

451454

Armitage & Rhodes plc
Directors' Report and Accounts
for the year ended 31st March 1996

JOHN GORDON WALTON & CO.



Notice of Meeting

NOTICE is hereby given that the Annual General Meeting of Armitage & Rhodes plc will be held at the offices of John Gordon Walton & Co, Chartered Accountants, 3rd Floor, Yorkshire House, Greek Street, LEEDS, LS1 5ST on 21st February 1997 at 11.00 am for the following purposes:

- 1 To receive and consider the Directors' Report and Audited Accounts for the financial year ended 31st March 1996.
- 2 To re-elect a Director.
- 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 Graham
Secretary



Calder Vale Mills
Ravensthorpe
DEWSBURY
28th January 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.

Armitage & Rhodes plc

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Armitage & Rhodes plc

Directors, Officers, Bankers and Advisers

Directors: Michael J Burrows (Non-Executive Chairman)
Graham H Burrows CTEXT ATI (Managing Director)
Michael A Graham FCCA

Secretary: Michael A Graham FCCA

Registered Office: Calder Vale Mills
Ravensthorpe
Dewsbury
WF13 3JL

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

Solicitors: Whitfield Hallam Goodall
7 King Street
Mirfield
West Yorkshire
WF14 8AP

Bankers: Midland Bank Plc
100 King Street
MANCHESTER
M60 2HD

Registered Number: 451454

Armitage & Rhodes plc

Chairman's Statement

Since I last reported to you approximately a year ago there have been significant changes undergone by the Group.

During the year ended 31st March 1996 the Group achieved an increase of 22% in its core business despite having to withstand price resistance from the High Street. In this period the Company also had to absorb very sharp increases in raw materials prices due to the worldwide increase in the demand for polyester and viscose. The significant increase in sales only resulted in an improvement in gross profit of 4.6% - £2,003,000 (1995 - £1,915,000) due to the increased raw material costs.

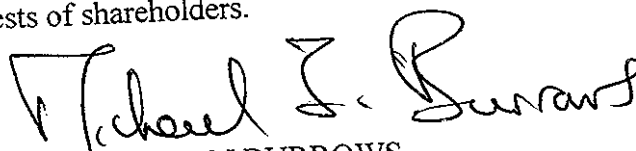
The Board of Directors had taken various steps to further reduce costs, one of which was to reduce staffing costs by 18.7% to £1,283,000 (1995 - £1,579,000). Interest costs in the period have been reduced by £48,174 but the Group still recorded a loss before tax for the year of £788,423 (1995- £1,238,705).

During 1996/97 the Board focused its marketing efforts mainly in the wholesale market rather than the traditionally unpredictable manufacturing sector. This enabled our design and development team to work closely with a more stable market, which resulted in an increased order book. Unfortunately, due to our historically poor trading performance, our suppliers and their credit insurers deemed it necessary to restrict their exposure on yarn supplies and finishing services. This resulted in the Company experiencing great difficulty in supporting the increased order book which led to the directors decision that there was no alternative but to dispose of the group's trading activity. The Board therefore agreed to sell the fabric company, such sale having been completed in October 1996.

On 11th May 1996 the Company experienced a very serious fire at Wren Nest Mills, Glossop, which destroyed all of the buildings and left only the land remaining. The buildings were adequately insured to their full re-instatement value. Ultimately a reinstatement claim of £2.9 million was agreed with the groups insurers.

May I take this opportunity to convey to you the Board's gratitude to our former employees for their efforts in a difficult situation and we wish them well with their new employers.

Enclosed with the group's accounts, is a circular letter which explains the group's current position and the way forward in the best interests of shareholders.


M J BURROWS
Chairman

28th January 1997

Armitage & Rhodes plc

Directors' Report

The directors submit their report and group accounts of Armitage & Rhodes plc for the year ended 31 March 1996.

Principal Activities

The group's principal activities were the manufacture and sale of furnishing fabrics.

