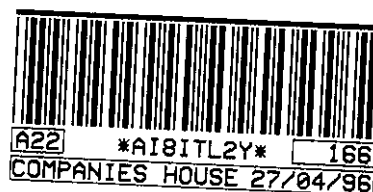


The Parkwood Mills Company Limited

Directors' report and financial statements

30 June 1995

Registered number 48432



The Parkwood Mills Company Limited

Directors' report and financial statements

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The Parkwood Mills Company Limited

Directors and company information

Directors

WES Gee
M Haigh
JK Dickinson

Secretary

DA Hayes

Registered office

Parkwood Mills
Longwood
Huddersfield
HD3 4TS

Bankers

Midland Bank plc
Cloth Hall Street
Huddersfield
HD1 2ES

Solicitors

Baxter Caulfield
13 Station Street
Huddersfield
HD1 1LY

Auditors

KPMG
Chartered Accountants
Station Street Buildings
Huddersfield
HD1 1LZ

The Parkwood Mills Company Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 June 1995.

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 of the profit or loss 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 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 company and to prevent and detect fraud and other irregularities.

Principal activities

The company has continued to trade as woollen cloth manufacturers and commission woollen and worsted cloth finishers.

Business review

A mild winter and greater consumer choice has resulted in a reduction in demand for traditional woollen cloth, some compensation has been provided by better volume in worsted finishing.

Proposed dividend and transfer to reserves

The profit for the financial year amounted to £320,268. The directors have paid an interim dividend of £116,000 in respect of the year ended 30 June 1995.

Significant changes in fixed assets

The freehold premises in the company are fully utilised for manufacturing and trading purposes. In view of this the directors are of the opinion that a market valuation of freehold premises as compared with book value would not be of significance to the members.

Movements within tangible fixed assets are set out in note 10 to the financial statements.

The Parkwood Mills Company Limited

Directors' report (*continued*)

Directors and directors' interests

The directors who held office during the year were as follows:

WES Gee
M Haigh
JK Dickinson

The interests of the directors in the share capital of group companies are disclosed in the directors' report of the parent undertaking, The Parkwood Mills Company (Holdings) Limited.

Cash flow statement

The company is a wholly owned subsidiary of the Parkwood Mills Company (Holdings) Limited and as such is exempt from the preparation of a cash flow statement.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

JK Dickinson

WES Gee

Directors

Parkwood Mills
Longwood
Huddersfield
HD3 4TS



21 November 1995



Station Street Buildings
Huddersfield
HD1 1LZ

Auditors' report to the members of The Parkwood Mills Company Limited

We have audited the financial statements on pages 5 to 15

Respective responsibilities of directors and auditors

As described on page 2 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 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 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 the company's affairs as at 30 June 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG
*Chartered Accountants
Registered Auditors*

21 November 1995



The Parkwood Mills Company Limited

Profit and loss account for the year ended 30 June 1995

	<i>Note</i>	1995 £	1994 £
Turnover	2	4,665,441	5,516,701
Change in stocks of finished goods and work in progress		66,757	77,109
Other operating income	4	310,000	260,000
Raw materials and consumables		(1,440,192)	(1,497,519)
Other external and operating charges		(1,205,734)	(1,613,924)
Staff costs	6	(1,891,984)	(1,923,627)
Depreciation of tangible fixed assets		(135,798)	(137,362)
Trading profit		368,490	681,378
Other interest receivable and similar income	7	86,625	77,404
Profit on ordinary activities before taxation	2-5	455,115	758,782
Tax on profit on ordinary activities	8	(134,847)	(268,240)
Profit for the financial year		320,268	490,542
Dividends paid and payable	9	(116,000)	(140,000)
Retained profit for the financial year		204,268	350,542
Retained profit brought forward		1,422,867	1,072,325
Retained profit carried forward	19	1,627,135	1,422,867

There are no recognised gains or losses other than the profit for the period stated above.

All of the profit for the year reported above have been derived from continuing operations.

The profit for the period stated is the historical cost profit.

