

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Directors' Report and Financial Statements
for the year ended 31st March 1997

JOHN GORDON, WALTON & CO.



Registered Number 451454

Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Greatcoat Plc (formerly Armitage & Rhodes Plc) will be held on Friday 7 November 1997 at 11 am at the offices of John Gordon Walton & Co, Yorkshire House, Greek Street, Leeds, LS1 5ST for the following purposes:

- 1 To receive and consider the Directors' Report and Audited Financial Statements for the financial year ended 31st March 1997.
- 2 To re-elect Directors.
- 3 To re-appoint the auditors, John Gordon Walton & Co.
- 4 To authorise the Directors to fix the remuneration of the auditors.
- 5 To transact any other business proper to an Annual General Meeting.

By Order of the Board
M A Joyce
Secretary

6 Park Square
LEEDS
LS1 2LX

7 October 1997

Note

Under the provisions of the Articles of Association of the company only members or their duly appointed representatives are entitled to attend and vote at the meeting. A member so entitled may appoint a proxy, who need not be a member, to attend and vote on his behalf.

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Contents

	Page
Directors, Officers, Bankers and Advisers	1
Chairman's Statement	2
Directors' Report	3 - 5
Statement of Directors' Responsibilities	6
Auditors' Report	7
Group Profit and Loss Account	8
Balance Sheets	9 - 10
Group Cash Flow Statement	11 - 12
Group Statement of Total Recognised Gains and Losses, Note of Historical Cost Losses and Profits and Reconciliation of Equity Shareholders' Funds	13
Notes to the Accounts	14 - 26

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Directors, Officers, Bankers and Advisers

Directors: Trevor Barker FCA (Chairman)
Martin A Joyce
Christopher J G Hall

Secretary: M A Joyce

Registered Office: 6 Park Square
LEEDS
West Yorkshire
LS1 2LX

Auditors: John Gordon Walton & Co
Chartered Accountants
Yorkshire House
Greek Street
LEEDS
LS1 5ST

Solicitors: Hammond Suddards
Trinity Court
16 John Dalton Street
MANCHESTER
M60 8HS

Bankers: Clydesdale Bank Plc
30 St Vincent Place
GLASGOW
G1 2HL

Registered Number: 451454

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Chairman's Statement

During the year ended 31 March 1997 the group incurred a loss before taxation of £1,389,074 (1996 - £788,423). Of this sum £794,616 (1996 - £460,775) related to discontinued operations. The Group Balance Sheet shows a deficit of shareholders' funds of £1,312,521 (1996 surplus £436,695).

The past events which resulted in the present state of affairs were explained to you in my predecessor's statement of 28 January 1997 and in the offer document to shareholders dated 21 March 1997.

The Pro-forma Balance Sheet at 30 November 1996, which formed part of the statement of 28 January 1997 subsequently proved to be very optimistic. Professional valuations showed a deficit on existing property values of £360,142. Additionally the value of the insurance claim at £2.9 million was subject to a "bricks and mortar" reinstatement which required the acquisition of suitable land for development together with all the associated and inherent costs necessary for the full realisation of the claim.

Your board are pleased to report that through its development subsidiaries two suitable sites have been acquired within Enterprise Zones at Viking Industrial Park, Jarrow and at Balliol Business Park, Newcastle. The developments which will cost in excess of £4 million consist of 6 industrial buildings totalling 107,000 square feet available for letting, sale or retention by the group.

Construction work on both developments is now well advanced and completion's are expected before the end of 1997. It is your Board's intention to reduce the present high level of debt relative to assets and it has therefore entered into a joint venture agreement on part of our development at Jarrow with Hallamshire Investments Plc. Hallamshire will, on the basis of a put and call option, contribute approximately £1.53 million at practical completion towards some of the units. In addition an advanced sale of one unit at Jarrow at a cost of £470,000 has been agreed again subject to practical completion. This will reduce our total exposure by approximately £2 million.

A number of letting opportunities are at present being processed and consideration will be given to retaining some properties in the groups letting portfolio.

Our rentals from existing properties are not sufficient to cover our costs and the letting of the new developments is therefore our present main consideration.

I am hopeful that when I report to you on the accounts to 31 March 1998 it will be against the background of a sound, asset based property company.

Trevor Barker - Chairman

7 October 1997

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Directors' Report

The directors submit their report and group accounts of Greatcoat Plc for the year ended 31 March 1997.

Principal Activities

The group's principal activities were the manufacture and sale of furnishing fabrics, this trade ceased on 30 October 1996. The group continues to rent out its principal properties.

The company has incorporated two new subsidiaries - Jarrow Enterprise Developments Ltd and Balliol Developments Ltd to carry out its property development activities. Jarrow Enterprise Developments Ltd was acquired prior to 31 March 1997 whilst Balliol Developments Ltd was acquired in August 1997.

