

WITTON MILL CO., LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 1997



WITTON MILL CO., LIMITED
INDEX TO THE FINANCIAL STATEMENTS

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WITTON MILL CO., LIMITED

COMPANY INFORMATION

DIRECTORS: J W Walsh
N J Walsh
E C Birtwell
J N Ratcliffe

SECRETARY: J N Ratcliffe

REGISTERED OFFICE: Witton Mill
Stancliffe Street
Blackburn
Lancashire
BB2 2QU

REGISTERED NUMBER: 305912

AUDITORS: Waterworths
Registered Auditors
Chartered Accountants
Central Buildings
Richmond Terrace
Blackburn
BB1 7AP

WITTON MILL CO., LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 1997.

PRINCIPAL ACTIVITY

The principal activity of the group is the manufacture and merchandising of textile fabrics.

REVIEW OF BUSINESS

The results for the year and financial position of the group are as shown in the annexed financial statements. During the year the company completed a project to replace the previous buildings and equipment.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £646,613. A dividend of £20 per share has been proposed.

DIRECTORS AND THEIR INTERESTS

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

	At 31 March 1997		At 1 April 1996	
	<u>Ordinary</u>	<u>'A' Ordinary</u>	<u>Ordinary</u>	<u>'A' Ordinary</u>
J W Walsh	26	-	26	-
E C Birtwell	16	34	16	34
N J Walsh	15	16	10	16
J N Ratcliffe (Appointed 14 May 1996)	-	-	-	-

On 30 April 1996 R H Emsley retired.

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 group and company and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

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

ON BEHALF OF THE BOARD:


J N Ratcliffe
Secretary

Dated: 15th August 1997

WITTON MILL CO., LIMITED

**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
WITTON MILL CO., LIMITED**

We have audited the financial statements on pages four to fifteen which have been prepared under the historical cost convention and the accounting policies set out on pages eight and nine.

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 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 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 group'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 affairs of the company and the group as at 31 March 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

W Waterworths

WATERWORTHS
Registered Auditors
Chartered Accountants
Central Buildings
Richmond Terrace
Blackburn
BB1 7AP

Dated: *15 August 1997*

WITTON MILL CO., LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997

	Note	1997		1996	
		£	£	£	£
TURNOVER	2		13,163,878		15,448,075
Change in Stocks of Finished Goods and Work-in-Progress			<u>298,418</u>		<u>185,574</u>
			13,462,296		15,633,649
Other Operating Income			<u>17,500</u>		<u>2,500</u>
			13,479,796		15,636,149
Raw Materials and Consumables		6,319,819		8,831,021	
Other External Charges		<u>2,273,116</u>		<u>2,365,127</u>	
			<u>8,592,935</u>		<u>11,196,148</u>
			4,886,861		4,440,001
Staff Costs	3	2,690,249		2,902,536	
Depreciation	4	401,702		284,541	
Other Operating Charges		<u>1,654,849</u>		<u>1,746,723</u>	
			<u>4,746,800</u>		<u>4,933,800</u>
OPERATING PROFIT/(LOSS)	4		140,061		(493,799)
Profit on Sale of Fixed Assets	6		715,743		480,080
Income from Fixed Asset Investments			10,376		17,162
Interest Receivable	7		1,295		640
Interest Payable	8		<u>(219,032)</u>		<u>(61,829)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION			648,443		(57,746)
Taxation (Charge)/Credit on Profit/(Loss) on Ordinary Activities	9		<u>(1,830)</u>		<u>8,373</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION			646,613		(49,373)
Proposed Dividends: Equity Shares			<u>4,000</u>		<u>4,000</u>
RETAINED PROFIT/(LOSS) FOR FINANCIAL YEAR			642,613		(53,373)
Retained Profit Brought Forward			<u>4,177,821</u>		<u>4,231,194</u>
RETAINED PROFIT CARRIED FORWARD			<u>4,820,434</u>		<u>4,177,821</u>

CONTINUING OPERATIONS

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

TOTAL RECOGNISED GAINS AND LOSSES

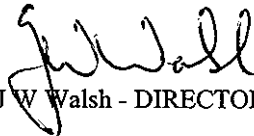
The group has no recognised gains or losses other than the profit for the current year and loss for the previous year.

