

Brintons Limited

Report and financial statements

27 June 1998

Registered number 34239



Directors' report and financial statements

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Directors' report

The directors have pleasure in submitting their report, together with the audited financial statements for the 52 weeks ended 27 June 1998.

Principal activities

The principal activity of the group is the manufacture and sale worldwide of high quality Axminster and Wilton woven carpet.

Pile yarn is spun and supplied within and outside the group. In addition, the company manufactures textile machinery for its own requirements.

Business review

This was a year of further advance to record profits. Cash generation continued to be strong and enabled the acquisition of US Axminster, Inc. to be financed without an unreasonable increase in gearing.

Group results

Group profit before tax increased by 26% from £7.25 million last year to £9.14 million. Turnover rose by 1% from £92.2 million to £93.1 million. Group net borrowings, following the acquisition of U.S.Axminster, Inc., increased during the year by £7.6 million to £9.4 million.

The results for both 1997 and 1998 are set out on page 6.

Future prospects

We expect economic problems, both global and in particular in the UK, to impact adversely on 1998/99 results with the year's results likely to fall short of last year's record.

Research and development

The company continues to invest in methods of improving production efficiency, product quality and differentiation.

Dividends

During the year two interim dividends of 8.8% each were paid on the ordinary shares.

The directors have approved a third interim dividend of 8.8% on the ordinary shares for payment on 2 October 1998 and recommend a final dividend of 8.8%.

Directors' report *(continued)*

Directors

The directors of the company during the year were:

MAC Brinton	(chairman)
JRB Clist	(non executive)
DM Rhead	(non executive)
RA Brookes	(non executive - resigned 30 June 1997)
AJS Folwell	(managing director)
RW Powell	
EP Gardiner	
JR Pilling	
S Douglas-Pennant	(resigned 1 July 1998)
KM Bliss	(resigned 15 July 1997)
TF Haberman	(appointed 1 July 1997)
ACR Wilson	(appointed 2 January 1998)

Directors' interests

The interests of directors and their families, at the year end, in the shares of the company were as follows:

	At 27 June 1998		At 28 June 1997 or later date of appointment	
	"A"	Ordinary "B"	"A"	Ordinary "B"
Beneficial interests				
MAC Brinton	387,476	51,412	385,606	49,529
JRB Clist	111,300	34,415	107,560	31,825
DM Rhead	-	-	-	-
AJS Folwell	1,870	3,300	-	811
RW Powell	16,716	1,638	16,155	1,073
EP Gardiner	2,423	189	2,236	-
JR Pilling	170,349	42,466	167,918	41,194
S Douglas-Pennant	4,271	321	4,271	321
TF Haberman	935	1,543	-	1,212
ACR Wilson	561	565	-	-
Non-beneficial interests				
MAC Brinton	8,847	53,366	8,847	53,366
JR Pilling	29,632	2,689	29,632	2,689

As the Companies Act 1985 requires that persons who have a joint interest shall be deemed each to have that interest, certain holdings are recorded more than once.

None of the directors had any beneficial interest in the shares of other group companies at any time during the year.

Other than as disclosed in note 4 to the accounts none of the directors had any beneficial interest during the year in any contract to which the company or any subsidiary was a party.

Directors' report *(continued)*

Land and buildings

The directors are of the opinion that on an existing use basis the market value of the properties is not significantly different from their book value.

A conditional contract is expected to be signed shortly to dispose of the Kidderminster town centre site. Whilst the directors are of the opinion that the proceeds are likely to exceed book value, until the outcome of the more substantive conditions are known (eg planning permission), it is not possible to quantify the excess.

Year 2000

The majority of the critical business systems have been certified compliant with the remainder scheduled for certification by the end of 1998, thus meeting the objectives agreed in 1996. The anticipated future costs are considered to be insignificant. We have additionally obtained satisfactory assurances from all our major suppliers regarding their plans to achieve compliance and therefore remain confident in our ability to conduct normal trading up to and beyond the millennium.

Employment of disabled persons

The company's policy in relation to the employment of disabled persons is as follows:

In its recruitment policies, job applications from disabled persons are considered along with all other applicants and candidates are selected and appointed on the basis of their ability to perform the duties of the particular job.

In the event that an employee becomes disabled, arrangements are made wherever possible to transfer and re-train the individual into a job appropriate to their aptitude and ability. Disabled employees are given the same facilities as other employees in relation to training and career development.