The Parkwood Mills Company Limited

Balance sheet
at 30 June 1995

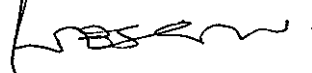
	Note	1995		1994	
		£	£	£	£
Fixed assets					
Tangible assets	10		408,708		503,822
Investments	11		-		-
			<u>408,708</u>		<u>503,822</u>
Current assets					
Stocks	12	1,123,019		1,201,490	
Debtors	13	1,205,699		1,469,865	
Cash at bank and in hand		291,609		250	
		<u>2,620,327</u>		<u>2,671,605</u>	
Creditors: amounts falling due within one year	14	(789,561)		(1,135,121)	
Net current assets			<u>1,830,766</u>		<u>1,536,484</u>
Total assets less current liabilities			<u>2,239,474</u>		<u>2,040,306</u>
Creditors: amounts falling due after more than one year	15	(40,840)		(40,840)	
Provisions for liabilities and charges	16	(45,000)		(50,100)	
Net assets			<u>2,153,634</u>		<u>1,949,366</u>
Capital and reserves					
Called up share capital	17	30,100		30,100	
Capital reserve		496,399		496,399	
Profit and loss account		1,627,135		1,422,867	
			<u>2,153,634</u>		<u>1,949,366</u>

These financial statements were approved by the board of directors on 21 November 1995 and were signed on its behalf by:

JK Dickinson



WES Gee



Directors

The Parkwood Mills Company Limited

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings

- acquisition since 30 June 1977	-	10% per annum on cost
Equipment	-	10% per annum on cost
Plant and machinery	-	10% per annum on cost
Boiler	-	6 2/3% per annum on cost
Motor vehicles	-	25% per annum on cost

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated on either a 'first in first out' or an actual basis and includes production overheads where appropriate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Debtors

Known bad debts are written off. Specific provision is made for doubtful debts and any returns and allowances in respect of goods sold and services provided.

Deferred taxation

Provision is made, using the liability method, for taxation at the appropriate rate of corporation tax in respect of items where there is a material timing difference between their treatment for accounts and taxation purposes if it is probable a tax liability will crystallise in the foreseeable future.

The Parkwood Mills Company Limited

Notes (continued)

1 Accounting policies (continued)

Pension costs

The group operates a defined benefit pension scheme and a money purchase scheme which are available to all eligible employees. The assets of the schemes are held separately from those of the group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

The most recent actuarial valuation of the defined benefit scheme as at 1 April 1992 disclosed a funding deficiency and provided 76% of the liabilities accrued to members at that date after allowing for future expected increases in earnings. The current employer's contribution rate of 10% has been calculated to eliminate this deficiency.

The principal assumptions in this valuation were that pensionable salaries will increase at 7.5% per annum until normal retiring date and that the yield earned on the fund will exceed the rate of increase by 1%.

2 Analysis of turnover

	1995	1994
	£	£
<i>By geographical market</i>		
United Kingdom	<u>4,665,441</u>	<u>5,516,701</u>

3 Profit on ordinary activities before taxation

	1995	1994
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration	7,500	7,500
Depreciation of tangible fixed assets	135,798	137,362
<i>after crediting</i>		
Profit on sale of tangible fixed assets	52,000	-

4 Other operating income

	1995	1994
	£	£
Intergroup charges	<u>310,000</u>	<u>260,000</u>

The Parkwood Mills Company Limited

Notes (continued)

5 Remuneration of directors

	1995	1994
	£	£
Directors' emoluments:		
As directors	<u>286,624</u>	<u>398,973</u>

The emoluments, excluding pension contributions, of the chairman were £87,428 (1994:£99,386) and those of the highest paid director were £87,984 (1994:£100,650).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1995	1994
£30,001 - £35,000	1	-
£35,001 - £40,000	2	-
£40,001 - £45,000	-	2
£45,001 - £50,000	-	1
	<u> </u>	<u> </u>

6 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	1995	1994
Manufacturing	88	90
Establishment	6	6
Administrative and selling	9	8
	<u> </u>	<u> </u>
	103	104

The aggregate payroll costs of these persons were as follows:

	1995	1994
	£	£
Wages and salaries	1,608,783	1,636,406
Social security costs	157,192	165,930
Other pension and life assurance costs	126,009	121,291
	<u> </u>	<u> </u>
	1,891,984	1,923,627

The Parkwood Mills Company Limited

Notes (continued)

7 Other interest receivable and similar income

	1995 £	1994 £
Bank deposit interest	<u>86,625</u>	<u>77,404</u>

8 Taxation

	1995 £	1994 £
Current year		
Corporation tax at 33 % (1994:33 %) on the profit for the year on ordinary activities	149,500	255,000
Deferred taxation	-	954
Group relief at 100%	-	12,286
Prior year		
Corporation tax	(9,553)	8,354
Deferred tax	<u>(5,100)</u>	<u>(8,354)</u>
	<u>134,847</u>	<u>268,240</u>

9 Dividends

	1995 £	1994 £
Ordinary shares: £38.538 per share (1994 : £46.512 per shares)	<u>116,000</u>	<u>140,000</u>