Results for the year and review of business

	1997 £
Operating Loss	482,100
Loss on disposal of fixed assets	37,783
Loss on disposal of discontinuing activities	<u>649,999</u>
Loss before interest	1,169,882
Interest payable	<u>219,192</u>
Retained Loss	<u><u>1,389,074</u></u>

Dividend

The directors do not recommend payment of a dividend (1996 - £ nil) and the loss for the year has been transferred to reserves.

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Directors' Report - continued

Fixed Assets

Details of movement in fixed assets during the year are set out in note 8 to the financial statements.

Directors' interests

The beneficial interests of the directors in the share capital of the company were:

	31st March 1997	31st March 1996 or date of appointment
	10p ordinary <u>Beneficial</u>	10p ordinary <u>Beneficial</u>
T Barker	100,000	100,000
M A Joyce	6,374,688	6,374,688
C J G Hall	-	-
M J Burrows	N/A	3,255,344
G H Burrows	N/A	3,255,344
M A Graham	N/A	12,000

Since the year Mr M A Joyce has acquired an additional 161,800 ordinary shares as a result of the general offer made to shareholders on 21 March 1997.

M A Joyce, T Barker and C J G Hall were appointed directors on 21 February 1997.

M J Burrows, G H Burrows and M A Graham resigned as directors on 31 March 1997.

None of the directors had any other interests in the share capital of the company or its subsidiaries.

Messrs M A Joyce, T Barker and C J G Hall having been appointed directors during the year, all retire in accordance with company's Articles of Association at the Annual General Meeting. Being eligible, all have offered themselves for election at the Annual General Meeting.

(Greatcoat Plc)
(formerly Armitage & Rhodes Plc)

Directors' Report - continued

Substantial shareholdings

The following had substantial interests in the ordinary share capital of the company as at 31st March 1997.

	Shares held	
	Holding	Percentage
3i Plc	1,500,000	16.1%
Beegas Nominees	496,000	5.3%

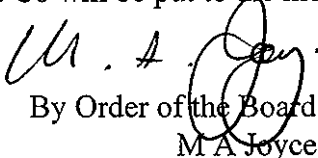
No changes have taken place in these interests since the end of the financial year.

Payments to creditors

It is not the company's policy to follow any standard or code on payment practice. However, the company will continue to seek to settle the terms of payment with its suppliers when agreeing the terms of each transaction, ensure that those suppliers are made aware of the terms of payment and abide by the terms of payment.

Auditors

A resolution to re-appoint as auditors John Gordon Walton & Co will be put to the members at the Annual General Meeting.


By Order of the Board
M A Joyce
Secretary

7 October 1997

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Statement of 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 group and of the profit or loss of the group for that period. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 the group to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors' Report

To the Shareholders of Greatcoat Plc (formerly Armitage & Rhodes Plc)

We have audited the financial statements on pages 8 to 26 which have been prepared under the historical cost convention, as modified to include the revaluation of certain freehold land and buildings, and the accounting policies set out on pages 14 and 15.

Respective responsibilities of directors and auditors

As described on page 6 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 financial 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 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31st March 1997 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

John Gordon Walton & Co

John Gordon Walton & Co
Chartered Accountants and Registered Auditors
Yorkshire House
Greek Street
LEEDS
LS1 5ST

7 October 1997

Greatcoat Plc
(formerly Armitage & Rhodes Plc)
Group Profit and Loss Account
for year ended 31st March 1997

	<u>1997</u>			<u>1996</u>		
	Continuing Operations £	Discontinuing Operations £	Total £	Continuing Operations £	Discontinuing Operations £	Total £
Turnover	2	2,180,191	2,180,191	-	4,574,911	4,574,911
Decrease in finished goods and work in progress	-	237,804	237,804	-	452,999	452,999
Raw materials and consumables	-	704,967	704,967	-	1,612,033	1,612,033
Other external charges	-	<u>226,194</u>	<u>226,194</u>	-	<u>507,163</u>	<u>507,163</u>
Gross Profit	-	1,011,226	1,011,226	-	2,002,716	2,002,716
Staff costs	6	10,809	461,717	259,394	1,023,846	1,283,240
Depreciation	8	26,124	134,466	76,911	247,376	324,287
Other operating income	3	179,561	30,625	138,826	81,424	220,250
Other operating charges		<u>567,454</u>	<u>1,070,396</u>	<u>78,855</u>	<u>1,092,808</u>	<u>1,171,663</u>
Operating Loss		(424,826)	(482,100)	(276,334)	(279,890)	(556,224)
(Loss)/Profit on disposal of fixed assets		(44,771)	(37,783)	-	13,350	13,350
Disposal of discontinuing activities		-	<u>(649,999)</u>	-	-	-
Loss on ordinary activities before interest		(469,597)	(1,169,882)	(276,334)	(266,540)	(542,874)
Interest payable		<u>124,861</u>	<u>219,192</u>	<u>51,314</u>	<u>194,235</u>	<u>245,549</u>
Loss on ordinary activities before taxation		(594,458)	(1,389,074)	(327,648)	(460,775)	(788,423)
Tax on loss on ordinary activities		-	-	-	-	-
Loss retained for year		<u>(594,458)</u>	<u>(1,389,074)</u>	<u>(327,648)</u>	<u>(460,775)</u>	<u>(788,423)</u>