Employee involvement

The company remains committed to employee involvement and participation.

Primarily, the profit related pay ("PRP") scheme allows all those with a minimum of two years' service to share in the success they can engender by their own efforts.

Employee briefings and action review meetings at all levels of responsibility provide the necessary information flow in both directions.

Information on the company's audited financial performance is presented to the employees annually.

Health, safety and environmental matters are discussed, action proposed and monitored at regular meetings.

Charitable and political contributions

During the year the company made charitable and political contributions as follows:

	£
Charitable contributions	37,175
Political contributions:	
Conservative Party	12,810

Directors' report *(continued)*

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 company and the group and of the profit or loss of the group for that year. 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985 a resolution for the re-appointment of KPMG as auditors of the company will be proposed at the forthcoming annual general meeting.

By Order of the Board



EP Gardiner
Secretary

Exchange Street
Kidderminster

1 October 1998



2 Cornwall Street
Birmingham
B3 2DL

Auditors' report to the members of Brintons Limited

We have audited the financial statements set out on pages 6 to 27.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 state of affairs of the company and the group as at 27 June 1998 and of the profit of the group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

12 Pmg

KPMG
Chartered Accountants
Registered Auditors

1 October 1998

Consolidated profit and loss account
for the 52 weeks ended 27 June 1998

	<i>Note</i>	1998 £000	1997 £000
Turnover	2		
- continuing operations		91,161	92,158
- acquisition		1,946	-
Total turnover		93,107	92,158
Net operating expenses	3	(84,797)	(84,659)
Operating profit			
- continuing operations		8,208	7,499
- acquisition		102	-
Total operating profit		8,310	7,499
Exceptional profit on sale of land		882	-
Interest receivable and similar income		263	117
Interest payable and similar charges	3	(318)	(365)
Profit on ordinary activities before taxation		9,137	7,251
Taxation on profit on ordinary activities	6	(3,308)	(2,667)
Profit on ordinary activities after taxation for the financial year		5,829	4,584
Dividends	7	(1,417)	(1,301)
Retained profit for the financial year	17	4,412	3,283

All figures for 1997 and 1998 relate to continuing operations.

Statement of total recognised gains and losses of the group
for the 52 weeks ended 27 June 1998

	1998 £000	1997 £000
Profit on ordinary activities after taxation for the financial year	5,829	4,584
Currency translation differences on foreign currency net investment	(2,025)	(1,150)
Total recognised gains and losses for the year	3,804	3,434

Reconciliation of movements in consolidated shareholders' funds
for the 52 weeks ended 27 June 1998

	1998 £000	1997 £000
Profit on ordinary activities after taxation for the financial year	5,829	4,584
Dividends	(1,417)	(1,301)
	4,412	3,283
Currency translation differences on foreign currency net investments	(2,025)	(1,150)
Goodwill written off on acquisition (note 9)	(2,840)	-
Net movement in shareholders' funds	(453)	2,133
Shareholders' funds at the beginning of the year	45,702	43,569
	45,249	45,702

Balance sheets

at 27 June 1998

	Note	The Company		The Group	
		1998 £000	1997 £000	1998 £000	1997 £000
Fixed assets					
Tangible assets	8	21,544	21,081	41,028	29,471
Investments	10	11,610	2,341	-	-
		<u>33,154</u>	<u>23,422</u>	<u>41,028</u>	<u>29,471</u>
Current assets					
Stocks	11	16,238	17,242	22,073	22,391
Debtors	12	13,455	13,220	15,994	15,383
Cash at bank and in hand		2,124	1,312	5,062	3,412
		<u>31,817</u>	<u>31,774</u>	<u>43,129</u>	<u>41,186</u>
Creditors: amounts falling due within one year	13	(15,834)	(14,671)	(23,608)	(19,465)
Net current assets		<u>15,983</u>	<u>17,103</u>	<u>19,521</u>	<u>21,721</u>
Total assets less current liabilities		<u>49,137</u>	<u>40,525</u>	<u>60,549</u>	<u>51,192</u>
Creditors: amounts falling due after more than one year	14	(6,067)	(265)	(9,082)	(2,385)
Provisions for liabilities and charges	15	(2,867)	(3,049)	(6,218)	(3,105)
Net assets		<u>40,203</u>	<u>37,211</u>	<u>45,249</u>	<u>45,702</u>
Capital and reserves					
Called up share capital	16	4,025	4,025	4,025	4,025
Profit and loss account	17	36,178	33,186	41,224	41,677
Equity shareholders' funds		<u>40,203</u>	<u>37,211</u>	<u>45,249</u>	<u>45,702</u>

