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R GAUNT & SONS (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

31ST MARCH 1999

Company number: 50670 *S*

Horwath Clark Whitehill

CHARTERED ACCOUNTANTS

Bradford



R GAUNT & SONS (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

for the year ended 31st March 1999

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R GAUNT & SONS (HOLDINGS) LIMITED**COMPANY INFORMATION****31st March 1999**

Company number	50679 ⁵
Executive Directors	J C Bostock J L Hellowell
Non-Executive Directors	A H B Turner (Chairman) D G Chamberlain C M Hudson
Secretary	J L Hellowell
Registered Office	Broom Mills Farsley Pudsey LS28 5NA
Bankers	Barclays Bank plc 10 Market Street Bradford BD1 5BA
Solicitors	Gordons Wright & Wright 14 Piccadilly Bradford BD1 3LX
Auditors	Horwath Clark Whitehill Chartered Accountants Pelican House 10 Currer Street Little Germany Bradford BD1 3LX

R GAUNT & SONS (HOLDINGS) LIMITED**CHAIRMAN'S REPORT**

In submitting my report on the accounts, I would bring to your attention a number of points.

The results reflect six months unprofitable trading and the disposal of a significant part of the fixed assets, yarn contracts and stock of the cloth manufacturing business in early October last year.

We decided to process the cloth orders ourselves and I anticipate that the current balance will be completed by early autumn.

The business of waste processing was finalised in the year.

The property management is trading profitably and the company has good liquidity.

The assets now reflect the strength of the property business devoid of unacceptable textile risk. I trust we can build upon that in *providing shareholder return through profitable trading and acquisition and disposal of sites.*

A handwritten signature in black ink, appearing to read 'A.H.B. Turner', with a stylized, cursive script.

A.H.B. Turner

Chairman

29th July 1999

R GAUNT & SONS (HOLDINGS) LIMITED

DIRECTORS' REPORT

31st March 1999

The directors present their report and the audited financial statements for the year ended 31st March 1999.

Principal activities

The principal activities of the group are cloth manufacturing, waste processing and property management.

Business review and future developments

This is covered in the chairman's report on page 2 of the financial statements.

Results and dividends

The loss for the year after taxation amounted to **£1,779,764** (1998 £700,172).

On 7th October 1998 the company disposed of a significant part of its fixed assets, stocks and other assets relating to the manufacture of cloth. The financial effect is disclosed in note 3 to the financial statements and the loss on disposal of fixed assets of **£658,630** is disclosed in the profit and loss account as an exceptional item.

The directors do not propose payment of an ordinary dividend. A preference dividend of **£26** (1998 £644) was paid during the year.

Directors

The present directors of the company are listed on page 1.

Mr A H B Turner was appointed a director on 5th May 1998. Mr N Gaunt resigned on 7th October 1998.

The directors at 31st March 1999 and their interests in the shares and debentures of the company as recorded in the register of directors' interests were as follows:

	31st March 1999		1st April 1998	
	Ordinary shares	5% unsecured debentures	Ordinary shares	5% unsecured debentures
A H B Turner	2,273	1,136	-	-
J C Bostock	15,286	5,734	15,286	5,734
D G Chamberlain	60,706	10,259	60,706	10,259
J L Hellawell	12,465	3,178	12,465	3,178
C M Hudson	2,478	1,239	2,478	1,239

Purchase of own shares

During the year the company purchased a further 383 4.2% Cumulative Preference Shares of £1 each for a consideration of £383. The company has an ongoing authority to purchase the balance of 265 shares at £1 per share if the remaining preference shareholders wish to sell.

R GAUNT & SONS (HOLDINGS) LIMITED**DIRECTORS' REPORT****31st March 1999****Year 2000**

The directors have undertaken but not yet completed an assessment of the risk that the group's business and operations will be adversely affected by what is known as the Year 2000 problem (or the millenium bug). They are currently identifying the primary areas of risk and how they will affect each area of the business.

Once they have completed their assessment of the risks, they will replace or modify, as appropriate, the group's systems and equipment, and where necessary identify alternative customers, suppliers and service providers to ensure there is no significant disruption to the group's operations.

When the directors have completed their assessment of the risks and formulated their compliance programme, they will quantify the costs associated with that programme. Any necessary resources are expected to be made available from the group's normal operating budgets and, in view of the importance of the Year 2000 compliance programme, those resources if necessary, will be reallocated from other planned expenditure.