Results for the year and review of business

	1996
	£
Operating Loss	556,224
Profit on disposal of fixed assets	<u>(13,350)</u>
Loss before interest	542,874
Interest payable	<u>245,549</u>
Retained Loss	<u>788,423</u>

The extremely difficult trading conditions which the Group experienced during the year ended 31st March 1996 continued into the current year. The Group's core fabric manufacturing business (undertaken by Armitage & Rhodes Fabrics Ltd) has been unable to generate sufficient cash-flow to maintain its viability. The business of that company was disposed of in October 1996.

The Group, now retains interests in properties at Calder Vale Mills, Ravensthorpe and Wren Nest Mills, Glossop. On 11 May 1996 Wren Nest Mills 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.

Dividend

The directors do not recommend payment of a dividend (1995 - £ nil) and the loss for the year has been transferred to reserves.

Armitage & Rhodes plc

Directors' Report - continued

Fixed Assets

Details of movement in fixed assets during the year are set out in note 9 to the accounts.

Research and Development

The group continued to expand and diversify its manufactured product range, incurring research and development costs as detailed in note 3 to the accounts.

Directors' interests

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

	31st March 1996	31st March 1995
	10p ordinary	10p ordinary
	<u>Beneficial</u>	<u>Beneficial</u>
M J Burrows	3,255,344	3,255,344
G H Burrows	3,255,344	3,255,344
M A Graham	12,000	12,000

M A Graham retires by rotation and being eligible, offers himself for re-election.

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

Share options have been granted to the following director:

	No of 10p Ordinary Shares over which options granted	Option Price per share
M A Graham	125,000	12½p

The options are exercisable at various times until December 2003.

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 1996.

	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 up to 28th January 1997.

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.

Directors' and Officers' Liability Insurance

During the year the Company maintained insurance under which, subject to the terms of the policy, cover is provided for directors and certain senior officers of the company and its subsidiaries against liabilities which they might incur personally.

Auditors

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

28th January 1997

By Order of the Board
M A Graham
Secretary



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 Armitage & Rhodes plc

We have audited the accounts on pages 8 to 25 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 page 13 and 14.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of 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.

Fundamental Uncertainty

In forming our opinion, we have considered the adequacy of the disclosures in the accounts concerning negotiations for additional finance. The accounts have been prepared on a going concern basis, the validity of which depends upon additional finance being available. The accounts do not include any adjustments that would result from a failure to obtain this funding. Details of the circumstances relating to this fundamental uncertainty are disclosed in Note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31st March 1996 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

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

28th January 1997

Armitage & Rhodes Plc

Group Profit and Loss Account
for the year ended 31st March 1996

		1996	1995	1995	1995
	Total	Continuing Operations and Total £	Continuing Operations £	Discontinued Operations £	Total £
Turnover	2	4,574,911	3,742,977	3,137,237	6,880,214
Decrease in finished goods and work in progress		452,999	343,111	267,872	610,983
Raw materials and consumables		1,612,033	1,123,459	1,581,929	2,705,388
Other external charges		<u>507,163</u>	<u>360,925</u>	<u>92,155</u>	<u>453,080</u>
Gross profit		2,002,716	1,915,482	1,195,281	3,110,763
Staff Costs	7	1,283,240	1,578,820	570,055	2,148,875
Depreciation	9	324,287	362,321	124,186	486,507
Other operating income	3	220,250	62,688	990	63,678
Other operating charges		<u>1,171,663</u>	<u>1,000,334</u>	<u>625,649</u>	<u>1,625,983</u>
Operating Loss	3	(556,224)	(963,305)	(123,619)	(1,086,924)
Profit/(Loss) on disposal of fixed assets		13,350	53,323	(544,152)	(490,829)
Exceptional charges	4	-	<u>35,000</u>	<u>69,732</u>	<u>104,732</u>
Loss on ordinary activities before interest	5	(542,874)	(944,982)	(737,503)	(1,682,485)
Interest payable	6	<u>245,549</u>			<u>293,723</u>
Loss on ordinary activities before tax		(788,423)			(1,976,208)
Tax on loss on ordinary activities	8	-			-
Loss retained for year	19	<u>(788,423)</u>			<u>(1,976,208)</u>