These financial statements were approved by the board of directors on 1 October 1998 and signed on its behalf by:



MAC Brinton
Chairman

Consolidated cash flow statement

for the 52 weeks ended 27 June 1998

	Note	1998 £000	1997 £000
Cash flow from operating activities	18	15,635	9,709
Returns on investments and servicing of finance			
Interest received		297	141
Interest paid		(253)	(342)
		44	(201)
Taxation		(3,393)	(1,274)
Capital expenditure			
Payments to acquire tangible fixed assets		(7,870)	(3,010)
Receipts from sale of tangible fixed assets (including £900,000 in respect of exceptional item)		1,061	105
Purchase of subsidiary	9	(8,872)	-
Net overdraft acquired with subsidiary		(765)	-
		(16,446)	(2,905)
Equity dividends paid		(1,394)	(1,139)
Cash (outflow)/inflow before financing		(5,554)	4,190
Financing			
Increase/(decrease) in debt	18	7,589	(1,647)
Increase in cash in the year		2,035	2,543
Reconciliation of net cash flow to movement in net debt	18		
Increase in cash in the year		2,035	2,543
(Increase)/decrease in debt		(7,589)	1,647
Change in net debt resulting from cash flows		(5,554)	4,190
Loans acquired with subsidiary		(2,355)	-
Translation differences		352	87
Movement in net debt in the year		(7,557)	4,277
Net debt at beginning of year		(1,846)	(6,123)
Net debt at end of year		(9,403)	(1,846)

Notes

(forming part of the financial statements)

1 Accounting policies

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

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Basis of consolidation

The group's financial statements incorporate the results of the company and all its subsidiary undertakings made up for the 52 weeks ended 27 June 1998 or the year ended 30 June 1998. The consolidated financial statements exclude intra-group sales and profits.

The results of subsidiary undertakings acquired are included from the date of acquisition. Goodwill, representing the excess of the fair value of consideration given over the fair value of the identifiable net tangible assets acquired is written off to reserves on acquisition.

As permitted by Section 230 of the Companies Act 1985, a separate profit and loss account dealing with the results of the holding company only has not been presented.

Cash flow statement

The cash flow statement has been prepared in accordance with Financial Reporting Standard 1 (Revised).

Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of tangible fixed assets over their anticipated useful lives on a straight line basis, from the date of commissioning, at annual rates as follows:

Freehold land	-	Nil
Freehold buildings	-	2% - 5%
Long leasehold buildings	-	2½%
Short leasehold buildings	-	over the life of the lease
Plant and machinery	-	5% - 25%
Fixtures, fittings, tools and equipment	-	10% - 33%

Grants

Grants receivable on capital expenditure are treated as deferred income and are credited to the profit and loss account over the expected useful economic life of the related asset.

Grants receivable of a revenue nature are credited to the profit and loss account in the year in which the relevant expenditure is incurred.

Notes (continued)

1 Accounting policies (continued)

Stocks

Stocks have been valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and appropriate overhead expenditure.

Deferred taxation

Deferred taxation is provided using the liability method in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future. Full account is taken of the deferred tax implications of pension and other post retirement benefits.

Exchange rates

Monetary assets and liabilities denominated in foreign currencies have been translated at the rates of exchange ruling at the balance sheet date. The exchange differences have been reported as part of the results for the year.

Where it is considered that the financial performance of an overseas subsidiary undertaking is more dependent on the economic environment of Brintons Limited than its own, the financial statements of that undertaking are consolidated using the temporal method. Fixed assets, stocks, revenue and expenses are translated at rates approximating to actual and monetary assets and liabilities are translated at exchange rates ruling at the balance sheet date. Any gains or losses arising on translation are reported in the profit and loss account.

In all other cases subsidiary undertakings are translated using the net investment method. Exchange differences arising from the retranslation of the opening net investment in subsidiary undertakings at closing rates have been recorded as a movement on reserves. The profit and loss accounts and cash flows have been translated at the average rate of exchange ruling for the year. Exchange differences between the average and closing rates, and those arising on foreign currency borrowings used to hedge investments in overseas subsidiaries, have been recorded as a movement on reserves.

Research and development

Revenue expenditure is written off to the profit and loss account in the year in which it is incurred.