Charitable and political donations

The total amount donated by the group to charitable institutions during the period amounted to £430 (1998 £3,012). There were no political donations made during the year.

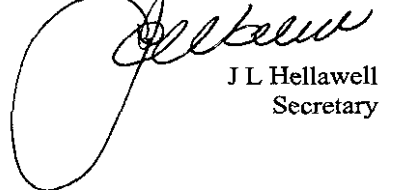
Auditors

A resolution to reappoint Horwath Clark Whitehill as auditors will be put to the members at the Annual General Meeting.

Broom Mills
Farsley
Pudsey
LS28 5NA

29th July 1999

On behalf of the board



J L Hellawell
Secretary

R GAUNT & SONS (HOLDINGS) LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The purpose of this statement is to distinguish the directors' responsibilities for the financial statements from those of the auditors as stated in their report.

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

- select suitable accounting policies and 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 group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

R GAUNT & SONS (HOLDINGS) LIMITED**AUDITORS' REPORT****Auditors' report to the shareholders of****R Gaunt & Sons (Holdings) Limited**

We have audited the financial statements on pages 7 to 28 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 12 and 13.

Respective responsibilities of directors and auditors

As described on page 5, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Unqualified 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 31st March 1999 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

Bradford
29th July 1999

Horwath Clark Whitehill
Registered Auditors
Chartered Accountants

R GAUNT & SONS (HOLDINGS) LIMITED**GROUP PROFIT AND LOSS ACCOUNT****for the year ended 31st March 1999**

		1999		18 months ended 31st March 1998 as re-stated	
	Note	£	£	£	£
Turnover	2				
Continuing operations		2,177,254		1,113,667	
Discontinued operations		3,741,046		12,330,161	
			5,918,300		13,443,828
Changes in stocks of finished goods and work in progress			(1,508,300)		(488,379)
			4,410,000		12,955,449
Raw materials and consumables			(2,277,329)		(6,411,483)
Other external charges			(1,780,637)		(2,994,076)
Staff costs	4		(1,480,020)		(4,225,786)
Depreciation	3		(24,877)		(313,762)
Operating loss	3				
Continuing operations		156,451		272,909	
Discontinued operations		(1,309,314)		(1,262,567)	
			(1,152,863)		(989,658)
Exceptional items					
Continuing operations					
Profit on disposal of tangible fixed assets		68,858		-	
Discontinued operations					
Loss on disposal of tangible fixed assets		(658,630)		-	
Provision for loss on disposal of associated undertaking		(9,600)		-	
			(599,372)		-
Interest receivable		20,695		18,564	
Interest payable	5	(93,460)		(148,261)	
Loss on ordinary activities before taxation		(1,825,000)		(1,119,355)	
Taxation	6	45,236		419,183	
Loss for the financial year		(1,779,764)		(700,172)	
Dividends (including non-equity interests)	8	(26)		(644)	
Retained loss for the year	18	(1,779,790)		(700,816)	

Movements in reserves are shown in note 18 to the financial statements.

There is no material difference between the result as disclosed above and the result on an unmodified historical cost basis.

R GAUNT & SONS (HOLDINGS) LIMITED**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****for the year ended 31st March 1999**

	1999 £	18 months ended 31st March 1998 £
Loss for the financial year	(1,779,764)	(700,172)
Unrealised surplus on revaluation of properties	-	2,228,224
Total losses and gains recognised since last annual report	<u>(1,779,764)</u>	<u>1,528,052</u>