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

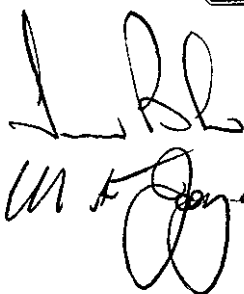
Group Balance Sheet

at 31 March 1997

	Note	1997	1996
		£	£
<u>Fixed Assets</u>			
Tangible assets	8	1,043,564	2,788,495
<u>Current Assets</u>			
Stocks	10	715,598	590,981
Debtors	11	489,332	731,734
Bank and Cash		-	<u>559,323</u>
		<u>1,204,930</u>	1,882,038
<u>Creditors: amounts falling due within one year</u>	12	<u>3,522,925</u>	<u>2,810,946</u>
<u>Net current liabilities</u>		<u>(2,317,995)</u>	<u>(928,908)</u>
<u>Total assets less current liabilities</u>		<u>(1,274,431)</u>	1,859,587
<u>Creditors: amounts falling due after more than one year</u>	13	38,090	1,407,671
<u>Accruals and deferred income</u>			
Deferred government grants		-	<u>15,221</u>
<u>Net (liabilities)/assets</u>		<u>(1,312,521)</u>	<u>436,695</u>
<u>Capital and reserves</u>			
Called up share capital	16	930,497	930,497
Share premium account		11,250	11,250
Capital redemption reserve fund		10,000	10,000
Revaluation reserve	17	235,001	595,143
Profit and loss account	18	<u>(2,499,269)</u>	<u>(1,110,195)</u>
<u>Equity Shareholders' Funds</u>		<u>(1,312,521)</u>	<u>436,695</u>

T A Barker Director

M A Joyce Director



7 October 1997

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

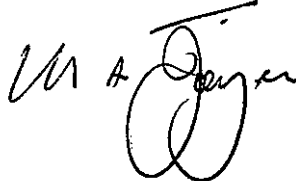
Holding Company Balance Sheet

at 31st March 1997

	Notes	1997		1996	
		£	£	£	£
<u>Fixed Assets</u>					
Tangible assets	8		1,043,564		1,341,879
Investment in subsidiary companies	9		<u>100,001</u>		<u>100,000</u>
			1,143,565		1,441,879
<u>Current Assets</u>					
Stock	10	12,363		-	
Debtors	11	1,192,567		357,192	
Cash at bank		<u>-</u>		<u>558,323</u>	
		1,204,930		915,515	
<u>Creditors: amounts falling due within one year</u>	12		<u>3,522,795</u>		<u>446,320</u>
<u>Net current (liabilities)/assets</u>			<u>(2,317,865)</u>		<u>469,195</u>
<u>Total assets less current liabilities</u>			(1,174,300)		1,911,074
<u>Creditors: amounts falling due after more than one year</u>	13		<u>795,729</u>		<u>2,013,591</u>
<u>Net Liabilities</u>			<u>(1,970,029)</u>		<u>(102,517)</u>
<u>Capital and reserves</u>					
Called up share capital	16		930,497		930,497
Share premium account			11,250		11,250
Capital redemption reserve fund			10,000		10,000
Revaluation reserve	17		235,001		595,143
Profit and loss account	18		<u>(3,156,777)</u>		<u>(1,649,407)</u>
<u>Equity Shareholders' Funds</u>			<u>(1,970,029)</u>		<u>(102,517)</u>

T A Barker Director

M A Joyce Director

7 October 1997

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Cash Flow Statement
for the year ended 31 March 1997

	1997	1996
	£	£
Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	(1,169,882)	(542,874)
Depreciation charges	160,590	324,287
Loss/(Profit) on disposal of tangible fixed assets	37,783	(13,350)
Loss on disposal of subsidiary	649,999	-
Deferred grants movement	(15,221)	(1,797)
(Increase)/Decrease in stocks	(124,617)	435,339
Decrease in debtors	242,402	135,945
Decrease in creditors	<u>(664,550)</u>	<u>(415,527)</u>
Net cash outflow from operating activities	<u>(883,496)</u>	<u>(77,977)</u>

