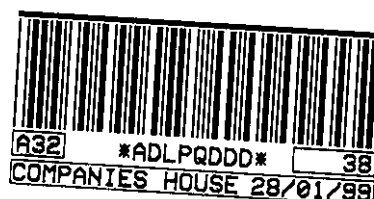


R Gaunt & Sons (Holdings) Limited

Report and Accounts

31 March 1998

50675



R Gaunt & Sons (Holdings) Limited

Registered No. 50670

EXECUTIVE DIRECTORS

J C Bostock

J L Hellawell

NON-EXECUTIVE DIRECTORS

A H B Turner (Chairman)

D G Chamberlain

C M Hudson

SECRETARY

J L Hellawell

AUDITORS

Horwath Clark Whitehill

Chartered Accountants

Pelican House

10 Curren Street

Little Germany

Bradford

BD1 5BA

BANKERS

Barclays Bank PLC

10 Market Street

Bradford

BD1 1NR

SOLICITORS

Gordons Wright & Wright

14 Piccadilly

Bradford

BD1 3LX

REGISTERED OFFICE

Broom Mills

Farsley

Pudsey

LS28 7UT

R Gaunt & Sons (Holdings) Limited

CHAIRMANS' REPORT

At the Annual General Meeting I was able to give you a very brief outline of what was happening to the Company. I had to be brief as we were in the middle of negotiations. The sale of cloth manufacturing was finally completed on the 7th October 1998 and I would now like to report more fully on what has happened over the last eighteen months.

The nineties has seen continuing losses in cloth manufacturing. Various ways were tried to break into profit without any success. The Company was stretched financially with high banked borrowings which were only alleviated when Globe Commercial Centre was sold in 1996.

The Company reviewed yet again its various activities. A number of small purchases were made in property where the income has grown to over £400,000. per annum. The manufacturing division considered its various options. It was felt it was required to operate in niche markets, producing more complex cloths. This would need new looms and a more compact single storey site. Processed Fibres, the waste reclamation division, with the continuing decline of the textile trade, was felt to have no medium term future, and was, therefore, closed in December 1997 and the machinery disposed of in the ensuing months.

In late 1997 the cloth manufacturing division put forward to the Board an investment programme as its only way of competing in the future. The results of that division for the year to September 1997 showed a poor trading position. The Board, after due consideration and taking into account that the loss was aggravated by significant stock write downs, decided that there was no justification to put more money into the operation and that an exit route should be sought.

Once that decision was made known to the cloth manufacturing division, a letter was received from Patrick Gaunt stating that he would be interested in purchasing the division and the Board agreed to consider that request.

The Board was advised that it should seek the views of the open market and the sales prospectus was circulated to a number of companies.

The Board finally decided to extend the Company's financial period to eighteen months in the hope that the sale of the cloth manufacturing division could be accounted for in these accounts.

To facilitate the negotiations John Bostock and Nicholas Gaunt stood down from their respective positions and I was appointed Non Executive Chairman. My brief was to carry out the Board decision to exit from cloth manufacturing in the most financially satisfactory and amicable way.

Though an offer from another company was received, the Management Team eventually produced a more satisfactory proposal which was accepted by the Board. This resulted in the name Reuben Gaunt & Sons, associated trading names and the work force being transferred to a new company formed by Patrick Gaunt. The new company, who lease premises from us, continues to trade from Broom Mills for a short period of time.

The Board would like to wish Patrick Gaunt and his team the best of good fortune as they set out on their own in what probably are the most difficult times the wool textile industry in the United Kingdom has ever known. One only has to read the financial press to see how lowly the textile and clothing industries are valued.

R Gaunt & Sons (Holdings) Limited

CHAIRMANS' REPORT

The results for the eighteen month period reflect in part the consequences of stock values having been adjusted for market conditions. Further revisions of stock and machinery values reflecting the sale will be incorporated in the figures for the year ending the 31st March 1999. During the next six months the balance of cloth orders that were on the books at the time of completion will be processed, and I would hope that we will be clear of textiles within the first six months of 1999.

The Company will eventually become a property company, whose main priority will be to redevelop the Broom Mills site.



A H B TURNER
Chairman

R Gaunt & Sons (Holdings) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the period ended 31 March 1998.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £699,000.

The directors do not recommend the payment of a final ordinary dividend. After the payment of preference dividends of £1,000 there is a deficit of £700,000.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

This is covered in the Chairman's Report on page 2 of the accounts.