R GAUNT & SONS (HOLDINGS) LIMITED

GROUP BALANCE SHEET

at 31st March 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	9	3,993,972		4,746,245	
Investments	10	30,400		40,000	
		<u>4,024,372</u>		<u>4,786,245</u>	
Current assets					
Stocks	11	136,153	2,414,620		
Debtors - due within one year	12	463,450	1,667,432		
- due in more than one year	12	300,000	-		
Cash at bank and in hand		406,109	11,333		
		<u>1,305,712</u>	<u>4,093,385</u>		
Creditors: amounts falling due within one year	13	<u>(548,246)</u>	<u>(2,055,431)</u>		
Net current assets		<u>757,466</u>	<u>2,037,954</u>		
Total assets less current liabilities		<u>4,781,838</u>	<u>6,824,199</u>		
Creditors: amounts falling due after more than one year	14	(492,360)	(701,684)		
Provision for liabilities and charges	15	-	(52,864)		
		<u>4,289,478</u>	<u>6,069,651</u>		
Capital and reserves					
Called up share capital	17	360,265	360,648		
Share premium account	18	86	86		
Revaluation reserve	18	2,228,224	2,228,224		
Other reserves	18	802,431	802,048		
Profit and loss account	18	898,472	2,678,645		
Total shareholders' funds (including non-equity interests)	21	<u>4,289,478</u>	<u>6,069,651</u>		

The financial statements on pages 7 to 28 were approved by the board of directors on 29th July 1999 and signed on its behalf by:

J C Bostock

A H B Turner

Directors

R GAUNT & SONS (HOLDINGS) LIMITED

HOLDING COMPANY BALANCE SHEET

at 31st March 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Tangible assets	9	3,993,972		4,746,245	
Investments	10	259,210		452,033	
		<u>4,253,182</u>		<u>5,198,278</u>	
Current assets					
Stocks	11	136,153	2,414,620		
Debtors - due within one year	12	468,309	1,745,341		
- due in more than one year	12	300,000	-		
Cash at bank and in hand		406,107	11,331		
		<u>1,310,569</u>	<u>4,171,292</u>		
Creditors: amounts falling due within one year	13	<u>(828,076)</u>	<u>(4,469,115)</u>		
Net current assets/(liabilities)		<u>482,493</u>	<u>(297,823)</u>		
Total assets less current liabilities		<u>4,735,675</u>	<u>4,900,455</u>		
Creditors: amounts falling due after more than one year	14	<u>(492,360)</u>	<u>(701,684)</u>		
Provision for liabilities and charges	15	-	(52,864)		
		<u>4,243,315</u>	<u>4,145,907</u>		
Capital and reserves					
Called up share capital	17	360,265	360,648		
Share premium account	18	86	86		
Revaluation reserve	18	2,228,224	2,228,224		
Other reserves	18	14,735	14,352		
Profit and loss account	18	1,640,005	1,542,597		
Total shareholders' funds (including non-equity interests)	21	<u>4,243,315</u>	<u>4,145,907</u>		

The financial statements on pages 7 to 28 were approved by the board of directors on 29th July 1999 and signed on its behalf by:

J C Bostock

A H B Turner

Directors

R GAUNT & SONS (HOLDINGS) LIMITED

GROUP CASH FLOW STATEMENT

for the year ended 31st March 1999

		1999		18 months ended 31st March 1998	
	Note	£	£	£	£
Net cash inflow from operating activities	19		960,683		378,905
Returns on investments and servicing of finance					
Interest paid		(84,702)		(133,307)	
Interest received		20,695		18,564	
Non-equity dividends paid		(26)		(644)	
Interest element of finance lease rental payments		(8,758)		(14,954)	
			(72,791)		(130,341)
Taxation					
Corporation tax (paid)/received			(25,760)		(18,318)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(135,148)		(493,447)	
Purchase of fixed asset investments		-		(40,000)	
Sale of tangible fixed assets		60,304		75,078	
Sale of assets of discontinued business		172,513		-	
Exceptional receipts from sale of property		39,955		906,416	
			137,624		448,047
Net inflow before financing			999,756		678,293
Equity dividends paid			-		(72,892)
			999,756		605,401
Financing					
Net movement on short term borrowings	20	3,073		(102,986)	
Net movement on long term borrowings	20	(181,873)		(106,361)	
Payments to acquire preference shares		(383)		(14,352)	
Capital element of finance leases	20	(64,810)		(163,570)	
			(243,993)		(387,269)
Increase in cash	21		755,763		218,132

R GAUNT & SONS (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31st March 1999****1 Accounting policies****Accounting convention**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and freehold land and buildings and in accordance with applicable accounting standards.

Basis of consolidation

The consolidated financial statements combine the accounts of R Gaunt & Sons (Holdings) Limited and its subsidiaries made up to 31st March 1999.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Intra-group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Associated undertakings are stated at cost plus the groups share of post acquisition profits.

Uniform accounting policies are followed throughout the group.