Cash Flow Statement

	1997	1996
	£	£
Net cash outflow from operating activities	(883,496)	(77,977)
Returns on investment and servicing of finance (note 1)	(219,192)	(245,549)
Capital expenditure (note 1)	<u>536,417</u>	<u>35,396</u>
Financing (note 1)	<u>(926,341)</u>	<u>231,867</u>
Decrease in cash	<u>(1,492,612)</u>	<u>(56,263)</u>

	1997		1996
	£		£
<u>Note 1 - Gross Cash Flows</u>	(1,492,612)		(56,263)

Returns on investment and servicing of finance

Interest paid	(219,192)		(245,549)
	<u>(219,192)</u>		<u>(245,549)</u>

Capital Expenditure

Payments to acquire tangible fixed assets	(140,183)		(178,944)
Receipts from sales of tangible fixed assets	<u>676,600</u>		<u>214,340</u>
	<u>536,417</u>		<u>35,396</u>

Financing

Loans from directors and former directors	100,000		124,000
Loan repayments	(267,500)		(60,000)
Movements in hire purchase and finance leases	<u>(758,841)</u>		<u>167,867</u>
	<u>(926,341)</u>		<u>231,867</u>

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Reconciliation of net cash flow to movement in net debt (note 2)

Decrease in cash in the year	(1,492,612)
Cash introduced to repay debts	<u>926,341</u>
Change in net debt	(566,271)
Net debt at 1 April 1996	<u>(2,484,698)</u>
Net debt at 31 March 1997	<u>(3,050,969)</u>

Analysis of changes in net debt
(Note 2)

	At 1 April 1996 £	Cash Flows £	Other changes £	At 31 March 1997 £
Cash in hand, at bank	559,323	(559,323)		-
Overdrafts	(1,143,240)	<u>(933,289)</u>		(2,076,529)
		(1,492,612)		
Debt due within one year	(493,110)	493,110	(936,350)	(936,350)
Debt due after one year	<u>(1,407,671)</u>	<u>433,231</u>	<u>936,350</u>	<u>(38,090)</u>
Total	<u>(2,484,698)</u>	<u>(566,271)</u>	<u>-</u>	<u>(3,050,969)</u>

Sale of subsidiary undertaking
(Note 3)

	<u>Greatcoat Fabrics Ltd</u> £
Fixed assets	1,310,345
Stock	363,276
Debtors	964,703
Creditors	<u>(2,173,324)</u>
	465,000
Consideration received	<u>(1)</u>
	464,999
Consideration paid to purchasers for acquisition of business	<u>185,000</u>
Net loss on disposal	<u>649,999</u>

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

for the year ended 31st March 1997

Group Statement of Total Recognised Gains and Losses

	1997	1996
	£	£
Loss on ordinary activities after taxation	1,389,074	788,423
Permanent Diminution in value of land in buildings	<u>360,142</u>	<u>-</u>
Total recognised loss	<u>1,749,216</u>	<u>788,423</u>

Group Historical Cost Losses and Profits

	£	£
Loss on Ordinary Activities before taxation	1,389,074	788,423
Difference between historical cost depreciation and depreciation	<u>-</u>	<u>(16,246)</u>
Historical cost loss on Ordinary Activities before and after taxation	<u>1,389,074</u>	<u>772,177</u>

Reconciliation of Equity Shareholders' Funds

	£	£
Loss on Ordinary Activities after taxation	(1,389,074)	(788,423)
Reduction in revaluation reserve	(360,142)	-
Net decrease in shareholders' funds	<u>(1,749,216)</u>	<u>(788,423)</u>
Equity shareholders' funds at 1st April 1996	<u>436,695</u>	<u>1,225,118</u>
Equity shareholders's funds at 31st March 1997	<u>(1,312,521)</u>	<u>436,695</u>

Greatcoat Plc
(formerly Armitage & Rhodes Plc)

Notes to the Financial Statements

1 Accounting Policies

Basis of consolidation

The group financial statements include the financial statements for the company and its subsidiaries made up to 31st March each year and comply with all applicable UK accounting standards.

Internal turnover and profits are eliminated on consolidation and all turnover and profit and loss figures relate to external transactions only. No profit and loss account is presented for Greatcoat Plc as provided by S230 of the Companies Act 1985.

Government Grants

Regional Development grants are treated as deferred credits and transferred to the profit and loss account over the estimate useful lives of the assets concerned.

Deferred taxation

Provision for deferred taxation is made under the liability method in respect of timing differences where it is probable that a tax liability will become payable within the foreseeable future.

Fixed assets

Freehold land and buildings are stated at a professional valuation at 6 December 1996 based on a current open market value with subsequent additions at cost. All other fixed assets are stated at cost.