DIRECTORS AND THEIR INTERESTS

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

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

The directors at 31 March 1998 and their interests in the shares and debentures of the company at 1 October 1996 and end of the period were as follows:

	Ordinary shares 1998	1996	4.2% plus tax credit cumulative preference shares 1998	1996	5% unsecured debentures 1998	1996
J C Bostock	15,286	15,044	-	1,350	5,734	5,613
D G Chamberlain	60,706	60,420	-	502	10,259	5,211
N Gaunt	22,095	21,853	-	1,433	8,213	8,092
J L Hellawell	12,465	12,223	-	443	3,178	3,057
C M Hudson	2,478	2,236	-	130	1,239	1,118

PURCHASE OF OWN SHARES

On the 22 December 1997 the company passed a special resolution to buy back its preference shares. 14,352 4.2% Cumulative Preference shares of £1 each have been purchased to date for a consideration of £14,352. The company has an ongoing authority to purchase the balance of 648 shares a £1 per share if the remaining preference share holders wish to sell. A saving in administration costs was the reason for purchase.

CHARITABLE AND POLITICAL DONATIONS

The total amount donated by the group to charitable institutions during the period amounted to £ 3,012 (1996 - £195). There were no political donations made during the period.

R Gaunt & Sons (Holdings) Limited

DIRECTORS' REPORT (contd.)

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 millennium 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 system 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.

POST BALANCE SHEET EVENT

As disclosed in note 20 to the accounts the company disposed of its textile division after the balance sheet date.

AUDITORS

During the period the auditors Clark Whitehill Josolyne have changed their name under which they practice to Horwath Clark Whitehill and have signed their report in their new name.

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

By order of the board

J L HELLAWELL
Secretary

14 December 1998

R Gaunt & Sons (Holdings) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the company and of the group at the end of the period and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the shareholders of R Gaunt & Sons (Holdings) Limited

We have audited the accounts on pages 8 to 29 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and on the basis of the accounting policies set out on pages 13 and 14.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

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

We planned 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 as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Unqualified opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and the group as at 31 March 1998 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

Horwath Clark Whitehill

Chartered Accountants

Registered Auditor

Bradford

14 December 1998

R Gaunt & Sons (Holdings) Limited

GROUP PROFIT AND LOSS ACCOUNT

for the 18 months ended 31 March 1998

			Year Ended 30 September
	Notes	1998 £000	1996 £000
TURNOVER	2	13,443	8,485
Change in stocks of finished goods and work in progress		(488)	(168)
		<u>12,955</u>	<u>8,317</u>
Raw materials and consumables		6,411	3,573
Other external charges		2,993	2,060
		<u>9,404</u>	<u>5,633</u>
		<u>3,551</u>	<u>2,684</u>
Staff costs	3	4,226	2,833
Depreciation		314	209
		<u>4,540</u>	<u>3,042</u>
OPERATING LOSS	4	<u>(989)</u>	<u>(358)</u>
Exceptional items:			
profit on disposal of tangible fixed assets		-	1,894
reorganisation costs		-	(136)
		<u>-</u>	<u>1,758</u>
		<u>(989)</u>	<u>1,400</u>
Interest payable	5	<u>(130)</u>	<u>(148)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(1,119)</u>	<u>1,252</u>
Taxation arising on ordinary activities	6	<u>(420)</u>	<u>219</u>
		<u>(699)</u>	<u>1,033</u>
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD			
Dividends	8	<u>1</u>	<u>110</u>
RETAINED (LOSS)/PROFIT FOR THE PERIOD		<u>(700)</u>	<u>923</u>

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 18 months ended 31 March 1998

	<i>Year Ended 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
(Loss)/profit for the financial period	(699)	1,033
Unrealised surplus on the revaluation of properties	2,229	-
	<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	1,530	1,033
	<hr/>	<hr/>