Armitage & Rhodes plc

Group Balance Sheet

at 31st March 1996

	Notes	1996 £	1995 £
<u>Fixed Assets</u>			
Tangible assets	9	2,788,495	3,134,828
<u>Current Assets</u>			
Stocks	11	590,981	1,026,320
Debtors	12	731,734	867,679
Bank and Cash		<u>559,323</u>	<u>17,065</u>
		1,882,038	1,911,064
<u>Creditors: amounts falling due within one year</u>	13	<u>2,810,946</u>	<u>2,428,383</u>
<u>Net current liabilities</u>		<u>(928,908)</u>	<u>(517,319)</u>
<u>Total assets less current liabilities</u>		1,859,587	2,617,509
<u>Creditors: amounts falling due after more than one year</u>	14	1,407,671	1,375,373
<u>Accruals and deferred income</u>			
Deferred government grants		<u>15,221</u>	<u>17,018</u>
Net assets		<u>436,695</u>	<u>1,225,118</u>
<u>Capital and reserves</u>			
Called up share capital	17	930,497	930,497
Share premium account		11,250	11,250
Capital redemption reserve fund		10,000	10,000
Revaluation reserve	18	595,143	611,389
Profit and loss account	19	<u>(1,110,195)</u>	<u>(338,018)</u>
Equity Shareholders' Funds		<u>436,695</u>	<u>1,225,118</u>

M J Burrows Director

M A Graham Director

28th January 1997

Armitage & Rhodes plc

Holding Company Balance Sheet

at 31st March 1996

	Notes	£	1996 £	£	1995 £
<u>Fixed Assets</u>					
Tangible assets	9		1,341,879		1,342,418
Investment in subsidiary companies	10		<u>100,000</u>		<u>100,000</u>
			1,441,879		1,442,418
<u>Current Assets</u>					
Debtors	12	357,192		967,092	
Cash at bank		<u>558,323</u>		<u>-</u>	
		915,515		967,092	
<u>Creditors: amounts falling due within one year</u>	13	<u>446,320</u>		<u>412,056</u>	
<u>Net current assets</u>			<u>469,195</u>		<u>555,036</u>
<u>Total assets less current liabilities</u>			1,911,074		1,997,454
<u>Creditors: amounts falling due after more than one year</u>	14		<u>2,013,591</u>		<u>1,772,322</u>
<u>Net (liabilities)/assets</u>			<u>(102,517)</u>		<u>225,132</u>
<u>Capital and reserves</u>					
Called up share capital	17		930,497		930,497
Share premium account			11,250		11,250
Capital redemption reserve fund			10,000		10,000
Revaluation reserve	18		595,143		611,389
Profit and loss account	19		<u>(1,649,407)</u>		<u>(1,338,004)</u>
<u>Equity Shareholders' Funds</u>			<u>(102,517)</u>		<u>225,132</u>

M J Burrows Director

M A Graham Director

28th January 1997

Armitage & Rhodes plc

Group Cash Flow Statement

for the year ended 31st March 1996

	Notes	£	1996 £	£	1995 £
Net cash outflow from operating activities	5		(77,977)		(183,467)
<u>Servicing of finance</u>					
Interest paid			(245,549)		(293,723)
<u>Investing activities</u>					
Purchase of tangible fixed assets		(178,944)		(447,293)	
Proceeds from disposal of fixed assets		<u>214,340</u>		<u>984,727</u>	
Net cash inflow from investing activities			<u>35,396</u>		<u>537,434</u>
Net cash (outflow)/inflow before financing			(288,130)		60,244
<u>Financing</u>					
Loans from Directors		124,000		476,000	
Loan repayments		(60,000)		(152,500)	
New finance leases		102,255		-	
Repayment of finance leases		(148,013)		(177,643)	
New hire purchase agreements		412,000		159,970	
Repayment of hire purchase creditors		<u>(198,375)</u>		<u>(370,279)</u>	
<u>Net cash inflow/(outflow) from financing</u>			<u>231,867</u>		<u>(64,452)</u>
<u>Decrease in cash equivalents (see below)</u>			<u>(56,263)</u>		<u>(4,208)</u>