Depreciation

Buildings are depreciated at 2% or 5% per annum based on cost or valuation. Depreciation is provided on all other fixed assets calculated at fixed rates between 10% and 33% per annum on a straight line basis so as to write off the cost of those assets over their estimated useful lives.

Research and development expenditure

Research and development expenditure is charged to the profit and loss account in the period in which it is incurred.

Goodwill

Goodwill arising on acquisitions is written off against reserves in the year of acquisition.

Stocks

- a Stocks and work in progress are valued at the lower of cost and estimated net realisable value on bases which have been consistently applied. In the case of finished goods and work in progress, cost includes all direct expenditure together with overheads attributable to production based on the normal level of activity.
- b Property Development Expenditure consists of the cost of acquisition (including legal costs) and subsequent expenditure on development.

Turnover

Turnover represents the invoiced value of goods and services provided during the year, stated net of value added tax, and trade discounts.

Leasing and hire purchase contracts

Assets obtained under finance leases and hire purchase contracts are capitalised as tangible assets and depreciated over their useful economic lives.

Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

The cost of operating leases is charged to the profit and loss account as incurred.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and any differences are taken to the profit and loss account.

Pension costs

The charge in the accounts represents the contributions payable by the company during the year in accordance with Statement of Standard Accounting Practice 24 - Accounting for Pension Costs.

2 Turnover and Segmental Analysis

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of valued added tax, and trade discounts.

The operating result and net assets attributable to each division and geographical market is not disclosed as in the opinion of the directors, the publication of such information could be prejudicial to the interests of the group.

The geographical area analysis of turnover is as follows:

	1997		1996	
	£	%	£	%
United Kingdom	1,132,331	51.8	2,252,632	49.2
Europe	569,040	26.1	1,509,481	33.0
Far East	171,035	7.8	441,233	9.6
Middle East	87,792	4.0	209,005	4.6
North America	199,989	9.2	116,114	2.5
Rest of World	<u>20,004</u>	<u>1.1</u>	<u>46,446</u>	<u>1.1</u>
	<u>2,180,191</u>	<u>100.0</u>	<u>4,574,911</u>	<u>100.0</u>

3 Operating Loss

The operating loss is stated after charging:

	1997	1996
	£	£
Directors' Remuneration (see note 6)	116,751	161,055
Auditors' Remuneration		
- for audit services	4,750	25,000
- for other professional work	7,750	20,500
Depreciation	160,590	324,287
Operating lease rentals - plant & machinery	13,674	78,679
Research and Development Costs	23,092	14,894
Debt Insurance and factoring charges	<u>73,152</u>	<u>95,782</u>
and after crediting:		
Rent receivable	207,484	83,911
Administration recharges	<u>2,702</u>	<u>136,339</u>
	<u>210,186</u>	<u>220,250</u>

4 Exceptional Charges

	<u>Discontinued Operations</u> 1997 £
Disposal of subsidiary business and assets (see Note 9)	£
Fixed assets	1,310,345
Stock	363,276
Debtors	964,703
Creditors	<u>(2,173,324)</u>
	465,000
Consideration received	<u>1</u>
	464,999
Consideration paid to purchasers for acquisition of business	<u>185,000</u>
Loss on disposal of subsidiary's business and assets (before interest)	<u>649,999</u>

5 Interest Payable

	1997 £	1996 £
On bank loans, overdrafts and other loans repayable within five years	155,351	130,998
On bank and other loans wholly or partly repayable in more than five years	18,412	13,644
Finance charges in respect of finance leases and hire purchase agreements repayable wholly within five years	<u>45,429</u>	<u>100,907</u>
	<u>219,192</u>	<u>245,549</u>

6 Employees

	1997	1996
The average weekly number of employees during the year were made up as follows:		
Office and Management	13	17
Selling	4	7
Manufacturing	<u>26</u>	<u>42</u>
	<u>43</u>	<u>66</u>
Staff costs during the year amounted to:	£	£
Wages and Salaries	438,826	1,131,365
Social Security costs	27,176	93,641
Other pensions costs	<u>6,524</u>	<u>58,234</u>
	<u>472,526</u>	<u>1,283,240</u>

The only continuing employees are the three directors.

Directors' remuneration: (including pension contributions)	£	£
Fees	-	-
Other emoluments	41,761	161,055
Payment in lieu of notice to former directors	<u>75,000</u>	<u>-</u>
	<u>116,761</u>	<u>161,055</u>

During the year one director waived his entitlement to his salary to the extent of £66,500.

7 Taxation

No charge in respect of taxation has arisen during the year.

At 31st March 1997 the group had £450,000 of trading losses available to carry forward to relieve against future taxable profits (1996: £950,000). A proportion of these losses reduce the contingent liability in respect of deferred taxation as disclosed in note 19.