R Gaunt & Sons (Holdings) Limited

GROUP BALANCE SHEET

at 31 March 1998

			At 30 September
	Notes	1998 £000	1996 £000
FIXED ASSETS			
Tangible	9	4,747	2,363
Investments	10	40	-
		<u>4,787</u>	<u>2,363</u>
CURRENT ASSETS			
Stocks	11	2,415	3,610
Debtors	12	1,667	2,642
Cash at bank and in hand	13	11	16
		<u>4,093</u>	<u>6,268</u>
CREDITORS: amounts falling due within one year	14	2,054	3,019
		<u>2,039</u>	<u>3,249</u>
NET CURRENT ASSETS			
		<u>6,826</u>	<u>5,612</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	15	702	845
PROVISION FOR LIABILITIES AND CHARGES	16	53	211
		<u>755</u>	<u>1,056</u>
		<u>6,071</u>	<u>4,556</u>
CAPITAL AND RESERVES			
Called up share capital	17	361	375
Reserves	18	5,710	4,181
SHAREHOLDERS' FUNDS (including non-equity interests)	18	<u>6,071</u>	<u>4,556</u>

The accounts on pages 8 to 29 were approved by the board of directors on 1 December 1998 and signed on its behalf by :

J C Bostock)
) Directors
 A H B Turner)

John C. Bostock
A H B Turner

R Gaunt & Sons (Holdings) Limited

BALANCE SHEET

at 31 March 1998

			At 30 September
	Notes	1998 £000	1996 £000
FIXED ASSETS			
Tangible	9	4,747	1,962
Investments	10	452	412
		<u>5,199</u>	<u>2,374</u>
CURRENT ASSETS			
Stock	11	2,415	3,610
Debtors	12	1,746	2,720
Cash at bank and in hand		11	16
		<u>4,172</u>	<u>6,346</u>
CREDITORS: amounts falling due within one year	14	<u>4,468</u>	<u>5,031</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(296)</u>	<u>1,315</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,903</u>	<u>3,689</u>
CREDITORS: amounts falling due after more than one year	15	702	845
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	16	53	157
		<u>755</u>	<u>1,002</u>
		<u>4,148</u>	<u>2,687</u>
CAPITAL AND RESERVES			
Called up share capital	17	361	375
Reserves	18	3,787	2,312
SHAREHOLDERS' FUNDS (including non-equity interests)	18	<u>4,148</u>	<u>2,687</u>

The accounts on pages 8 to 29 were approved by the board of directors on 1 December 1998 and signed on its behalf by :

J C Bostock)
) Directors
 A H B Turner)

John Bostock
A H B Turner

R Gaunt & Sons (Holdings) Limited

GROUP STATEMENT OF CASH FLOWS

for the 18 months ended 31 March 1998

			Year Ended 30 September
	Notes	1998 £000	1996 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	4c	380	244
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest paid		(115)	(125)
Interest in respect of hire purchase contracts		(15)	(23)
Preference Dividends paid		(1)	(1)
		<u>(131)</u>	<u>(149)</u>
TAXATION			
Corporation tax (paid)		<u>(18)</u>	<u>(8)</u>
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(505)	(134)
Receipts from sale of tangible fixed assets		75	15
Exceptional receipts from the sale of property		906	1,089
Payments to acquire investments		<u>(40)</u>	<u>-</u>
		<u>436</u>	<u>970</u>
NET INFLOW BEFORE FINANCING		667	1,057
Equity Dividends paid		<u>(73)</u>	<u>(36)</u>
CASH INFLOW BEFORE FINANCING		594	1,021
FINANCING			
Net movement in short term borrowings		(103)	90
Net movement in long term borrowings		(107)	(165)
Capital element of finance leases	13	(152)	(153)
Payments to acquire preference shares		<u>(14)</u>	<u>-</u>
		<u>(376)</u>	<u>(228)</u>
INCREASE IN CASH		<u>218</u>	<u>793</u>

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts are 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 accounts combine the accounts of R Gaunt & Sons (Holdings) Limited and its subsidiaries made up to 31 March 1998.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated profit and loss account from the date of their 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 group's share of post acquisition profits.

Uniform accounting policies are followed throughout the group.

Change of accounting policy

The group has changed its accounting policy for accounting for investment properties in order to comply with Statement of Standard Accounting Practice No. 19. This is a change from the group's previous policy of accounting for investment properties at undepreciated historical cost. The balance sheet at 31 March 1998 has been adjusted to reflect the inclusion of investment properties at their open market value in order to give a fairer presentation of the financial position of the group and company at that date. The comparative balance sheet at 30 September 1996 has not been restated as required by Financial Reporting Standard No. 3. In the opinion of the directors, restatement of the balance sheet comparatives was not justified due to the expense involved in obtaining valuations at that date. Neither the current year or prior year results have been affected by the change in policy as no depreciation has been charged on investment properties in either period.