Analysis of the balances of cash and cash equivalents as shown
in the balance sheet

	1996 £	1995 £	Change in year £
Cash at bank and in hand	559,323	17,065	542,258
Bank overdrafts	<u>(1,143,240)</u>	<u>(544,719)</u>	<u>(598,521)</u>
	<u>(583,917)</u>	<u>(527,654)</u>	<u>(56,263)</u>

Armitage & Rhodes plc

Group Statement of Total Recognised Gains and Losses

for the year ended 31st March 1996

	1996	1995
	£	£
Loss on ordinary activities after taxation	<u>788,423</u>	<u>1,976,208</u>

Group Historical Cost Losses and Profits

	£	£
Loss on Ordinary Activities before taxation	788,423	1,976,208
Loss on disposal of asset	-	25,760
Difference between historical cost depreciation and depreciation	<u>(16,246)</u>	<u>(12,737)</u>
Historical cost loss on Ordinary Activities before and after taxation	<u>772,177</u>	<u>1,989,231</u>

Reconciliation of Equity Shareholders' Funds

	£	£
Loss on Ordinary Activities after taxation	(788,423)	(1,976,208)
Net decrease in shareholders' funds	<u>(788,423)</u>	<u>(1,976,208)</u>
Equity shareholders' funds at 1st April 1995	<u>1,225,118</u>	<u>3,201,326</u>
Equity shareholders's funds at 31st March 1996	<u>436,695</u>	<u>1,225,118</u>

Armitage & Rhodes plc

Notes to the Accounts

1 Accounting Policies

Going Concern

The accounts have been prepared on the going concern basis which assumes that the company can meet its liabilities as they fall due. The directors are of the opinion that the current rental streams derived from the company's properties at Ravensthorpe may be insufficient to meet such obligations. Note 24 (a) to the accounts discloses that the company has an agreed reinstatement insurance claim following the fire at Wren Nest Mills at Glossop.

The directors are of the opinion that if suitable finance can be obtained to allow the company to meet its current obligations and to develop and subsequently let or sell the re-instated property then any rental stream or proceeds will be sufficient to allow the company to meet its obligations into the foreseeable future. At 28th January 1997 negotiations to obtain the required finance are at an advanced stage although no formal agreement is yet in place. The validity of the assumption that the company will continue as a going concern depends on the successful conclusion of these or alternative negotiations. The accounts do not include any adjustments that would result if the additional finance could not be obtained. The outcome of such negotiations should be concluded shortly and accordingly the directors have not considered a period of at least 12 months from the end of January 1997 in considering the validity of the going concern basis.

Whilst the directors are presently uncertain as to the outcome of the matters mentioned above they believe that it is appropriate for the accounts to be prepared on the going concern basis.

Basis of consolidation

The group accounts include the accounts 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 Armitage & Rhodes 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 estimated 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 31st March 1993 based on a current open market value with existing use 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

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.

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:

	1996		1995	
	£	%	£	%
United Kingdom	2,252,632	49.2	4,604,265	66.9
Europe	1,509,481	33.0	1,329,019	19.3
Far East	441,233	9.6	544,535	7.9
Middle East	209,005	4.6	161,597	2.4
North America	116,114	2.5	188,681	2.7
Rest of World	<u>46,446</u>	<u>1.1</u>	<u>52,117</u>	<u>0.8</u>
	<u>4,574,911</u>	<u>100.0</u>	<u>6,880,214</u>	<u>100.0</u>

3 Operating Loss

The operating loss is stated after charging:

	1996	1995
	£	£
Directors' Remuneration (see note 7)	161,055	354,169
Auditors' Remuneration		
- for audit services	25,000	39,282
- for other professional work	20,500	25,000
Operating lease rentals - plant & machinery	78,679	124,455
Research and Development Costs	14,894	34,933
Debt Insurance and factoring charges	<u>95,782</u>	<u>96,145</u>
and after crediting:		
Rent receivable	83,911	63,678
Administration recharges	<u>136,339</u>	<u>-</u>
	<u>220,250</u>	<u>63,678</u>

4 Exceptional Charges

Continuing Operations

	1996	1995
	£	£
Provisions for legal claims arising against a subsidiary	-	20,000
Legal and professional fees arising from the disposal of certain assets	-	<u>15,000</u>
	<u>-</u>	<u>35,000</u>

Discontinued Operations

	1996	1995
	£	£
Redundancy costs	-	49,602
Hire purchase and finance lease settlement charges	-	<u>20,130</u>
	<u>-</u>	<u>69,732</u>

5 Reconciliation of operating loss to net cash outflow from operating activities

	1996	1995
	£	£
Loss on Ordinary Activities before interest charges	(542,874)	(1,682,485)
Depreciation	324,287	486,507
(Profit)/loss on disposal of tangible fixed assets	(13,350)	490,829
Deferred grants movement	(1,797)	(9,223)
Decrease in stocks	435,339	594,937
Decrease in debtors	135,945	679,196
Decrease in creditors	<u>(415,527)</u>	<u>(743,228)</u>
Net cash outflow from operating activities	<u>(77,977)</u>	<u>(183,467)</u>

6 Interest Payable

	£	£
On bank loans, overdrafts and other loans repayable within five years	130,998	157,983
On bank and other loans wholly or partly repayable in more than five years	13,644	30,365
Finance charges in respect of finance leases and hire purchase agreements repayable wholly within five years	<u>100,907</u>	<u>105,375</u>
	<u>245,549</u>	<u>293,723</u>

7 Employees

	1996	1995
The average weekly number of employees during the year were made up as follows:		
Office and Management	17	26
Selling	7	34
Manufacturing	<u>42</u>	<u>55</u>
	<u>66</u>	<u>115</u>

Staff costs during the year amounted to:	£	£
Wages and Salaries	1,131,365	1,882,105
Social Security costs	93,641	169,332
Other pensions costs	<u>58,234</u>	<u>97,438</u>
	<u>1,283,240</u>	<u>2,148,875</u>

Directors' remuneration: (including pension contributions)	£	£
Fees	-	-
Other emoluments	<u>161,055</u>	<u>354,169</u>
	<u>161,055</u>	<u>354,169</u>

Emoluments (excluding pension contributions) of the chairman	<u>41,052</u>	<u>83,634</u>
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Emoluments (excluding pension contributions) of the highest paid director	<u>68,339</u>	<u>83,634</u>
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The number of directors whose emoluments fell within the following ranges was:

£35,001 - £40,000	1	-
£40,001 - £45,000	1	-
£45,001 - £50,000	-	1
£65,001 - £70,000	1	-
£75,001 - £80,000	-	1
£80,001 - £85,000	-	<u>2</u>
	<u>3</u>	<u>4</u>

8 Taxation

No charge in respect of taxation has arisen during the year. Profits arising in the holding company are offset by group relief claims.

At 31st March 1996 the group had £950,000 of trading losses available to carry forward to relieve against future taxable profits (1995: £350,000). A proportion of these losses reduce the contingent liability in respect of deferred taxation as disclosed in note 21.