Goodwill

Goodwill represents the difference between the fair value of the consideration paid on acquisition of a business and the fair value of its separable net assets at the date of acquisition.

Negative goodwill previously added to reserves in accordance with the company's accounting policy in force at the time has not been reinstated on the introduction of Financial Reporting Standard No. 10, as permitted.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than investment properties, at rates calculated to write off the cost or valuation less estimated residual value, of each asset over its estimated useful life as follows:

Plant and equipment	10 % of cost
Computer equipment	20 % of cost
Motor vehicles	20 % of cost
Leasehold land and buildings	over the period of the lease
Freehold land and buildings	2% on cost/valuation

Investment properties

Properties held for investment purposes are included in the balance sheet at their open market value. Depreciation is not charged on investment properties unless the property suffers a permanent diminution in value.

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

1 Accounting policies continued

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition :

Raw materials and goods for resale	- purchase cost on a first in first out basis.
Work in progress and finished goods	- costs of direct materials and labour plus attributable overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is estimated that taxation will be payable.

Leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Pensions

The group operates a defined contribution pension scheme. Contributions to the scheme are charged against the profit and loss account as they become payable in accordance with the rules of the scheme.

Liquid resources

Liquid resources are current asset investments representing readily disposable stores of value without curtailing or disrupting the business and are either readily convertible into known amounts of cash, or close to its carrying amount, or traded on an active market.

R GAUNT & SONS (HOLDINGS) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****31st March 1999****2 Turnover**

Turnover was contributed as follows:

	1999		18 months ended 31st March 1998	
	Continuing £	Discontinued £	Continuing £	Discontinued £
Cloth manufacturing	1,425,219	3,705,760	268,482	12,154,746
Waste processing	-	35,286	-	175,415
Property management	752,035	-	845,185	-
	<u>2,177,254</u>	<u>3,741,046</u>	<u>1,113,667</u>	<u>12,330,161</u>

Geographical analysis

A geographical analysis of turnover has not been given as, in the opinion of the directors, it would be prejudicial to the interests of the group.

3 Operating loss

	£	£
Operating loss is stated after charging		
Staff costs (note 4)	1,480,020	4,225,786
Depreciation of tangible fixed assets		
Owned assets	20,127	264,318
Leased assets	4,750	49,444
Auditors' remuneration		
Audit	12,000	17,500
Non audit services	37,430	6,148
Hire of plant and machinery	1,536	14,000
Loss on sale of tangible fixed assets	-	7,115
	<u> </u>	<u> </u>

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

3 Operating loss continued

The analysis of the operating loss between continuing and discontinued activities is as follows:-

	1999			18 months ended 31st March 1998 (as re-stated)		
	Continuing operations	Dis- -continued operations	Total	Continuing operations	Dis- -continued operations	Total
	£	£	£	£	£	£
Turnover	2,177,254	3,741,046	5,918,300	1,113,667	12,330,161	13,443,828
Change in stocks of finished goods and work in progress	708,636	799,664	1,508,300	-	488,379	488,379
Raw materials and consumables	325,451	1,951,878	2,277,329	278,013	6,133,470	6,411,483
Other external charges	805,463	975,174	1,780,637	357,439	2,636,637	2,994,076
Staff costs	156,376	1,323,644	1,480,020	173,591	4,052,195	4,225,786
Depreciation	24,877	-	24,877	31,715	282,047	313,762
	2,020,803	5,050,360	7,071,163	840,758	13,592,728	14,433,486
Operating loss	156,451	(1,309,314)	(1,152,863)	272,909	(1,262,567)	(989,658)

On 7th October 1998 the company disposed of a significant part of its fixed assets, stocks and other assets relating to the manufacture of cloth to Readco 182 Limited, a company set up by certain former management of the company, including Mr N Gaunt who resigned as a director of R Gaunt & Sons (Holdings) Limited with effect from that date. Readco 182 Limited changed its name to Reuben Gaunt & Sons Limited on 20th October 1998. During the year the company has discontinued its involvement in waste processing. The loss on disposal of the fixed assets of £658,630 has been disclosed as an exceptional item in the profit and loss account. The sale of stock and other assets has been reflected in the normal trading results.