8 Tangible Fixed Assets

	<u>Freehold Property</u> £	<u>Plant and Equipment</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
<u>Group</u>				
Cost/Valuation at 1st April 1996	1,356,054	4,252,820	66,698	5,675,572
Additions	124,062	16,121	-	140,183
Disposals	-	(3,698,901)	(66,698)	(3,765,599)
Transfer to revaluation reserve	<u>(471,398)</u>	<u>-</u>	<u>-</u>	<u>(471,398)</u>
At 31st March 1997	<u>1,008,718</u>	<u>570,040</u>	<u>-</u>	<u>1,578,758</u>
Depreciation: At 1st April 1996	91,623	2,734,522	60,932	2,887,077
Provided during the year	19,633	140,957	-	160,590
Disposals	-	(2,340,285)	(60,932)	(2,401,217)
Written back to revaluation reserve	<u>(111,256)</u>	<u>-</u>	<u>-</u>	<u>(111,256)</u>
At 31st March 1997	<u>-</u>	<u>535,194</u>	<u>-</u>	<u>535,194</u>
Net book amounts at 31st March 1997	<u>1,008,718</u>	<u>34,846</u>	<u>-</u>	<u>1,043,564</u>
At 1st April 1996	<u>1,264,431</u>	<u>1,518,298</u>	<u>5,766</u>	<u>2,788,495</u>

	<u>Freehold Property</u> £	<u>Plant and Equipment</u> £	<u>Total</u> £
<u>Company</u>			
Cost/Valuation at 1st April 1996	1,356,054	646,051	2,002,105
Additions	124,062	16,121	140,183
Disposals	-	(92,132)	(92,132)
Transfer from revaluation reserve	<u>(471,398)</u>	<u>-</u>	<u>(471,398)</u>
At 31 March 1997	<u>1,008,718</u>	<u>570,040</u>	<u>1,578,758</u>
Depreciation: at 1st April 1996	91,623	568,603	660,226
Provided during the year	19,633	6,491	26,124
Disposals	-	(39,900)	(39,900)
Written back to revaluation reserve	<u>(111,256)</u>	<u>-</u>	<u>(111,256)</u>
At 31st March 1997	<u>-</u>	<u>535,194</u>	<u>535,194</u>
Net book amounts at 31st March 1997	<u>1,008,718</u>	<u>34,846</u>	<u>1,043,564</u>
At 1st April 1996	<u>1,264,431</u>	<u>77,448</u>	<u>1,341,879</u>

8 Tangible Fixed Assets (continued)

The freehold land and buildings were revalued at 3rd December 1996 at £850,000 by Eddisons Commercial on the basis of open market value. This valuation has been brought into the accounts as at 31 March 1997. If these assets had not been revalued, the historical cost amounts for land and buildings would have been:

	Group		Holding Company	
	1997	1996	1997	1996
	£	£	£	£
Cost	1,054,752	930,690	1,054,752	930,690
Depreciation	<u>276,938</u>	<u>259,593</u>	<u>276,938</u>	<u>259,593</u>
Net book amounts	<u>777,814</u>	<u>671,097</u>	<u>777,814</u>	<u>671,097</u>

Fixed assets include the following in respect of Plant and Motor Vehicles secured under finance leases and hire purchase contracts:

	Group		Holding Company	
	1997	1996	1997	1996
	£	£	£	£
Net book amounts at 31st March 1997	34,846	743,006	34,846	51,779
Depreciation charge for the year	<u>-</u>	<u>67,194</u>	<u>-</u>	<u>-</u>

9 Investment in subsidiary companies

	1997	1996
	£	£
Shares at cost	200,402	200,402
Additions during the year	1	-
Provision for diminution in value of investment	<u>(100,402)</u>	<u>(100,402)</u>
	<u>100,001</u>	<u>100,000</u>

The details of subsidiary companies are as follows:

<u>Trading</u>	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
Jarrow Enterprise Zone Developments Ltd - Property Development	100%	N/A
Greatcoat Fabrics Ltd (formerly Armitage & Rhodes Fabrics Ltd)	100%	100%

The trade of Greatcoat Fabrics Ltd was disposed of with effect from 30th October 1996 at which point the company became dormant. (See note 4)

Dormant during the whole year

Peak Industries Ltd	100%	100%
Armitage & Rhodes (1994) Ltd	100%	100%
Armitage & Rhodes Services Ltd	100%	100%
European Fabrics Ltd	100%	100%
Tanhouse Ltd	100%	100%
CVM Ltd	100%	100%

All subsidiaries are registered in England and operated principally within the United Kingdom.

No subsidiary has been excluded from the consolidation.