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 1995	1,343,397	4,397,898	66,698	5,807,993
Additions	12,657	166,287	-	178,944
Disposals	-	(311,365)	-	(311,365)
At 31st March 1996	<u>1,356,054</u>	<u>4,252,820</u>	<u>66,698</u>	<u>5,675,572</u>
Depreciation: At 1st April 1995	58,032	2,556,229	58,904	2,673,165
Provided during the year	33,591	288,668	2,028	324,287
Disposals	-	(110,375)	-	(110,375)
At 31st March 1996	<u>91,623</u>	<u>2,734,522</u>	<u>60,932</u>	<u>2,887,077</u>
Net book amounts at 31st March 1996	<u>1,264,431</u>	<u>1,518,298</u>	<u>5,766</u>	<u>2,788,495</u>
At 1st April 1995	<u>1,285,365</u>	<u>1,841,669</u>	<u>7,794</u>	<u>3,134,828</u>
<u>Company</u>				
Cost/Valuation at 1st April 1995	1,343,397	582,335	-	1,925,732
Additions	12,657	63,716	-	76,373
At 31st March 1996	<u>1,356,054</u>	<u>646,051</u>	-	<u>2,002,105</u>
Depreciation: At 1st April 1995	58,032	525,282	-	583,314
Provided during the year	33,591	43,321	-	76,912
At 31st March 1996	<u>91,623</u>	<u>568,603</u>	-	<u>660,226</u>
Net book amounts at 31st March 1996	<u>1,264,431</u>	<u>77,448</u>	-	<u>1,341,879</u>
At 1st April 1995	<u>1,285,365</u>	<u>57,053</u>	-	<u>1,342,418</u>

9 Tangible Assets

The freehold land and buildings were revalued at 31st March 1993 at £1,325,000 by Eddisons Commercial based on a current open market value with existing use. If these assets had not been revalued, the historical cost amounts for land and buildings would have been:

	Group		Holding Company	
	1996	1995	1996	1995
	£	£	£	£
Cost	930,690	918,033	930,690	918,033
Depreciation	<u>259,593</u>	<u>242,248</u>	<u>259,593</u>	<u>242,248</u>
Net book amounts	<u>671,097</u>	<u>675,785</u>	<u>671,097</u>	<u>675,785</u>

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

	Group		Holding Company	
	1996	1995	1996	1995
	£	£	£	£
Net book amounts at 31st March 1996	743,006	975,823	51,779	21,245
Depreciation charge for the year	<u>67,194</u>	<u>128,611</u>	<u>-</u>	<u>11,578</u>

10 Investment in subsidiary companies

	1996	1995
	£	£
Shares at cost	200,402	200,402
Provision for diminution in value of investment	<u>(100,402)</u>	<u>(100,402)</u>
	<u>100,000</u>	<u>100,000</u>

The details of subsidiary companies are as follows:

<u>Trading</u>	<u>Activity</u>	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
Armitage & Rhodes Fabrics Ltd (See Note 24)	Jacquard furnishing fabric manufacturers	100%	100%
<u>Dormant</u>			
Peak Industries Ltd		100%	100%
Armitage & Rhodes (1994) Ltd (formerly Fabric Treatment Ltd)		100%	100%
Armitage & Rhodes Services Ltd (formerly Sinclair Fabrics 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.

11	<u>Stocks</u>	Group		Holding Company	
		1996	1995	1996	1995
		£	£	£	£
	Raw materials	275,953	258,293	-	-
	Work-in-progress	228,290	279,145	-	-
	Finished goods	<u>86,738</u>	<u>488,882</u>	<u>-</u>	<u>-</u>
		<u>590,981</u>	<u>1,026,320</u>	<u>-</u>	<u>-</u>
12	<u>Debtors</u>				
	<u>Amounts falling due within one year</u>	£	£	£	£
	Trade Debtors	919,064	1,213,205	37,787	1,380
	Less: Debt factoring advance	<u>(546,408)</u>	<u>(701,220)</u>	<u>-</u>	<u>-</u>
		372,656	511,985	37,787	1,380
	Other debtors	34,057	51,702	33,019	18,957
	Prepayments	<u>162,414</u>	<u>158,760</u>	<u>123,779</u>	<u>124,473</u>
		<u>569,127</u>	<u>722,447</u>	<u>194,585</u>	<u>144,810</u>
	<u>Amounts falling due after more than one year</u>	£	£	£	£
	Amounts due from subsidiary companies	-	-	2,895,532	2,677,050
	Less: Provision for irrecoverable balances	<u>-</u>	<u>-</u>	<u>(2,895,532)</u>	<u>(2,000,000)</u>
		-	-	-	677,050
	Other debtors	<u>162,607</u>	<u>145,232</u>	<u>162,607</u>	<u>145,232</u>
		<u>162,607</u>	<u>145,232</u>	<u>162,607</u>	<u>822,282</u>
	<u>Total Debtors</u>	<u>731,734</u>	<u>867,679</u>	<u>357,192</u>	<u>967,092</u>