The sale to Readco 182 Limited represents a material reduction in the operating activities of the company and of the group and the results relating to this and the waste processing business have been included under the heading of discontinued activities. Since 7th October 1998 the company has continued to commission the manufacture of cloth in order to complete outstanding orders and the results of this continuing trade are included within the heading of continuing activities together with the continuing property management business.

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

4 Directors and employees

	1999	18 months ended 31st March 1998
	£	£
Staff costs including directors' emoluments		
Wages and salaries	1,341,576	3,709,088
Social security costs	102,931	376,968
Other pension costs	35,513	139,730
	<u>1,480,020</u>	<u>4,225,786</u>
 The average monthly number of persons employed during the year, including executive directors was:	 Number	 Number
Textile manufacturing and waste production	88	178
Property management	7	6
	<u>95</u>	<u>184</u>
 Directors	 £	 £
Emoluments	187,237	301,022
Company contributions to money purchase pension schemes	14,143	26,163
Compensation for loss of office	51,054	-
	<u>252,434</u>	<u>327,185</u>
	 Number	 Number
Directors accruing benefits under money purchase pension schemes	<u>4</u>	<u>4</u>
	 £	 £
 Highest paid director		
Total emoluments	54,924	81,522
Pension contributions paid under money purchase scheme	4,973	7,178
	<u>59,897</u>	<u>88,700</u>

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

5 Interest payable

	1999 £	18 months ended 31st March 1998 £
Interest on late payment of tax	2,318	-
Bank interest	18,988	18,975
Medium term loan	54,396	100,832
Hire purchase interest and finance leases	8,758	14,954
Debenture interest	9,000	13,500
	<u>93,460</u>	<u>148,261</u>

6 Taxation

	£	£
Corporation tax on loss on ordinary activities at 31% (1998 33%)	-	-
Deferred tax at 31% (1998 33%)	<u>(52,864)</u>	<u>(148,182)</u>
	(52,864)	(148,182)
Prior year		
Corporation tax	7,628	(269,815)
Deferred tax at 33% (1998 33%)	<u>-</u>	<u>(1,186)</u>
	<u>(45,236)</u>	<u>(419,183)</u>

No tax charge arises due to losses sustained in the year.

There are tax losses of approximately £1,462,000 (1998 £318,000) available for relief against future trading profits.

The tax effect of the exceptional items stated in the profit and loss account below operating loss is £Nil.

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

7 Loss attributable to members of the parent undertaking

	1999	18 months ended
	£	31st March
		1998
		£
Dealt with in the accounts of the parent undertaking	97,817	(754,357)
Retained by subsidiary undertakings	(1,877,581)	54,185
	<u>(1,779,764)</u>	<u>(700,172)</u>

As permitted by Section 230 of the Companies Act 1985, R Gaunt & Sons (Holdings) Limited has not presented its own profit and loss account.

8 Dividends

	£	£
Dividends on non-equity shares:		
Preference dividend paid	<u>26</u>	<u>644</u>

R GAUNT & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

9 Tangible fixed assets

Group and company

	Investment properties £	Freehold land and buildings £	Long leasehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation						
1st April 1998	3,148,000	650,000	70,157	3,458,515	211,800	7,538,472
Additions	44,308	-	-	48,004	42,836	135,148
Disposals	-	-	-	(3,023,283)	(183,386)	(3,206,669)
31st March 1999	3,192,308	650,000	70,157	483,236	71,250	4,466,951
Cost or valuation is represented by:						
At cost	44,308	-	70,157	483,236	71,250	668,951
Valuation-1998	3,148,000	650,000	-	-	-	3,798,000
	3,192,308	650,000	70,157	483,236	71,250	4,466,951
Depreciation						
1st April 1998	-	-	7,229	2,653,699	131,299	2,792,227
Charge for year	-	-	953	11,695	12,229	24,877
Disposals	-	-	-	(2,240,120)	(104,005)	(2,344,125)
31st March 1999	-	-	8,182	425,274	39,523	472,979
Net book amount						
31st March 1999	3,192,308	650,000	61,975	57,962	31,727	3,993,972
1st April 1998	3,148,000	650,000	62,928	804,816	80,501	4,746,245

The net book amount of plant and equipment of £57,962 (1998 £804,816) includes an amount of £ Nil (1998 £ 78,751) in respect of assets held under finance leases and hire purchase contracts. The net book amount of motor vehicles of £31,727 (1998 £80,501) includes an amount of £11,875 (1998 £68,093) in respect of assets held under finance leases and hire purchase contracts.