The notes form part of these financial statements

WITTON MILL CO., LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 1997

	Note	1997		1996	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	11		4,519,942		1,403,623
Investments	12		<u>274,923</u>		<u>267,694</u>
			4,794,865		1,671,317
CURRENT ASSETS					
Stocks	13	3,643,444		3,938,442	
Debtors	14	2,485,519		3,441,491	
Cash at Bank and in Hand		<u>90,618</u>		<u>314,217</u>	
		6,219,581		7,694,150	
CREDITORS: Amounts Falling Due Within One Year	15	<u>3,570,512</u>		<u>3,867,646</u>	
NET CURRENT ASSETS			<u>2,649,069</u>		<u>3,826,504</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			7,443,934		5,497,821
CREDITORS:					
Amounts Falling Due After More than One Year	16		(2,321,000)		(1,300,000)
DEFERRED INCOME	17		<u>(282,500)</u>		<u>-</u>
			<u>4,840,434</u>		<u>4,197,821</u>
CAPITAL AND RESERVES					
Called Up Share Capital	18		20,000		20,000
Profit and Loss Account			<u>4,820,434</u>		<u>4,177,821</u>
Shareholders' Funds	23		<u>4,840,434</u>		<u>4,197,821</u>


J W Walsh - DIRECTOR


Approved by the Board on

15th August 1997

WITTON MILL CO., LIMITED

BALANCE SHEET AS AT 31 MARCH 1997

	Note	1997		1996	
		£	£	£	£
FIXED ASSETS					
Tangible Assets	11		4,393,377		1,270,493
Investments	12		<u>279,923</u>		<u>272,694</u>
			4,673,300		1,543,187
CURRENT ASSETS					
Stocks	13	2,776,222		2,961,021	
Debtors	14	1,486,660		1,907,165	
Cash at Bank and in Hand		<u>1,563</u>		<u>117,379</u>	
		4,264,445		4,985,565	
CREDITORS: Amounts Falling Due Within One Year	15	<u>2,655,161</u>		<u>2,187,992</u>	
NET CURRENT ASSETS			<u>1,609,284</u>		<u>2,797,573</u>
TOTAL ASSET LESS CURRENT LIABILITIES			6,282,584		4,340,760
CREDITORS:					
Amounts Falling Due After More Than One Year	16		(2,321,000)		(1,300,000)
DEFERRED INCOME	17		<u>(282,500)</u>		<u>-</u>
			<u>3,679,084</u>		<u>3,040,760</u>
CAPITAL AND RESERVES					
Called Up Share Capital	18		20,000		20,000
Profit and Loss Account			<u>3,659,084</u>		<u>3,020,760</u>
Shareholders' Funds			<u>3,679,084</u>		<u>3,040,760</u>


J W Walsh - DIRECTOR

Approved by the Board on

15th August 1997

The notes form part of these financial statements

WITTON MILL CO., LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 1997

	Note	1997		1996 (as re-stated)	
		£	£	£	£
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	20		533,047		(283,766)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest Received		1,295		640	
Income from Fixed Asset Investments		9,151		7,607	
Interest Paid		<u>(212,572)</u>		<u>(61,829)</u>	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(202,126)		(53,582)
TAX RECOVERED			5,532		13,733
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of Investments		(25,578)		(59,754)	
Purchase of Fixed Assets		(3,288,453)		(859,698)	
Sale of Investments		19,575		59,879	
Sale of Fixed Assets		832,318		508,830	
Grant Receipts		<u>300,000</u>		<u>-</u>	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			(2,162,138)		(350,743)
EQUITY DIVIDENDS PAID			<u>(4,000)</u>		<u>(4,000)</u>
NET CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING			(1,829,685)		(678,358)
FINANCING					
Loan Advance		1,250,000		1,500,000	
Loan Repayments		(43,080)		-	
Capital Element of Hire Purchase Contracts		<u>-</u>		<u>(7,361)</u>	
NET CASH INFLOW FROM FINANCING	22		<u>1,206,920</u>		<u>1,492,639</u>
(DECREASE) / INCREASE IN CASH	22		<u>(622,765)</u>		<u>814,281</u>

The notes form part of these financial statements

WITTON MILL CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the Year Ended 31 March 1997

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable UK accounting standards.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of Accounting

These financial statements have been prepared under the historical cost accounting rules.

