with through the Profit and Loss Account within either Sales or Cost of Sales as appropriate.

g) LEASED ASSETS

Assets acquired under Hire Purchase, which transfers substantially all benefits and risks of ownership and the capital element of the related rental obligations, are included in the Balance Sheet. The interest element of rental obligations is charged against profit in proportion to the reducing capital element outstanding. The equipment is depreciated over the estimated useful life of the assets.

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor, are charged to the Profit and Loss Account on a straight line basis.

h) PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company, in an independently administered fund. The pension cost charge represents contributions by the company to the fund, which are recognised when they become payable.

3. TURNOVER AND PROFIT

The analysis of turnover is as follows and is wholly attributable to the one principal activity of the company.

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
GEOGRAPHICAL		
United Kingdom	306,370	154,619
North America and Europe	<u>147,861</u>	<u>174,056</u>
	<u>454,231</u>	<u>328,675</u>

HAC-TAC LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JANUARY 1996
 (continued)

4. INTEREST PAYABLE	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Overdrafts and Loans wholly repayable within five years	8,005	9,002
Loans not wholly repayable within five years	7,579	7,875
Finance Charges and Hire Purchase Obligations	<u>568</u>	<u>568</u>
	<u>16,152</u>	<u>17,445</u>
5. (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Loss is stated after charging:		
Directors' Emoluments (Note 6)	38,425	30,600
Auditors' Remuneration	1,800	1,650
Depreciation - owned assets	2,197	863
- assets held under Hire Purchase Agreements	2,525	2,525
Rentals under operating leases/rent	<u>12,361</u>	<u>4,422</u>
6. DIRECTORS AND EMPLOYEES	No.	No.
The average weekly number of employees (including Directors) during the year are as follows:-		
Sales and Distribution	3	2
Administration	<u>3</u>	<u>2</u>
	6	4
Their total remuneration was:		
	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Wages and Salaries	76,751	45,603
Social Security Costs	6,699	4,074
Other Pension Costs	<u>8,112</u>	<u>6,570</u>
	<u>91,562</u>	<u>56,247</u>
Directors' Emoluments amounted to:		
	<u>£</u>	<u>£</u>
Remuneration as Executives	38,425	30,600
Pensions	8,112	6,470
Benefits in Kind	<u>6,067</u>	<u>4,022</u>
	<u>52,604</u>	<u>41,092</u>

HAC-TAC LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JANUARY 1996
 (continued)

6. DIRECTORS AND EMPLOYEES (contd)

	<u>£</u>	<u>£</u>
Emoluments of highest paid Director, excluding pension contributions	33,250	27,000
Ranges of all Directors' emoluments excluding pension contributions	No.	No.
£ 0 - £ 5,000	1	1
£10,001 - £15,000	1	-
£25,001 - £30,000	-	1

7. TAX ON LOSS ON ORDINARY ACTIVITIES

No Corporation Tax arose on the loss for the year. Tax losses carried forward amount to approximately £236,800 (1995 - £203,021).

8. TANGIBLE FIXED ASSETS

	<u>Computer Equipment</u> <u>£</u>	<u>Fixtures and Fittings</u> <u>£</u>	<u>Leasehold Improvements</u> <u>£</u>	<u>Motor Vehicles</u> <u>£</u>	<u>Total</u> <u>£</u>
COST OR VALUATION:					
1st February 1995	2,636	2,445	3,553	10,100	18,734
Additions	450	5,000	30	-	5,480
31st January 1996	3,086	7,445	3,583	10,100	24,214
DEPRECIATION:					
1st February 1995	1,929	924	567	2,525	5,945
Charge for the Year	243	778	1,176	2,525	4,722
31st January 1996	2,172	1,702	1,743	5,050	10,667
NET BOOK VALUES:					
31st January 1996	914	5,743	1,840	5,050	13,547
31st January 1995	707	1,521	2,986	7,575	12,789
DEPRECIATION RATES:	20%	20%	33%	25%	

The Net Book Value of Fixed Assets of £13,547 (1995 - £12,789) includes an amount of £5,050 (1995 - £7,575) in respect of Motor Vehicles held under Hire Purchase Agreements.

HAC-TAC LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JANUARY 1996
 (continued)

9. STOCKS	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Finished Goods	68,253	34,623
Work in Progress	10,957	7,985
Raw Materials	<u>28,252</u>	<u>20,556</u>
	<u>107,462</u>	<u>63,164</u>
10. DEBTORS	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Trade Debtors	91,364	52,322
Other Debtors	6,079	1,914
Prepayments	<u>11,224</u>	<u>6,365</u>
	<u>108,667</u>	<u>60,601</u>
11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Hire Purchase (See Note 12)	3,156	3,156
Bank Loans and Overdraft (See Note 12)	112,148	47,673
Trade Creditors	65,796	44,580
Other Creditors	-	3,853
Directors' Current Accounts	6,500	-
Other Taxation and Social Security	7,931	3,590
Accruals	<u>8,431</u>	<u>3,544</u>
	<u>203,962</u>	<u>106,396</u>
The bank loan is secured by a fixed and floating charge against the company's assets.		
12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Loans (Note 13)	75,764	89,668
Hire Purchase (Note 13)	<u>621</u>	<u>3,777</u>
	<u>76,385</u>	<u>93,445</u>

HAC-TAC LIMITED

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST JANUARY 1996
 (continued)

13. LOANS AND OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Loans	84,667	97,582
Hire Purchase	<u>3,777</u>	<u>6,933</u>
	88,444	104,515
Due within one year	<u>(12,059)</u>	<u>(11,070)</u>
	<u>76,385</u>	<u>93,445</u>
Included above are -		
Amounts repayable by instalments not wholly repayable within five years	<u>£</u>	<u>£</u>
- instalments repayable within five years	73,842	72,242
- instalments repayable after five years	<u>2,543</u>	<u>21,203</u>
	<u>76,385</u>	<u>93,445</u>

14. SHARE CAPITAL

	<u>1996</u> <u>1p</u>	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
ALLOTTED AND FULLY PAID:			
Ordinary Shares of 1p each	<u>41,547</u>	<u>415</u>	<u>364</u>
AUTHORISED:			
Ordinary Shares of 1p each	<u>50,000</u>	<u>500</u>	<u>400</u>

During the year 5,144 Ordinary Shares of nominal value of 1p were issued at a premium of £9.71 per share, for cash.

15. SHAREHOLDERS' FUNDS

	<u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Shareholders' Funds are attributable to -		
Equity Shareholders	<u>(47,430)</u>	<u>(58,338)</u>

16. CONTINGENT LIABILITIES

At 31st January 1996, there were no contingent liabilities or guarantees other than those arising in the ordinary course of the company's business and on these no material losses are anticipated.

17. FINANCIAL COMMITMENTS

The following annual amounts were payable under non- cancellable operating leases in existence at 31st January 1996.

	<u>Land and Buildings</u> <u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>	<u>Other</u> <u>1996</u> <u>£</u>	<u>1995</u> <u>£</u>
Operating leases which expire:				
between two and five years	5,000	4,900	16,438	-