Pensions and other post retirement benefits

The company and its major subsidiary undertakings operate contributory and non-contributory pension schemes which are administered by trustees and are independent of the group's finances.

Contributions are paid into the schemes in accordance with the recommendations of independent actuaries who carry out valuations at up to three yearly intervals.

The group's contributions are charged against profits so as to spread the cost of pensions over employees' working lives with the group. The capitalised cost of pensions payable directly by the company is charged against profits in the accounting year in which they are granted.

Provision is made for the cost of post retirement medical benefits to pensioners in accordance with the recommendations of independent actuaries.

Notes (continued)

1 Accounting policies (continued)

Operating leases

Payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Own work capitalised

Labour costs incurred on capital plant and machinery projects are capitalised as tangible fixed assets.

2 Turnover

Turnover represents the amount invoiced by the group to third party customers in respect of goods sold during the year, excluding discounts (other than settlement discounts), value added tax and other sales taxes.

In the opinion of the directors the analysis of turnover by geographical destination would be prejudicial to the interests of the group and therefore no disclosure is made.

3 Net operating expenses and interest payable

(a) Net operating expenses comprise the following:

	Acquisition 1998 £000	Continuing operations 1998 £000	Total 1998 £000	1997 £000
Change in stocks of finished goods and work in progress	(287)	(490)	(777)	(1,805)
Own work capitalised	-	(469)	(469)	(195)
Other operating income	-	(1,140)	(1,140)	(376)
Raw materials and consumables	452	21,464	21,916	23,827
Other external charges	23	4,803	4,826	5,217
Staff costs (note 5)	1,150	36,221	37,371	36,209
Depreciation and other amounts written off tangible fixed assets	161	4,418	4,579	4,084
Other operating charges	345	18,146	18,491	17,698
	<u>1,844</u>	<u>82,953</u>	<u>84,797</u>	<u>84,659</u>

(b) Included in the above are the following:

	1998 £000	1997 £000
Auditors' remuneration		
- Audit of the group	99	90
Operating lease rentals:		
Hire of plant and machinery and computer equipment	184	118
Other	185	247
Exchange (gains)/losses	(135)	162
(Profit)/loss on disposal of tangible fixed assets	(62)	10
Research and development expenditure	534	488
	<u></u>	<u></u>

Notes (continued)

3 Net operating expenses and interest payable (continued)

The auditors received £62,000 (1997: £52,000) in respect of the audit of the company.

The auditors also received £240,000 (1997: £85,900) in respect of the following non-audit services provided to the UK companies in the group:

	1998 £000	1997 £000
Administration of the Pension Scheme	52	-
Acquisition of subsidiary	75	-
Other	113	86
	<u>240</u>	<u>86</u>

(c) Interest payable and similar charges comprises interest on bank loans and overdrafts.

4 Remuneration of directors

	1998 £000	1997 £000
Directors' emoluments	1,040	881
Contributions to money purchase pension scheme.	<u>123</u>	<u>-</u>

Directors' emoluments includes £18,000 payable to a third party for the services of Mr JRB Clist as a non executive director.

At the year end there were eight directors to whom retirement benefits were accruing under the group's defined benefit schemes and one director to whom retirement benefits were accruing under a money purchase pension scheme.

The emoluments of the highest paid director were £237,000 (1997: £187,000) and the company contributed £123,000 (1997: £Nil) to his money purchase pension scheme. He is a member of the defined benefit scheme, under which his accrued pension at the year end was £11,700 (1997: £8,400).

Notes (continued)

5 Employee numbers and costs

(a) The average number of persons employed by the group world wide during the year was as follows:

	1998 Number	1997 Number
Yarn production and preparation	470	447
Carpet production	838	820
Management, sales, administration and services	672	632
	<u>1,980</u>	<u>1,899</u>

(b) The aggregate payroll costs of these persons were as follows:

	Acquisition 1998 £000	Continuing operations 1998 £000	1998 £000	1997 £000
Wages and salaries	1,070	31,586	32,656	31,746
Social security costs	74	3,030	3,104	3,077
Other pension costs	6	1,605	1,611	1,386
	<u>1,150</u>	<u>36,221</u>	<u>37,371</u>	<u>36,209</u>

Notes (continued)

6 Taxation on profit on ordinary activities

Taxation based on the profit for the year is computed as follows:

	1998 £000	1997 £000
UK corporation tax at 31% (1997: 32.5%)	2,747	2,166
Double taxation relief	(218)	(42)
UK corporation tax payable	2,529	2,124
Overseas tax	1,098	956
Total current tax	3,627	3,080
Deferred tax	(157)	(286)
Charge for current year	3,470	2,794
Adjustments in respect of previous years:		
Corporation tax	(33)	(29)
Overseas tax	(21)	(26)
Deferred tax	(108)	(72)
	3,308	2,667

The above includes £Nil tax payable on the exceptional profit on sale of land.