Comparatives

The comparatives in the cash flow statement have been re-stated to comply with Financial Reporting Standard 1 (Revised).

Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 March 1997 and accounted for by the acquisition method. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Intra-group sales are eliminated on consolidation.

A separate profit and loss account dealing with the results of the company is not presented, as permitted by Section 230 of the Companies Act 1985.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Fixed Assets

Depreciation is provided at rates calculated to write off the cost of the tangible fixed assets over their estimated useful lives. The rates used on the straight line method are:-

Freehold Land and Buildings	:	5% per annum
Leasehold Property	:	over the period of the lease
Plant and Machinery	:	10% per annum
Motor Vehicles	:	25% per annum
Office Furniture and Equipment	:	10% and 33%

Government Grants

Government grants received after 31 March 1991 are included within deferred income and released to the profit and loss account over the estimated economic lives of the corresponding fixed assets.

Government grants which were received prior to 31 March 1991 are shown as a deduction from the cost of the assets to which they relate and depreciation is provided on the net cost.

Stocks and Work-in-Progress

Stocks and Work-in-Progress are valued on a 'first-in-first-out' basis at the lower of cost and net realisable value. Cost includes all direct expenditure and appropriate production overheads.

WITTON MILL CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1997**

1. ACCOUNTING POLICIES (CONTINUED)

Turnover

Turnover represents amounts invoiced by the group in respect of goods supplied during the year, excluding Value Added Tax.

Deferred Taxation

Deferred taxation arises when profits and surpluses are recognised in the financial statements in one period, but are assessed to corporation tax in another period.

Deferred taxation is provided on the liability method on all timing differences except where it is probable that the liability will not crystallise.

Foreign Exchange

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.

Pensions

During the accounting year the group has operated a number of group personal pension schemes, under which contributions are paid by group companies and employees. Contributions are charged to profit and loss account as they are paid.

2. TURNOVER AND PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and the profit/(loss) on ordinary activities before taxation arose from the group's principal activities.

An analysis of turnover by geographical market is given below:

	1997	1996
	£	£
United Kingdom	12,831,582	14,436,048
Overseas	<u>332,296</u>	<u>1,012,027</u>
	<u>13,163,878</u>	<u>15,448,075</u>

3. STAFF COSTS

Staff costs comprise:

	1997	1996
	£	£
Wages and Salaries	2,306,588	2,511,579
Social Security Costs	220,096	230,805
Other Pension Costs	26,328	23,862
Pension to Widow of Former Director	23,270	23,270
Redundancy and Ex Gratia payments	<u>113,967</u>	<u>113,020</u>
	<u>2,690,249</u>	<u>2,902,536</u>

The average number of persons employed by the group (including directors) during the year was as follows:

Office and Management	37	36
Manufacturing	87	136
Others	<u>8</u>	<u>9</u>
	<u>132</u>	<u>181</u>

WITTON MILL CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1997**

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting) the following:

	Notes	1997 £	1996 £
Depreciation - Owned Assets		449,149	284,541
Profit on Disposal of Fixed Asset		(47,447)	-
Operating Lease - Land and Buildings		47,200	47,200
Auditors' Remuneration - Audit		16,000	15,500
- Non Audit Services		<u>8,600</u>	<u>8,700</u>

5. DIRECTORS' REMUNERATION

		1997 £	1996 £
Aggregate Emoluments		215,928	272,019
Company Pension Contributions to Group Personal Pension Schemes		<u>15,262</u>	<u>7,690</u>
		<u>231,190</u>	<u>279,709</u>
Highest Paid Director			
Aggregate Emoluments		98,300	124,017
Company Pension Contributions to Group Personal Pension Schemes		<u>6,892</u>	-
		<u>105,192</u>	<u>124,017</u>

6. PROFIT ON SALE OF FIXED ASSETS

Comprises the profit on sale of machinery in connection with the company's project to replace the previous equipment.