10 Stocks

	Group		Holding Company	
	1997	1996	1997	1996
	£	£	£	£
Raw materials	-	275,953	-	-
Finished goods	-	228,290	-	-
Work in progress	-	86,738	-	-
Property Development expenditure	<u>715,598</u>	<u>-</u>	<u>12,363</u>	<u>-</u>
	<u>715,598</u>	<u>590,981</u>	<u>12,363</u>	<u>-</u>

11 Debtors

<u>Amounts falling due within one year</u>	£	£	£	£
Trade Debtors	31,220	919,064	31,220	37,787
Less: Debt factoring advance	<u>-</u>	<u>(546,408)</u>	<u>-</u>	<u>-</u>
	31,220	372,656	31,220	37,787
Amounts due from subsidiary companies	-	-	815,127	-
Other debtors	447,668	34,057	335,776	33,019
Prepayments	<u>10,444</u>	<u>162,414</u>	<u>10,444</u>	<u>123,779</u>
	<u>489,332</u>	<u>569,127</u>	<u>1,192,567</u>	<u>194,585</u>
<u>Amounts falling due after more than one year</u>	£	£	£	£
Amounts due from subsidiary companies	-	-	4,072,454	2,895,532
Less: Provision for irrecoverable balances	<u>-</u>	<u>-</u>	<u>(4,072,454)</u>	<u>(2,895,532)</u>
	-	-	-	-
Other debtors	<u>-</u>	<u>162,607</u>	<u>-</u>	<u>162,607</u>
	<u>-</u>	<u>162,607</u>	<u>-</u>	<u>162,607</u>
<u>Total Debtors</u>	<u>489,332</u>	<u>731,734</u>	<u>1,192,567</u>	<u>357,192</u>

12 Creditors

<u>Amounts falling due within one year</u>	Group		Holding Company	
	1997	1996	1997	1996
	£	£	£	£
Bank overdraft	2,076,529	1,143,240	2,076,529	-
Bank and loan capital (see note 14)	222,500	150,000	222,500	150,000
Trade creditors	62,865	856,514	62,865	171,793
Other taxes and social security costs	8,094	78,706	8,094	4,017
Obligations under hire purchase and finance lease contracts (see note 15)	13,850	343,110	13,850	13,850
Other creditors	551,411	16,608	551,281	2,154
Accruals	387,676	222,768	387,676	104,506
Director's loan (see note 23)	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
	<u>3,522,925</u>	<u>2,810,946</u>	<u>3,522,795</u>	<u>446,320</u>

The bank overdraft is secured by a fixed and floating charge on the assets of the group.

13 Creditors

<u>Amounts falling due after more than one year</u>	£	£	£	£
Bank and loan capital (see note 14)	-	340,000	-	340,000
Directors loans (see note 23)	-	600,000	-	600,000
Obligations under hire purchase and finance lease contracts (see note 15)	38,090	467,671	38,090	51,941
Amounts due to subsidiary companies	<u>-</u>	<u>-</u>	<u>757,639</u>	<u>1,021,650</u>
	<u>38,090</u>	<u>1,407,671</u>	<u>795,729</u>	<u>2,013,591</u>

All amounts due to subsidiaries are payable within five years.

14	<u>Bank and Loan Capital</u>	Group		Holding Company	
		1997	1996	1997	1996
		£	£	£	£
	Not wholly repayable within five years	-	105,000	-	105,000
	Wholly repayable within five years	<u>222,500</u>	<u>385,000</u>	<u>222,500</u>	<u>385,000</u>
		222,500	490,000	222,500	490,000
	Less amounts due within one year	<u>222,500</u>	<u>150,000</u>	<u>222,500</u>	<u>150,000</u>
	Amounts due after more than one year	<u>-</u>	<u>340,000</u>	<u>-</u>	<u>340,000</u>
	Instalments not due within five years	<u>-</u>	<u>79,333</u>	<u>-</u>	<u>79,333</u>
	Details of above loans not wholly repayable within five years are as follows:				
	13% loan repayable in instalments between 1997 and 2012 secured on certain holding company freehold land and buildings	<u>-</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>
15	<u>Obligations under finance leases and hire purchase contracts</u>				
		Group		Holding Company	
		1997	1996	1997	1996
		£	£	£	£
	Repayable within one year	20,368	431,125	20,368	20,368
	Repayable between one and five years	<u>56,012</u>	<u>614,662</u>	<u>56,012</u>	<u>76,380</u>
		76,380	1,045,787	76,380	96,748
	Finance charges and interest allocated to future accounting periods	<u>(24,440)</u>	<u>(235,006)</u>	<u>(24,440)</u>	<u>(30,957)</u>
		51,940	810,781	51,940	65,791
	Included in current liabilities	<u>(13,850)</u>	<u>(343,110)</u>	<u>(13,850)</u>	<u>(13,850)</u>
	Included in amounts falling due after more than one year	<u>38,090</u>	<u>467,671</u>	<u>38,090</u>	<u>51,941</u>

16 Equity Share Capital

	1997	1996
	£	£
Authorised:		
10,000,000 Ordinary Shares of 10p (1996 - 10,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
9,304,975 Ordinary Shares of 10p (1996 - 9,304,975)	<u>930,497</u>	<u>930,497</u>

One of the directors held options over 125,000 10p ordinary shares exercisable until December 2003 at 12½ p per share, these options have lapsed during the year.