The current tax charge is higher than the standard UK corporation tax rate principally due to higher overseas tax rates, expenditure disallowable for tax and additional provisions for deferred tax relating to timing differences of earlier years.

Dividends

Dividends of the company for the year are as follows:

	1998 £000	1997 £000
Paid:		
"A" and "B" ordinary shares		
1st interim at 8.8% (1997: 6.8062%)	354	274
2nd interim at 8.8% (1997: 8.5077%)	355	342
Payable:		
3rd interim at 8.8% (1997: 8.5077%)	354	342
Proposed final at 8.8% (1997: 8.5077%)	354	343
	1,417	1,301

Notes (continued)

8 Tangible fixed assets

The Company

	Freehold land	Freehold buildings	Long leasehold buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At beginning of year	1,729	9,783	614	41,335	4,845	2,055	60,361
Additions	-	110	-	1,135	231	2,909	4,385
Reclassifications	-	548	-	1,361	-	(1,909)	-
Disposals	(18)	(6)	-	(494)	(538)	-	(1,056)
Group transfers	-	-	-	(285)	-	-	(285)
At end of year	1,711	10,435	614	43,052	4,538	3,055	63,405
Depreciation							
At beginning of year	-	3,496	17	32,578	3,189	-	39,280
Charged in the year	-	237	15	2,762	833	-	3,847
Disposals	-	(6)	-	(437)	(538)	-	(981)
Group transfers	-	-	-	(285)	-	-	(285)
At end of year	-	3,727	32	34,618	3,484	-	41,861
Net book value							
At 27 June 1998	1,711	6,708	582	8,434	1,054	3,055	21,544
At 28 June 1997	1,729	6,287	597	8,757	1,656	2,055	21,081

Notes (continued)

8 Tangible fixed assets (continued)

The Group

	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Fixtures, fittings, tools and equipment	Payments on account and assets in course of construction	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At beginning of year	1,903	13,798	614	50,648	5,290	2,055	74,308
Additions	457	1,281	-	1,359	323	2,909	6,329
Acquisition of subsidiary	-	-	2,292	8,949	87	-	11,328
Exchange adjustment	(76)	(473)	(34)	(1,528)	(7)	-	(2,118)
Reclassifications	-	548	-	1,361	-	(1,909)	-
Disposals	(18)	(6)	-	(593)	(576)	-	(1,193)
At end of year	2,266	15,148	2,872	60,196	5,117	3,055	88,654
Depreciation							
At beginning of year	-	4,603	17	36,775	3,442	-	44,837
Charged in the year	-	425	34	3,210	910	-	4,579
Exchange adjustment	-	(84)	-	(625)	(4)	-	(713)
Disposals	-	(6)	-	(502)	(569)	-	(1,077)
At end of year	-	4,938	51	38,858	3,779	-	47,626
Net book value							
At 27 June 1998	2,266	10,210	2,821	21,338	1,338	3,055	41,028
At 28 June 1997	1,903	9,195	597	13,873	1,848	2,055	29,471

The net book value of group leasehold buildings comprises:

	1998 £000	1997 £000
Short leasehold	2,239	-
Long leasehold	582	597
	2,821	597

Notes (continued)

9 Acquisition

On 12 May 1998 the entire voting share capital of U.S.Axminster, Inc. was purchased, for consideration of £9,173,000 comprising cash of £8,560,000 and deferred consideration of £301,000. Costs of acquisition amounted to £312,000. The company was subsequently renamed Brintons U.S.Axminster, Inc. The acquisition has been accounted for using the acquisition method of accounting.

The acquisition can be summarised as follows:

	Book value at acquisition	Fair value adjustments	Adjusted net assets of acquisition
	£000	£000	£000
Fixed assets	4,267	7,061	11,328
Stock	2,199	(282)	1,917
Debtors	2,179	(13)	2,166
Creditors	(5,750)	-	(5,750)
Deferred taxation	-	(3,334)	(3,334)
Cash	6	-	6
	<u>2,901</u>	<u>3,432</u>	<u>6,333</u>
Cash paid (including costs)			(8,872)
Deferred consideration (estimated)			(301)
Goodwill - set off against reserves			<u>2,840</u>

The principal fair value adjustments relate to the revaluation of land and buildings and plant and machinery and the establishment of a deferred tax liability.