7. INTEREST RECEIVABLE

		1997 £	1996 £
Interest on Bank Deposits		<u>1,295</u>	<u>640</u>

8. INTEREST PAYABLE

		1997 £	1996 £
Interest on Bank Overdraft & Loan		<u>219,032</u>	<u>61,829</u>

9. TAXATION

The tax (charge)/credit on the profit/(loss) on ordinary activities for the year is as follows:

		1997 £	1996 £
U.K. Corporation Tax		-	9,373
Tax on Franked Investment Income		<u>(1,830)</u>	<u>(1,000)</u>
		<u>(1,830)</u>	<u>8,373</u>

There is no charge to corporation tax or deferred taxation for the year due to the reversal of a deferred taxation asset not previously recognised in addition to the utilisation of trading losses brought forward.

WITTON MILL CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1997

10. PROFIT/(LOSS) FOR THE YEAR

	1997	1996
	£	£
Dealt with in the financial statements of the company	<u>638,324</u>	<u>(54,317)</u>

The exemption contained in Section 230 of the Companies Act 1985 applies and a profit and loss account for the company has not been presented.

11. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings	Short Term Leasehold Property	Deposits and Assets Under Construction	Motor Vehicles	Plant and Equipment	Total
	£	£	£	£	£	£
GROUP:						
COST:						
At 1 April 1996	1,390,673	188,227	839,696	467,199	5,983,045	8,868,840
Additions	587,033	-	-	231,518	2,816,046	3,634,597
Disposals	(339,859)	-	-	(223,327)	(2,511,585)	(3,074,771)
Transfers	369,545	-	(839,696)	-	470,151	-
At 31 March 1997	<u>2,007,392</u>	<u>188,227</u>	<u>-</u>	<u>475,390</u>	<u>6,757,657</u>	<u>9,428,666</u>
DEPRECIATION:						
At 1 April 1996	1,308,240	31,262	-	284,755	5,840,960	7,465,217
Charge for the year	79,932	6,275	-	91,877	271,065	449,149
Eliminated on Disposals	(339,859)	-	-	(154,198)	(2,511,585)	(3,005,642)
At 31 March 1997	<u>1,048,313</u>	<u>37,537</u>	<u>-</u>	<u>222,434</u>	<u>3,600,440</u>	<u>4,908,724</u>
NET BOOK VALUE:						
As at 31 March 1997	<u>959,079</u>	<u>150,690</u>	<u>-</u>	<u>252,956</u>	<u>3,157,217</u>	<u>4,519,942</u>
As at 31 March 1996	<u>82,433</u>	<u>156,965</u>	<u>839,696</u>	<u>182,444</u>	<u>142,085</u>	<u>1,403,623</u>
COMPANY:						
COST:						
At 1 April 1996	1,390,673	188,227	839,696	287,964	5,920,999	8,627,559
Additions	587,033	-	-	162,343	2,814,614	3,563,990
Disposals	(339,859)	-	-	(166,704)	(2,511,585)	(3,018,148)
Transfers	369,545	-	(839,696)	-	470,151	-
At 31 March 1997	<u>2,007,392</u>	<u>188,227</u>	<u>-</u>	<u>283,603</u>	<u>6,694,179</u>	<u>9,173,401</u>
DEPRECIATION:						
At 1 April 1996	1,308,240	31,262	-	226,088	5,791,476	7,357,066
Charge for the year	79,932	6,275	-	50,461	264,489	401,157
Eliminated on Disposal	(339,859)	-	-	(126,755)	(2,511,585)	(2,978,199)
At 31 March 1997	<u>1,048,313</u>	<u>37,537</u>	<u>-</u>	<u>149,794</u>	<u>3,544,380</u>	<u>4,780,024</u>
NET BOOK VALUE:						
As at 31 March 1997	<u>959,079</u>	<u>150,690</u>	<u>-</u>	<u>133,809</u>	<u>3,149,799</u>	<u>4,393,377</u>
As at 31 March 1996	<u>82,433</u>	<u>156,965</u>	<u>839,696</u>	<u>61,876</u>	<u>129,523</u>	<u>1,270,493</u>