Depreciation

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

Plant and equipment	- 10% of cost
Computer equipment	- 20% of cost
Motor vehicles	- 20% of cost
Leasehold buildings	- over the period of the lease

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.

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost 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	- cost of direct materials and labour plus attributable overheads based on the normal level of activity.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

1. ACCOUNTING POLICIES (continued)

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.

Leasing and hire purchase commitments

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.

Pension

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

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the group's ordinary activities, stated net of value added tax.

Turnover was contributed as follows:

	<i>Year Ended 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Textile manufacturing	12,423	7,888
Waste processing	176	153
Property management	844	444
	<u>13,443</u>	<u>8,485</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. STAFF COSTS

	<i>£000</i>	<i>£000</i>
Wages and salaries	3,709	2,342
Social security costs	377	239
Other pension costs	140	252
	<u>4,226</u>	<u>2,833</u>

The average monthly number of persons employed during the period was:

	<i>No.</i>	<i>No.</i>
Textile manufacturing and waste processing	178	175
Property management	6	6
	<u>184</u>	<u>181</u>

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

4. OPERATING LOSS

		<i>Year Ended</i>
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
(a) This is stated after charging or (crediting):		
Auditors' remuneration - audit services	16	10
- non audit services	6	3
Depreciation of owned assets	263	124
Depreciation of assets held under finance leases and hire purchase	51	85
Hire of plant and machinery - operating leases	14	9
Loss/(Profit) on sale of tangible fixed assets	7	(1,894)
	<u> </u>	<u> </u>
(b) Directors' remuneration:		
	<i>£000</i>	<i>£000</i>
Emoluments	301	237
Pension contributions	26	184
	<u>327</u>	<u>421</u>
	<i>No.</i>	<i>No.</i>
Directors accruing benefits under a money purchase scheme	4	4
	<u> </u>	<u> </u>
	<i>£</i>	<i>£</i>
Highest paid director		
Total emoluments	81,522	66,067
Pension contributions paid under a money purchase scheme	7,178	51,585
	<u>88,700</u>	<u>117,652</u>

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

4. OPERATING LOSS (continued)

c) Reconciliation of operating loss to net cash inflow from operating activities.

	<i>Year Ended 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Operating (loss)	(989)	(358)
Reorganisation costs	-	(136)
Depreciation	314	209
Loss on disposal of tangible fixed assets	7	-
Decrease in stocks	1,195	132
Decrease/(increase) in debtors	60	(245)
(Decrease)/Increase in creditors	(207)	642
Net cash inflow from operating activities	380	244

5. INTEREST PAYABLE

	<i>£000</i>	<i>£000</i>
Medium term loan	101	85
Bank overdraft	1	31
Debenture	13	9
Finance charges payable under finance leases and HP contracts	15	23
	130	148

6. TAX ARISING ON ORDINARY ACTIVITIES

	<i>£000</i>	<i>£000</i>
Corporation tax at 33%	-	295
Deferred tax at 33% (1996 - 33%)	(148)	(66)
	(148)	229
Relating to prior year:		
Corporation tax	(271)	-
Deferred tax at 33% (1996 - 33%)	(1)	(10)
	(420)	219

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

7. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT UNDERTAKING

	<i>Year Ended 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Dealt with in the accounts of the parent undertaking	(753)	956
Retained by subsidiary undertakings	54	77
	<u>(699)</u>	<u>1,033</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

	<i>£000</i>	<i>£000</i>
Preference shares - paid	1	1
Ordinary shares - paid 1 May 1996 11.25p per share	-	36
Ordinary shares - paid 6 January 1997 11.25p per share	-	36
Ordinary shares - paid 1 April 1997 11.25p per share	-	37
	<u>1</u>	<u>110</u>