In addition to the estimated deferred consideration included in the table above, the acquisition agreement includes a provision for future additional consideration to be paid ranging from \$nil to \$2,000,000 conditional on certain performance criteria over the next 15 years. The directors are unable to quantify how much, if any, additional consideration will be payable and accordingly no provision has been made. Any amounts eventually payable will be self funding.

In the period from 1 January 1998 to 12 May 1998 U.S.Axminster, Inc. had, per internal management accounts, turnover of £6,283,000 operating profit of £527,000 and profit before tax of £378,000. In the year to 31 December 1997 the audited profit before tax was £1,095,000. No tax charge was recognised in U.S. Axminster, Inc., in either period as the tax liability is borne by individual shareholders.

Notes (continued)

10 Investments (held as fixed assets)

The company

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost			
At beginning of year	1,686	685	2,371
Movement during the year	2,077	7,147	9,224
Exchange movement	-	45	45
At end of year	3,763	7,877	11,640
Provisions			
At beginning and end of year	(30)	-	(30)
Net book value			
At 27 June 1998	3,733	7,877	11,610
At 28 June 1997	1,656	685	2,341

Details of subsidiary undertakings are listed on page 27.

11 Stocks

	1998 £000	The Company 1997 £000	1998 £000	The Group 1997 £000
Raw materials and consumables	1,083	1,208	3,026	4,013
Work in progress	4,525	5,723	4,871	6,196
Finished goods and goods for resale	10,630	10,311	14,176	12,182
	16,238	17,242	22,073	22,391

Notes (continued)

12 Debtors

(a) Amounts falling due within one year:

	The Company		The Group	
	1998	1997	1998	1997
	£000	£000	£000	£000
Trade debtors	7,787	8,611	14,219	13,771
Amounts owed by subsidiary undertakings	4,482	3,428	-	-
Other debtors	554	335	918	705
Overseas tax recoverable	-	-	-	26
Prepayments and accrued income	336	550	857	881
	<u>13,159</u>	<u>12,924</u>	<u>15,994</u>	<u>15,383</u>

(b) Amounts falling due after more than one year:

Amounts owed by subsidiary undertakings	296	296	-	-
	<u>13,455</u>	<u>13,220</u>	<u>15,994</u>	<u>15,383</u>

13 Creditors: amounts falling due within one year

	The Company		The Group	
	1998	1997	1998	1997
	£000	£000	£000	£000
Bank loans and overdrafts (see note 14)	4,174	3,009	5,501	3,217
Payments received on account	-	526	2,111	1,204
Trade creditors	1,992	2,522	3,848	3,641
Taxation	2,621	2,105	2,948	2,757
Other taxation and social security	1,080	1,074	1,508	1,659
Other creditors	2,121	2,133	2,622	2,889
Accruals and deferred income	3,138	2,617	4,061	3,413
Deferred consideration	-	-	301	-
Dividends payable	708	685	708	685
	<u>15,834</u>	<u>14,671</u>	<u>23,608</u>	<u>19,465</u>
Taxation comprises:				
UK corporation tax payable	2,267	1,780	2,267	1,902
Advance corporation tax	354	325	354	325
Overseas tax	-	-	327	530
	<u>2,621</u>	<u>2,105</u>	<u>2,948</u>	<u>2,757</u>

Notes (continued)

14 Creditors: amounts falling due after more than one year

	The Company		The Group	
	1998	1997	1998	1997
	£000	£000	£000	£000
Bank loans	6,013	-	7,990	2,041
Other loan	-	-	974	-
Other creditors	54	64	118	64
Accruals and deferred income	-	201	-	280
	<u>6,067</u>	<u>265</u>	<u>9,082</u>	<u>2,385</u>

Included in group bank loans is £1,319,000 secured on substantially all the assets of a subsidiary.

The other loan is secured on land and buildings of a subsidiary.

In respect of bank loans not wholly repayable within five years, repayments are as follows:

	1998	The Group
	£000	1997
		£000
One to two years	298	-
Two to five years	971	-
Over five years	612	-
	<u>1,881</u>	<u>-</u>

At 27 June 1998 the above loans, which are repayable by instalments, were subject to interest rates ranging from 4.75% to 9.0% and are repayable in full by 2007.