WITTON MILL CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1997

12. INVESTMENTS

	-----COMPANY-----			GROUP Listed Investments and Total
	Shares in Subsidiaries	Listed Investments	Total	
	£	£	£	£
COST:				
Balance 1 April 1996	10,000	267,694	277,694	267,694
Additions	-	25,578	25,578	25,578
Disposals	-	(18,349)	(18,349)	(18,349)
Balance 31 March 1997	<u>10,000</u>	<u>274,923</u>	<u>284,923</u>	<u>274,923</u>
PROVISION FOR DIMINUTION IN VALUE				
At 1 April 1996 and 31 March 1997	<u>(5,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>-</u>
NET BOOK VALUE				
As at 31 March 1997	<u>5,000</u>	<u>274,923</u>	<u>279,923</u>	<u>274,923</u>
As at 31 March 1996	<u>5,000</u>	<u>267,694</u>	<u>272,694</u>	<u>267,694</u>
Market value of listed investments		<u>311,069</u>		<u>311,069</u>

Details of the investments in subsidiaries, both of which are incorporated in England, are as follows:

Name of Subsidiary	Principal Activity	Share Holding
Norjon Fabrics Limited	Dormant	100%
Wittrex International Limited	Textile Merchants	100%

13. STOCKS

	COMPANY		GROUP	
	1997	1996	1997	1996
	£	£	£	£
Raw Materials	1,244,579	1,759,630	1,410,302	2,003,718
Work-in-Progress	792,719	471,058	1,036,732	720,506
Finished Goods	<u>738,924</u>	<u>730,333</u>	<u>1,196,410</u>	<u>1,214,218</u>
	<u>2,776,222</u>	<u>2,961,021</u>	<u>3,643,444</u>	<u>3,938,442</u>

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	COMPANY		GROUP	
	1997	1996	1997	1996
	£	£	£	£
Trade Debtors	797,173	1,329,951	828,813	1,390,694
Factored Trade Debtors	-	-	1,581,895	2,020,652
Amounts Owed by Group Undertaking	271,172	302,038	-	-
Dividend Receivable from Group Undertaking	350,000	260,000	-	-
Prepayments and Other Debtors	65,729	5,000	72,225	19,969
Corporation Tax Recoverable	<u>2,586</u>	<u>10,176</u>	<u>2,586</u>	<u>10,176</u>
	<u>1,486,660</u>	<u>1,907,165</u>	<u>2,485,519</u>	<u>3,441,491</u>

WITTON MILL CO., LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1997

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	COMPANY		GROUP	
	1997	1996	1997	1996
	£	£	£	£
Bank Loan and Overdraft	1,206,086	200,000	1,206,086	200,000
Trade Creditors	1,093,391	1,532,899	1,700,987	2,944,868
Other Taxes and Social Security	155,433	132,406	358,803	340,595
Other Creditors	24,576	18,844	24,576	18,844
Accruals	171,205	273,666	275,590	333,162
Directors' Loan Accounts	470	26,177	470	26,177
Proposed Dividend	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>	<u>4,000</u>
	<u>2,655,161</u>	<u>2,187,992</u>	<u>3,570,512</u>	<u>3,867,646</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	COMPANY		GROUP	
	1997	1996	1997	1996
	£	£	£	£
Trade Creditors	421,000	-	421,000	-
Bank Loan - repayable in two to five years	1,600,000	1,100,000	1,600,000	1,100,000
Bank Loan - repayable over five years	<u>300,000</u>	<u>200,000</u>	<u>300,000</u>	<u>200,000</u>
	<u>2,321,000</u>	<u>1,300,000</u>	<u>2,321,000</u>	<u>1,300,000</u>

The bank loan and overdraft are secured by a legal charge over all the group's assets.

The bank loan is repayable in equal quarterly instalments over a five year period commencing June 1997. Interest is charged at a commercial rate.