The Parkwood Mills Company Limited

Notes (continued)

10 Tangible fixed assets

	Freehold premises	Motor vehicles	Plant, machinery and equipment	Total
	£	£	£	£
<i>Cost</i>				
At 1 July 1994	161,352	63,985	2,066,281	2,291,618
Additions	-	-	40,684	40,684
Disposals	(500)	-	-	(500)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1995	160,852	63,985	2,106,965	2,331,802
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At 1 July 1994	153,397	36,933	1,597,466	1,787,796
Charge for year	2,511	12,270	121,017	135,798
On disposals	(500)	-	-	(500)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1995	155,408	49,203	1,718,483	1,923,094
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 30 June 1995	5,444	14,782	388,482	408,708
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 June 1994	7,955	27,052	468,815	503,822
	<hr/>	<hr/>	<hr/>	<hr/>

The Parkwood Mills Company Limited

Notes (continued)

11 Fixed asset investments

	Shares in subsidiary undertakings £
Group	
<i>Cost</i>	
At 1 July 1994 and 30 June 1995	<u>73,355</u>
<i>Provisions</i>	
At 1 July 1994 and 30 June 1995	<u>73,355</u>
<i>Net book value</i>	
At 30 June 1995 and 30 June 1994	<u>-</u>

Shares in subsidiary undertakings comprise:

Company	Country of registration	Principal activity	Class and percentage of share held
The Longwood Finishing Company Limited	England	Dormant	100% ordinary 100% preference
Jessel Fabrics Limited	England	Dormant	100% ordinary
The Longwood Engineering Company Limited	England	Screen Engineering	100% ordinary

Group financial statements have not been prepared as the company is itself a wholly owned subsidiary undertaking.

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

The Parkwood Mills Company Limited

Notes (continued)

12 Stocks

	1995 £	1994 £
Raw materials	166,772	312,000
Work in progress and finished goods	956,247	889,490
	<u>1,123,019</u>	<u>1,201,490</u>

13 Debtors

	1995 Due within one year £	1994 Due within one year £
Trade debtors	1,031,562	1,115,464
Amounts owed by group undertakings	174,137	313,016
Prepayments	-	41,385
	<u>1,205,699</u>	<u>1,469,865</u>
<i>The amounts owed by group undertakings comprise</i>		
Subsidiary undertakings	124,137	271,932
Parent undertaking	-	41,084
	<u>124,137</u>	<u>313,016</u>

14 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank overdraft	-	39,183
Trade creditors	147,020	246,046
Amounts owed to parent undertaking	10,458	55,792
Corporation tax	149,500	208,710
Other taxes and social security	158,900	209,931
Accruals and deferred income	207,683	235,459
Interim dividend	116,000	140,000
	<u>789,561</u>	<u>1,135,121</u>

The Parkwood Mills Company Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

	1995 £	1994 £
Amounts owed to subsidiary undertakings	<u>40,840</u>	<u>40,840</u>

16 Provisions for liabilities and charges

	Excess of tax allowances over depreciation £	Short term timing differences £	Total £
At 1 July 1994	60,650	(10,550)	50,100
(Credit)/charge for the year in the profit and loss account			
Current year	<u>(15,650)</u>	<u>10,550</u>	<u>(5,100)</u>
At 30 June 1995	<u>45,000</u>	<u>-</u>	<u>45,000</u>

The above represents the full potential liability.

17 Called up share capital

	1995 £	1994 £
<i>Authorised</i>		
5,000 ordinary shares of £10 each	<u>50,000</u>	<u>50,000</u>
<i>Allotted, called up and fully paid</i>		
3,010 ordinary shares of £10 each	<u>30,100</u>	<u>30,100</u>

The Parkwood Mills Company Limited

Notes (continued)

18 Guarantees and other financial commitments

The company has issued a debenture in favour of 3i plc guaranteeing all amounts due or falling due from The Parkwood Mills Company (Holdings) Limited and giving a fixed and floating charge over all the company's assets.

There is an unlimited multilateral guarantee to the Midland Bank plc for amounts due by itself and other group companies.

19 Reconciliation of movement in shareholders' funds

	Share capital £	Capital reserve £	Profit and loss account £	1995 Total £	1994 Total £
At 1 July 1994	30,100	496,399	1,422,867	1,949,366	1,598,824
Transfer from profit and loss account for the year	-	-	204,268	204,268	350,542
At 30 June 1995	30,100	496,399	1,627,135	2,153,634	1,949,366

20 Ultimate parent company

The company is a subsidiary undertaking of The Parkwood Mills Company (Holdings) Limited registered in England and Wales.