15 Provisions for liabilities and charges

(a) Provisions for liabilities and charges comprise the following:

	The Company		The Group	
	1998	1997	1998	1997
	£000	£000	£000	£000
Deferred taxation	411	720	3,762	776
Pension and other post retirement benefits provision	2,456	2,329	2,456	2,329
	<u>2,867</u>	<u>3,049</u>	<u>6,218</u>	<u>3,105</u>

Notes (continued)

15 Provisions for liabilities and charges (continued)

(b) Deferred taxation

The provision for deferred taxation has been calculated under the liability method, and is based upon corporation and income tax rates of 31% to 36% as follows:

	Excess of taxation allowances over depreciation £000	Other timing differences £000	Advance corporation tax £000	Total £000
The Company				
At beginning of year	1,967	(1,076)	(171)	720
Profit and loss account	57	(360)	-	(303)
Other movements	-	-	(6)	(6)
At end of year	2,024	(1,436)	(177)	411
The Group				
At beginning of year	1,967	(1,020)	(171)	776
Profit and loss account	378	(643)	-	(265)
Acquisition of subsidiary	3,454	(120)	-	3,334
Translation adjustment	(59)	(18)	-	(77)
Other movements	-	-	(6)	(6)
At end of year	5,740	(1,801)	(177)	3,762

No provision is made in these financial statements for any additional taxation liability which might arise if the retained reserves of the overseas subsidiaries were to be distributed because no significant distributions are foreseen. In addition, in the company and group, provision has not been made for deferred taxation on the excess of taxation allowances over depreciation of £Nil (1997: £465,000) and on deferred capital gains estimated at £379,000 (1997: £129,000).

(c) Pension and other post retirement benefits provision

	Pensions £000	Other benefits £000	Total £000
The Company and Group			
At beginning of year	1,182	1,147	2,329
Cash paid in year	(43)	(41)	(84)
(Credit)/charge in year	(82)	95	13
Notional interest	106	92	198
At end of year	1,163	1,293	2,456

Notes (continued)

15 Provisions for liabilities and charges (continued)

(c) Pension and other post retirement benefits provision (continued)

The pension provision represents the capitalised cost of pensions payable directly by the company and the excess of the total pension cost (as shown in note 20) over the amount funded.

The company provides medical benefits for certain pensioners and their dependants in the United Kingdom. The company's obligation for medical benefits has been assessed during the year by independent qualified actuaries. The main assumptions used were that future healthcare cost trend rates were 8% and the discount rate used was 9%. The benefits are funded when incurred at which time tax relief is expected.

16 Called up share capital

	1998 and 1997		1998 and 1997	
	Number	Authorised £000	Number	Allotted, called up and fully paid £000
Undesignated shares of £1 each	75,000	75	-	-
'A' ordinary shares of 25p each	7,155,536	1,789	7,155,536	1,789
'B' ordinary shares of £1 each	2,286,116	2,286	2,236,116	2,236
	<hr/>	<hr/>	<hr/>	<hr/>
	9,516,652	4,150	9,391,652	4,025
	<hr/>	<hr/>	<hr/>	<hr/>

17 Profit and loss account

	The Company £000	The Group £000
Balance at beginning of year		
Retained profit for the financial year	33,186	41,677
Goodwill written off on acquisition	2,992	4,412
Translation adjustment	-	(2,840)
	-	(2,025)
	<hr/>	<hr/>
Balance at end of year	36,178	41,224
	<hr/>	<hr/>

The profit for the financial year dealt with in the financial statements of the company amounted to £4,435,000 (1997: £4,414,000).

The cumulative amount of goodwill written off to reserves is £2,840,000 (1997: £Nil).

Notes (continued)

18 Notes to the consolidated cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	1998		1997
	£000	£000	£000
Operating profit			
(Profit)/loss on disposal of tangible fixed assets	8,310		7,499
Depreciation	(62)		10
Movement in provision for pension costs and other post retirement benefits	4,579		4,084
Changes in working capital:	127		88
Stock	1,333	(2,392)	
Debtors	1,525	(221)	
Creditors	(177)	641	
		2,681	(1,972)
Net cash inflow from operating activities		15,635	9,709

(b) Analysis of net debt

	At beginning of year	Cash flows	Acquisition (excluding cash and overdrafts)	Translation differences	At end of year
	£000	£000	£000	£000	£000
Cash at bank and in hand	3,412	1,748	-	(98)	5,062
Bank overdrafts	(3,217)	287	-	168	(2,762)
		2,035			
Debts due within one year	-	(2,405)	(336)	2	(2,739)
Debt due after one year	(2,041)	(5,184)	(2,019)	280	(8,964)
		(7,589)			
	(1,846)	(5,554)	(2,355)	352	(9,403)

- (c) The subsidiary undertaking acquired during the year contributed £55,000 to the group's net operating cash flows, and paid £65,000 in respect of servicing of finance.