17. DEFERRED INCOME:

	1997	1996
	£	£
Grant received in year	300,000	-
Released to profit and loss account	<u>(17,500)</u>	<u>-</u>
Balance as at 31 March 1997	<u>282,500</u>	<u>-</u>

18. CALLED UP SHARE CAPITAL

Authorised, Allotted, issued and fully paid:	Nominal	1997	1996
Number: Class:	Value	£	£
100 Ordinary Shares	£100	10,000	10,000
100 'A' Ordinary Shares	£100	<u>10,000</u>	<u>10,000</u>
		<u>20,000</u>	<u>20,000</u>

The ordinary shares and 'A' ordinary shares rank equally in all respects other than the holders of 'A' ordinary shares have no voting rights.

WITTON MILL CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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19. OPERATING LEASES

The group has the following commitments under non-cancellable operating leases:

	Land and Buildings	
	1997	1996
	£	£
Over Five Years	<u>47,200</u>	<u>47,200</u>

**20. RECONCILIATION OF OPERATING PROFIT TO NET CASH
OUTFLOW FROM OPERATING ACTIVITIES**

	1997	1996
	£	£
Operating Profit/(Loss)	140,061	(493,799)
Depreciation	449,149	290,254
Profit on Sale of Fixed Assets	(47,447)	(5,713)
Amortisation of Grant	(17,500)	-
Decrease/(Increase) in Stocks	294,998	(74,179)
Decrease in Debtors	948,610	266,879
Decrease in Creditors	<u>(1,234,824)</u>	<u>(267,208)</u>
	<u>533,047</u>	<u>(283,766)</u>

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997	1996
	£	£
(Decrease)/Increase in Cash in Year	(622,765)	814,281
Cash Outflow from Increase in Debt	<u>(1,206,920)</u>	<u>(1,492,639)</u>
Change in Debt Resulting from Cash Flows	(1,829,685)	(678,358)
Net Debt at 1 April 1996	<u>(1,185,783)</u>	<u>(507,425)</u>
Net Debt at 31 March 1997	<u>(3,015,468)</u>	<u>(1,185,783)</u>

22. ANALYSIS OF NET DEBT

1996/97

	1 April 1996	Cash Flow	31 March 1997
	£	£	£
Cash at Bank and in Hand	314,217	(223,599)	90,618
Overdrafts	-	<u>(399,166)</u>	(399,166)
		(622,765)	
Debt Due Within One Year	(200,000)	(706,920)	(906,920)
Debt Due After One Year	(1,300,000)	<u>(500,000)</u>	(1,800,000)
		<u>(1,206,920)</u>	
	<u>(1,185,783)</u>	<u>(1,829,685)</u>	<u>(3,015,468)</u>

WITTON MILL CO., LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year Ended 31 March 1997**

22. ANALYSIS OF NET DEBT (CONTINUED)

1995/96

	1 April 1995 £	Cash Flow £	31 March 1996 £
Cash at Bank and in Hand	3,374	310,843	314,217
Overdrafts	(503,438)	<u>503,438</u>	-
		814,281	
Debt Due Within One Year	(7,361)	(192,639)	(200,000)
Debt Due After One Year	-	<u>(1,300,000)</u>	(1,300,000)
		(1,492,639)	
	<u>(507,425)</u>	<u>(678,358)</u>	<u>(1,185,783)</u>

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit/(Loss) for the Financial Year	646,613	(49,373)
Dividends	<u>(4,000)</u>	<u>(4,000)</u>
NET ADDITION TO /(REDUCTION IN) SHAREHOLDERS' FUNDS	642,613	(53,373)
Opening Shareholders' Funds	<u>4,197,821</u>	<u>4,251,194</u>
Closing Shareholders' Funds	<u>4,840,434</u>	<u>4,197,821</u>
Equity Interests	<u>4,840,434</u>	<u>4,197,821</u>

24. PENSION COSTS

	1997 £	1996 £
Pension costs charged against profit:		
Group Personal Pension Schemes	26,328	23,862
Ex Gratia Pension	<u>23,270</u>	<u>23,270</u>
	<u>49,598</u>	<u>47,132</u>

25. CONTINGENT LIABILITIES

The company has guaranteed the bank borrowings of the subsidiary trading company, which at the balance sheet date were £Nil (1996: £Nil).

26. CAPITAL COMMITMENTS

The capital commitments of the group and the company at the year end were:

	1997 £	1996 £
Authorised and contracted for	<u>-</u>	<u>2,721,000</u>