The group's trade debtors have been factored without recourse on the basis that they have been insured against the risk of debtors being irrecoverable. Until the appropriate debtors are received the factoring advance is secured by a fixed charge on the group's trade debtors.

Amounts due from subsidiary companies are due for repayment within five years.

Other debtors falling due after more than one year represents the accumulated premiums paid on the various endowment policies taken out to provide for the repayment of certain loans in 1996 and 1997.

13 Creditors

<u>Amounts falling due within one year</u>	Group		Holding Company	
	1996	1995	1996	1995
	£	£	£	£
Bank overdrafts	1,143,240	544,719	-	19,877
Bank and loan capital (see note 15)	150,000	60,000	150,000	60,000
Trade creditors	856,514	1,249,186	171,793	197,107
Other taxes and social security costs	78,706	129,846	4,017	58,243
Obligations under hire purchase and finance lease contracts (note 16)	343,110	233,541	13,850	4,778
Other creditors	16,608	25,030	2,154	15,392
Accruals	<u>222,768</u>	<u>186,061</u>	<u>104,506</u>	<u>56,659</u>
	<u>2,810,946</u>	<u>2,428,383</u>	<u>446,320</u>	<u>412,056</u>

The bank loans and overdrafts are secured by a fixed and floating charge on the assets of the group after the securities referred to in note 15.

14 Creditors

<u>Amounts falling due after more than one year</u>	£	£	£	£
Bank and loan capital (see note 15)	340,000	490,000	340,000	490,000
Directors loans	600,000	476,000	600,000	476,000
Obligations under hire purchase and finance lease contracts (see note 16)	467,671	409,373	51,941	-
Amounts due to subsidiary companies	-	-	<u>1,021,650</u>	<u>806,322</u>
	<u>1,407,671</u>	<u>1,375,373</u>	<u>2,013,591</u>	<u>1,772,322</u>

The Directors loans are payable within five years.

All obligations under hire purchase and finance lease contracts fall due within five years.

All amounts due to subsidiaries are payable within five years.

15	<u>Bank and Loan Capital</u>	Group		Holding Company	
		1996 £	1995 £	1996 £	1995 £
	Not wholly repayable within five years	105,000	105,000	105,000	105,000
	Wholly repayable within five years	<u>385,000</u>	<u>445,000</u>	<u>385,000</u>	<u>445,000</u>
		490,000	550,000	490,000	550,000
	Less amounts due within one year	<u>150,000</u>	<u>60,000</u>	<u>150,000</u>	<u>60,000</u>
	Amounts due after more than one year	<u>340,000</u>	<u>490,000</u>	<u>340,000</u>	<u>490,000</u>
	Instalments not due within five years	<u>79,333</u>	<u>128,833</u>	<u>79,333</u>	<u>128,833</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>105,000</u>	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>
16	<u>Obligations under finance leases and hire purchase contracts</u>				
		Group		Holding Company	
		1996 £	1995 £	1996 £	1995 £
	Repayable within one year	431,125	298,437	20,368	6,515
	Repayable between one and five years	<u>614,662</u>	<u>514,390</u>	<u>76,380</u>	-
		1,045,787	812,827	96,748	6,515
	Finance charges and interest allocated to future accounting periods	<u>(235,006)</u>	<u>(169,913)</u>	<u>(30,957)</u>	<u>(1,737)</u>
		810,781	642,914	65,791	4,778
	Included in current liabilities	<u>(343,110)</u>	<u>(233,541)</u>	<u>(13,850)</u>	<u>(4,778)</u>
	Included in amounts falling due after more than one year	<u>467,671</u>	<u>409,373</u>	<u>51,941</u>	-

17 Equity Share Capital

	1996	1995
	£	£
Authorised:		
10,000,000 Ordinary Shares of 10p (1995 - 10,000,000)	<u>1,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
9,304,975 Ordinary Shares of 10p (1995 - 9,304,975)	<u>930,497</u>	<u>930,497</u>

One of the directors holds options over 125,000 10p ordinary shares exercisable until December 2003 at 12½p per share.