R GAUNT & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

9 Tangible fixed assets

Freehold land, buildings and investment properties were revalued at 30th June 1998 by Messrs Jones Lang Wootton Chartered Surveyors on the basis of the open market values for existing use. Freehold land and buildings have been included at directors' valuation of £650,000 at 31st March 1999.

In accordance with Statement of Standard Accounting Practice number 19, investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve. Depreciation is not provided in respect of freehold investment properties and leasehold investment properties where the unexpired period of the lease is more than 20 years. This is a departure from the requirements of the Companies Act 1985 which requires assets which have a finite useful life to be depreciated where their cost (or valuation) is greater than their residual value (as assessed at the date of acquisition or valuation). The directors consider that following the reasoning in Statement of Standard Accounting Practice number 19, depreciating the assets would not give a true and fair view because they are held for investment and not consumption. Consequently the current value of these investments, and changes in that current value, are of prime importance in assessing the financial position rather than a calculation of systematic annual depreciation and therefore the accounting policy adopted results in the financial statements giving a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount that might otherwise have been shown cannot be separately identified and quantified.

The historical cost of investment properties and freehold land and buildings held at 31st March 1999 was £1,804,871 (1998 £1,760,563).

10 Fixed asset investments

		Group		Company	
		1999 £	1998 £	1999 £	1998 £
Subsidiary undertakings	(a)	-	-	228,810	412,033
Interest in associated undertaking	(b)	30,400	40,000	30,400	40,000
		<u>30,400</u>	<u>40,000</u>	<u>259,210</u>	<u>452,033</u>
(a) Subsidiary undertakings					
Investment in subsidiary at cost:				£	£
At 1st April 1998				1,466,821	1,466,821
Less: dividends received from subsidiaries out of pre-acquisition profits				(1,147,321)	-
At 31st March 1999				319,500	1,466,821
Loans to subsidiary undertakings				236,617	225,000
Loans from subsidiary undertakings				(156,000)	(1,108,481)
				<u>400,117</u>	<u>583,340</u>
Less: Amounts provided:					
At 1st April 1998 and 31st March 1999				(171,307)	(171,307)
Net book amount					
31st March 1999				<u>228,810</u>	<u>412,033</u>

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

10 Fixed asset investments

(a) Subsidiary undertakings continued

At 31st March 1999 the subsidiary undertakings were as follows:

Name of company

Non-trading	Equity Holding %	Non-trading (contd.)	Equity Holding %
Readco 182 Limited (formerly Reuben Gaunt & Sons Limited)	100	Arthur Harrison & Co Limited	100
Dalton Worsteds Limited	100	Scott Wilson Worsteds Limited *	100
Processed Fibres Limited	100	Borval Fabrics Ltd *	100
Pickles & Shuttleworth Limited	100	Ingleton Fine Mending Co Limited *	100
Taylor & Littlewood Limited	100	Brellon & Co Limited *	100
Uppercheck Limited	100		
Genista Limited	100		

* Subsidiary undertakings of Arthur Harrison & Company Limited. All subsidiaries are registered in England and Wales.

(b) Interest in associated undertakings:

Cost	Group and company £
At 1st April 1998 and 31st March 1999	<u><u>40,000</u></u>
Amount provided	
Charge for the year	<u><u>(9,600)</u></u>
Net book amount	
31st March 1999	<u><u>30,400</u></u>

The associated company of R. Gaunt & Sons (Holdings) Limited is Bridgehaugh Limited a company registered in Scotland. Its principal activity is package yarn dyeing. At 31st March 1999 the group's investment in Bridgehaugh Limited amounted to 15.1% of the issued ordinary share capital of £1 each.

The investment in associated undertaking was sold after the year end for a consideration of £30,400.