Notes (continued)

19 Capital and financial commitments

(a) Capital commitments

The directors have authorised capital expenditure not provided for in the financial statements as follows:

	The Company		The Group	
	1998	1997	1998	1997
	£000	£000	£000	£000
Contracted and orders placed	397	845	2,972	1,105
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Leasing commitments

At 27 June 1998 the company and group had annual commitments under non-cancellable operating leases as follows:

	Plant and equipment £000	Land and buildings £000
The Company		
Leases which expire:		
Within one year	-	35
Between two and five years	11	27
In more than five years	4	41
	<u> </u>	<u> </u>
	15	103
	<u> </u>	<u> </u>
The Group		
Leases which expire:		
Within one year	7	39
Between two and five years	56	126
In more than five years	4	42
	<u> </u>	<u> </u>
	67	207
	<u> </u>	<u> </u>

- (c) The company has guaranteed bank loans to two subsidiaries. At the year end the bank loans amounted to £994,000 (1997: £2,249,000).

Notes (continued)

20 Pensions

As explained in the accounting policies in note 1, the group operates a number of pension schemes, the major ones providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

The total pension cost for the group was £1,611,000 (1997: £1,386,000) of which £368,000 (1997: £379,000) relates to the overseas schemes.

The contributions are determined by a qualified actuary. In the UK this is on the basis of triennial valuations using the projected unit method. The most recent completed valuation of the Company pension scheme was at 1 July 1995 and that of the Australian subsidiary at January 1995.

The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in pay and pensions. It was assumed for the UK scheme that the investment return would be 2.0% per annum above annual pay increases, and that pensions accrued to 1st July 1989 would increase at the rate of 3% per annum and pensions accruing after that date at the rate of 4.5% per annum.

The most recent actuarial valuation showed that the market value of the UK plan assets was £31.6 million, and the actuarial value of those assets was sufficient to cover over 94% of the benefits that had accrued to members based on projected pay and after allowing for increases to pensions in payment and post valuation improvements to benefits. A provision of £664,000 (1997: £685,000) is included in the balance sheet representing the excess of the total historic pensions cost over the amount funded.

In addition to the cost charged in these financial statements, an amount of £43,000 (1997: £46,000) has been paid directly by the company in respect of certain pensions. The capitalised cost of these pensions has been provided in these financial statements in full.

Principal subsidiary undertakings

Subsidiary	Country of incorporation	Parent undertaking	Principal activities	% Group Interest
Brintons Carpets (USA) Limited	England	Brintons Limited	Distributor of Brintons Limited carpets in the USA.	100
Brintons Overseas Holdings Limited	England	Brintons Limited	Intermediate holding company.	100
Brintons Pty. Limited	Australia	Brintons Overseas Holdings Limited	Manufacturer and supplier of high quality Axminster and Wilton woven carpet.	100
Brintons Christchurch Yarns Limited	New Zealand	Brintons Pty Limited	Manufacturer and supplier of carpet yarn.	100
Brintons GmbH	Germany	Brintons Overseas Holdings Limited	Distributor of Brintons Limited carpets in Germany.	100
Brintons Industria De Alcatifas Limitada	Portugal	Brintons Limited	Manufacturer of high quality Axminster woven carpet for Brintons Limited.	100
Brintons, Inc.	United States of America	Brintons Limited	Intermediate holding company	100
Brintons Carpets Asia Private Limited	India	Brintons Limited	Manufacturer and supplier of high quality Axminster woven Carpet	100
Brintons U.S.Axminster, Inc.	United States of America	Brintons Inc	Manufacturer and supplier of high quality Axminster woven carpet	100

All the above are included in the consolidated accounts of Brintons Limited. In accordance with Portuguese law, the accounting reference date of Brintons Industria De Alcatifas Limitada is 31 December, with its most recent year end being 31 December 1997.

All holdings are of ordinary equity shares.