18 Revaluation reserve

Group and Holding Company

	1996	1995
	£	£
Balance at 1st April 1995	611,389	624,126
Transfer of additional depreciation to the profit and loss account	<u>(16,246)</u>	<u>(12,737)</u>
Balance at 31st March 1996	<u>595,143</u>	<u>611,389</u>

19 Profit and Loss Account

	Group		Holding Company	
	1996	1995	1996	1995
	£	£	£	£
Balance at 1st April 1995	(338,018)	1,625,453	(1,338,004)	774,647
Loss for the year	(788,423)	(1,976,208)	(327,649)	(2,125,388)
Transfer from revaluation reserve	<u>16,246</u>	<u>12,737</u>	<u>16,246</u>	<u>12,737</u>
	<u>(1,110,195)</u>	<u>(338,018)</u>	<u>(1,649,407)</u>	<u>(1,338,004)</u>

20 Capital Commitments

	1996	1995	1996	1995
	£	£	£	£
Contracted	-	-	-	-
Authorised	=	=	=	=
	=	=	=	=

21 Contingent Liabilities

At 31st March 1996 there was a contingent liability of £5,000 (1995 - £4,000) in respect of indemnities given to third parties. The company is party to an unlimited multilateral guarantee to secure the bank borrowings of all companies within the group. At 31st March 1996 this amounted to £529,800 (1995 - £528,653). In addition there was outstanding liabilities in respect of documentary credits amounting to £5,283 (1995: £Nil).

No provision has been made in either the group or the holding company's accounts in respect of deferred taxation, at 1996 or 1995 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% (1995 - 33%).

	Group		Holding Company	
	1996	1995	1996	1995
	£	£	£	£
Accelerated capital allowances - plant	276,000	171,000	-	-
Applicable tax losses	<u>(276,000)</u>	<u>(115,000)</u>	<u>-</u>	<u>-</u>
	-	<u>56,000</u>	<u>-</u>	<u>-</u>
Accelerated capital allowances - buildings	90,000	82,000	90,000	82,000
Less: Short term timing differences	<u>(6,000)</u>	<u>(9,000)</u>	<u>(6,000)</u>	<u>(9,000)</u>
	<u>84,000</u>	<u>73,000</u>	<u>84,000</u>	<u>73,000</u>
Potential liability	<u>84,000</u>	<u>129,000</u>	<u>84,000</u>	<u>73,000</u>

22 Operating leases

At 31st March 1996 the group had annual commitments under non-cancellable operating leases as follows:

	Group		Holding Company	
	1996	1995	1996	1995
	£	£	£	£
Under the commitments expiring between				
1st April 1996 and 31st March 1997	21,327	-	16,431	-
1st April 1997 and 31st March 2001	<u>16,512</u>	<u>134,035</u>	<u>-</u>	<u>49,524</u>
	<u>37,839</u>	<u>134,035</u>	<u>16,431</u>	<u>49,524</u>

23 Pensions

The group operates 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 £58,234 (1995 - £97,438). At 31st March 1996 a total of £2,030 was owed by the group and company to these schemes (1995 - £15,320).

24. Post-Balance Sheet Events

a) 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 book value of the property destroyed was negligible.

b) Disposal of business of Armitage & Rhodes Fabrics Ltd

On 30th October 1996 the business of Armitage & Rhodes Fabrics Ltd was disposed of to a third party for a consideration of the net asset value of the business less £650,000.