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

11 Stocks

	Group and company	
	1999	1998
	£	£
Raw materials	14,789	664,274
Work in progress	-	800,183
Finished goods	121,364	829,481
Mill stocks and sundries	-	120,682
	<u>136,153</u>	<u>2,414,620</u>

12 Debtors

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Amounts falling due within one year				
Trade debtors	417,885	1,478,168	417,885	1,478,168
Amounts owed by subsidiary undertakings	-	-	4,859	77,909
Corporation tax recoverable	3,553	-	3,553	-
Other debtors	-	37,483	-	37,483
Prepayments and accrued income	42,012	151,781	42,012	151,781
	<u>463,450</u>	<u>1,667,432</u>	<u>468,309</u>	<u>1,745,341</u>
Amounts falling due after more than one year				
Other debtors (note 22)	300,000	-	300,000	-
	<u>763,450</u>	<u>1,667,432</u>	<u>768,309</u>	<u>1,745,341</u>

13 Creditors: amounts falling due within one year

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Current instalments due on loans	194,415	191,342	194,415	191,342
Bank overdrafts	-	360,987	-	360,987
Trade creditors	41,077	1,160,021	41,077	1,160,021
Amounts owed to subsidiary undertakings	-	-	279,831	2,439,444
Corporation tax	11,181	25,760	11,181	-
Other taxation and social security	15,284	69,030	15,284	69,030
Other creditors	1,035	628	1,035	628
Accruals and deferred income	280,587	205,637	280,586	205,637
Obligations under finance leases and hire purchase contracts - note 14	4,667	42,026	4,667	42,026
	<u>548,246</u>	<u>2,055,431</u>	<u>828,076</u>	<u>4,469,115</u>

R GAUNT & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

14 Creditors: amounts falling due after more than one year

	Group and Company	
	1999	1998
	£	£
5% debenture stock repayable at company's option	180,000	180,000
Bank loans	311,194	493,067
Obligations under finance leases and hire purchase contracts	1,166	28,617
	492,360	701,684

Maturity of debt**Bank loans**

In one year or less, or on demand

- see note 13

Between one and two years

Between two and five years

In five years or more

194,415	191,342
194,415	194,417
103,325	277,607
13,454	21,043
505,609	684,409

Amounts falling due after more than five years:

Bank loans

5% Debenture stock

13,454	21,043
180,000	180,000

Obligations under finance leases and hire purchase contracts

These are repayable over varying periods by monthly instalments as follows:

In the next year - see note 13

In the second to fifth years

4,667	42,026
1,166	28,617
5,833	70,643

Bank loans of **£130,534** (1998 £171,923), are secured by a charge on certain investment properties.

Bank loans due in more than five years are repayable by monthly instalments. Interest is charged at 8.75%.

R GAUNT & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

15 Provision for liabilities and charges

	Group and company £
Deferred taxation (note 16)	
1st April 1998	52,864
Profit and loss account	(52,864)
31st March 1999	-

16 Deferred taxation

Group and company

	1999		1998	
	Amount unprovided £	Amount provided £	Amount unprovided £	Amount provided £
Corporation tax deferred by				
Capital allowances in excess of depreciation	-	(10,866)	-	280,077
Other timing differences	-	10,866	-	8,121
Unrelieved taxation losses	-	-	-	(207,661)
	-	-	-	80,537
Advance corporation tax	-	-	-	(27,673)
	-	-	-	52,864

Deferred taxation is based on a corporation tax rate of 31% (1998 33%).

No provision has been made for taxation of £690,000 (1998 £736,000) which would arise if the land and buildings were disposed of at their revalued amounts.

R GAUNT & SONS (HOLDINGS) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

		31st March 1999			
17	Called up share capital	1999		1998	
		Number of shares	£	Number of shares	£
	Authorised				
	Ordinary shares of £1 each	360,000	360,000	360,000	360,000
	4.2% Cumulative				
	Preference shares of £1 each	15,000	15,000	15,000	15,000
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
			375,000		375,000
			<u> </u>		<u> </u>
	Allotted called up and fully paid				
	Ordinary shares of £1 each	360,000	360,000	360,000	360,000
	4.2% Cumulative				
	Preference shares of £1 each	265	265	648	648
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
			360,265		360,648

During the year a further 383 preference shares were purchased by the company for a consideration of £383.

18 Reserves

Group

	Reserve arising on consolidation £	Reval- uation reserve £	Profit and loss account £	Share premium account £	Capital redemption reserve fund £	Total £
1st April 1998	787,696	2,228,224	2,678,645	86	14,352	5,709,003
Transfer	-	-	(383)	-	383	-
Retained loss for the year	-	-	(1,779,790)	-	-	(1,779,790)
31st March 1999	<u>787,696</u>	<u>2,228,224</u>	<u>898,472</u>	<u>86</u>	<u>14,735</u>	<u>3,929,213</u>

The profit and loss account has been increased by cumulative negative goodwill previously added to reserves amounting to £787,696 (1998 £787,696). The goodwill was added to reserves in accordance with accounting policy and would be credited against profit and loss account on any subsequent disposal of the business.