17 Revaluation reserve

	Group and Holding Company	
	1997	1996
	£	£
Balance at 1st April 1996	595,143	611,389
Transfer of additional depreciation to the profit and loss account	-	(16,246)
Transfer on recognition of a permanent diminution in value of properties	(360,142)	-
Balance at 31st March 1997	<u>235,001</u>	<u>595,143</u>

18 Profit and Loss Account

	Group		Holding Company	
	1997	1996	1997	1996
	£	£	£	£
Balance at 1st April 1996	(1,110,195)	(338,018)	(1,649,407)	(1,338,004)
Loss for the year	(1,389,074)	(788,423)	(1,507,370)	(327,649)
Transfer from revaluation reserve	-	16,246	-	16,246
	<u>(2,499,269)</u>	<u>(1,110,195)</u>	<u>(3,156,777)</u>	<u>(1,649,407)</u>

19 Contingent Liabilities

At 31st March 1997 there were no contingent liabilities (1996 - £5,000) in respect of indemnities given to third parties. There are also no outstanding liabilities in respect of documentary credits (1996: £5,283).

No provision has been made in either the group or the holding company's accounts in respect of deferred taxation, at 1997 or 1996 as in the opinion of the directors any potential liabilities are unlikely to crystallise in the foreseeable future.

Unprovided deferred taxation therefore represents a contingent liability at the balance sheet date and has been calculated using a rate of 33% (1996 - 33%).

	Group		Holding Company	
	1997	1996	1997	1996
	£	£	£	£
Accelerated capital allowances - plant	-	276,000	-	-
Applicable tax losses	-	(276,000)	-	-
	-	-	-	-
Accelerated capital allowances - buildings	92,000	90,000	-	90,000
Less: Short term timing differences	-	(6,000)	-	(6,000)
	<u>92,000</u>	<u>84,000</u>	-	<u>84,000</u>
Potential liability	<u>92,000</u>	<u>84,000</u>	-	<u>84,000</u>

20 Operating leases

At 31st March 1997 the group had annual commitments under non-cancellable operating leases as follows:

	Group		Holding Company	
	1997	1996	1997	1996
	£	£	£	£
Under commitments expiring between				
1st April 1997 and 31st March 1998	-	21,327	-	16,431
1st April 1998 and 31st March 2002	-	<u>16,512</u>	-	-
	-	<u>37,839</u>	-	<u>16,431</u>

21 Pensions

The group operated three defined contribution schemes, one for staff, one for senior executives and the other for certain directors. The assets of these schemes are held separately from those of the group in independently administered funds.

The pension cost represents contributions payable by the group to the schemes amounting to £6,524 (1996 - £58,234). At 31st March 1997 a total of £Nil was owed by the group and company to these schemes (1996 - £2,030).

22 Contingent Gain

Fire at Glossop

On 11th May 1996 the group's freehold property at Wren Nest Mills, Glossop was destroyed by fire. Negotiations have been concluded with the insurers and a reinstatement claim to the value of £2.9 million has been agreed. The reinstatement claim has not been included in the financial statements as it does not become payable until certain conditions are met. The conditions should be met during the current year when the group carries out the reinvestment in a development property.

23 a) Related party transactions

During the year Greatcoat Fabrics Ltd sold goods to Sinclaire Fabrics Ltd to the value of £323,783 excluding VAT. Sinclaire Fabrics Ltd is owned by M J Burrows, the transactions were undertaken in the normal course of business.

b) Directors loan accounts

The following amounts are outstanding on directors and former directors loan accounts at 31 March 1997.

	£
M J Burrows	167,000
G H Burrows	333,000
M A Joyce	<u>200,000</u>
	<u>700,000</u>

c) During the year P C P (a company partly owned by M A Joyce) rendered services in connection with the insurance claim relating to the Glossop property (note 22) and charged £175,581 (excluding VAT) in this respect. These services were rendered prior to Mr Joyce being appointed a director or owning shares in the company.

d) During the year Alpha Acceptances Limited (a company partly owned by Mr T Barker) gave guarantees in respect of the proposed development referred to in Note 22 and charged £40,000 (excluding VAT) in this respect. These services were rendered prior to Mr Barker being appointed a director or owning shares in the company.

e) Control

As at the 7 October 1997 the company is under the control of M A Joyce.