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

18 Reserves continued

Company

	Revaluation reserve £	Profit and loss account £	Share premium account £	Capital redemption reserve fund £	Total £
1st April 1998	2,228,224	1,542,597	86	14,352	3,785,259
Transfer	-	(383)	-	383	-
Retained profit for the year	-	97,791	-	-	97,791
31st March 1999	<u>2,228,224</u>	<u>1,640,005</u>	<u>86</u>	<u>14,735</u>	<u>3,883,050</u>

**19 Reconciliation of operating loss
to operating cash flows**

	18 months ended 31st March	
	1999 £	1998 £
Operating loss	(1,152,863)	(989,658)
Depreciation charges	24,877	313,762
Loss on sale of fixed assets	-	6,641
Decrease/(increase) in stocks	2,278,467	1,195,473
Decrease in debtors	907,535	59,086
(Decrease)/increase in creditors	(1,097,333)	(206,399)
Net cash inflow from operating activities	<u>960,683</u>	<u>378,905</u>

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

20 Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash in hand, at bank	11,333	394,776	406,109
Overdrafts	(360,987)	360,987	-
		<u>755,763</u>	
Debt due within 1 year	(191,342)	(3,073)	(194,415)
Debt due after 1 year	(493,067)	181,873	(311,194)
Finance leases	(70,643)	64,810	(5,833)
Debentures	(180,000)	-	(180,000)
		<u>243,610</u>	
Total	<u>(1,284,706)</u>	<u>999,373</u>	<u>(285,333)</u>

Reconciliation of net cash flow to movement in net debt

	18 months ended 31st March 1999 £	1998 £
Increase in cash in the year	755,763	218,132
Cash outflow from decrease in debt financing	243,610	372,917
New hire purchase contracts	-	(56,700)
Change in net debt resulting from cash flows	<u>999,373</u>	<u>534,349</u>
Net debt at 1st April 1998	<u>(1,284,706)</u>	<u>(1,819,055)</u>
Net debt at 31st March 1999	<u>(285,333)</u>	<u>(1,284,706)</u>

R GAUNT & SONS (HOLDINGS) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

31st March 1999

21 Reconciliation of movements in shareholders' funds

	Group 18 months ended 31st March		Company 18 months ended 31st March	
	1999	1998	1999	1998
	£	£	£	£
Profit /(loss) for the financial year	(1,779,764)	(700,172)	97,817	(754,357)
Dividends	(26)	(644)	(26)	(644)
	(1,779,790)	(700,816)	97,791	(755,001)
Net surplus arising on revaluation of tangible assets	-	2,228,224	-	2,228,224
Purchase of preference shares	(383)	(14,352)	(383)	(14,352)
	(1,780,173)	1,513,056	97,408	1,458,871
Opening shareholders' funds	6,069,651	4,556,595	4,145,907	2,687,036
Closing shareholders' funds	4,289,478	6,069,651	4,243,315	4,145,907

The total of shareholders funds comprises

	Group		Company	
	1999	1998	1999	1998
	£	£	£	£
Non -equity interest				
-attributable to preference shareholders	265	648	265	648
Equity interest	4,289,213	6,069,003	4,243,050	4,145,259
	4,289,478	6,069,651	4,243,315	4,145,907

22 Related parties

Throughout the period the company was controlled by the directors. The interests of the directors are shown in the directors' report.

As disclosed in note 3 the company disposed of fixed assets, stocks and other assets to Readco 182 Limited on 7th October 1998. Readco 182 Limited is a company which was formed by former key management of the company and it changed its name to Reuben Gaunt & Sons Limited on 20th October 1998.

Other debtors (note 12) includes a loan of £300,000 due from Reuben Gaunt & Sons Limited at 31st March 1999. At 31st March 1999 there was an amount of £76,819 due to Reuben Gaunt & Sons Limited and an amount due from Reuben Gaunt & Sons Limited of £78,593 relating to normal trading activities.