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

9. TANGIBLE FIXED ASSETS

Group

	<i>Investment properties £000</i>	<i>Freehold land and buildings £000</i>	<i>Long Leasehold land and buildings £000</i>	<i>Plant and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost or Valuation:						
At 1 October 1996	-	1,360	70	3,480	246	5,156
Additions	-	400	-	115	36	551
Disposals	-	-	-	(136)	(70)	(206)
Surplus on revaluation	-	2,038	-	-	-	2,038
Reclassification	3,148	(3,148)	-	-	-	-
At 31 March 1998	3,148	650	70	3,459	212	7,539
Cost or Valuation is represented by:						
At cost	-	-	70	3,459	212	3,741
Valuation - 1998	3,148	650	-	-	-	3,798
	3,148	650	70	3,459	212	7,539
Depreciation:						
At 1 October 1996	-	191	6	2,479	117	2,793
Provided during the period	-	-	1	250	63	314
Disposals	-	-	-	(75)	(49)	(124)
Eliminated on revaluation	-	(191)	-	-	-	(191)
At 31 March 1998	-	-	7	2,654	131	2,792
Net book value at 31 March 1998	3,148	650	63	805	81	4,747
Net book value at 1 October 1996	-	1,169	64	1,001	129	2,363

The net book value of plant and machinery of £ 805,000 (30 September 1996 £1,001,000) includes an amount of £79,000 (30 September 1996 £326,000) in respect of assets held under Hire Purchase contracts.

The net book value of motor vehicles of £81,000 (30 September 1996 £129,000) includes an amount of £68,000 (30 September 1996 £124,000) in respect of assets held under Hire Purchase contracts.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

9. TANGIBLE FIXED ASSETS (continued)

Company

	<i>Investment properties £000</i>	<i>Freehold land and buildings £000</i>	<i>Long Leasehold land and buildings £000</i>	<i>Plant and equipment £000</i>	<i>Motor vehicles £000</i>	<i>Total £000</i>
Cost or Valuation:						
At 1 October 1996	-	928	70	3,384	246	4,628
Transfer from subsidiary	-	432	-	96	-	528
Additions	-	400	-	115	36	551
Disposals	-	-	-	(136)	(70)	(206)
Surplus on revaluation	-	2,038	-	-	-	2,038
Reclassification	3,148	(3,148)	-	-	-	-
At 31 March 1998	3,148	650	70	3,459	212	7,539
Cost or Valuation is represented by:						
At cost	-	-	70	3,459	212	3,741
Valuation - 1998	3,148	650	-	-	-	3,798
	3,148	650	70	3,459	212	7,539
Depreciation:						
At 1 October 1996	-	143	6	2,400	117	2,666
Transfer from subsidiary	-	48	-	79	-	127
Provided during the period	-	-	1	250	63	314
Disposals	-	-	-	(75)	(49)	(124)
Eliminated on revaluation	-	(191)	-	-	-	(191)
At 31 March 1998	-	-	7	2,654	131	2,792
Net book value at 31 March 1998	3,148	650	63	805	81	4,747
Net book value at 1 October 1996	-	785	64	984	129	1,962

The net book value of plant and machinery of £805,000 (30 September 1996 £984,000) includes an amount of £79,000 (30 September 1996 £326,000) in respect of assets held under Hire Purchase contracts.

The net book value of motor vehicles of £81,000 (30 September 1996 £129,000) includes an amount of £68,000 (30 September 1996 £124,000) in respect of assets held under Hire Purchase contracts.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

9. TANGIBLE FIXED ASSETS (continued)

Freehold land, buildings and investment properties were revalued at 30 June 1998 by Messrs Jones Lang Wootton Chartered Surveyors on the basis of the open market values for existing use. The directors have decided to adopt this valuation at 31 March 1998. As referred to in note 1 this is a change in accounting policy in order to comply with Statement of Standard Accounting Practice No 19, 'Accounting for Investment Properties'.

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 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 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 held at 31 March 1998 was £1,760,000.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

10. INVESTMENTS

		<i>Group</i>		<i>Company</i>	
		<i>at 30 September</i>		<i>at 30 September</i>	
		<i>1998</i>	<i>1996</i>	<i>1998</i>	<i>1996</i>
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Subsidiary undertakings at cost:					
At 1 October 1996	a)	-	-	1,467	1,467
Interest in associated undertakings	b)	40	-	40	-
Loans to subsidiary undertakings		-	-	225	225
Loans from subsidiary undertakings		-	-	(1,109)	(1,109)
At 31 March 1998		<u>40</u>	<u>-</u>	<u>623</u>	<u>583</u>
Amounts provided:					
At 1 October 1996 and					
At 31 March 1998				<u>171</u>	<u>171</u>
Net book value at 31 March 1998				<u>452</u>	<u>412</u>

a) At 31 March 1998 the subsidiary undertakings were as follows:

<i>Name of company</i>			
<i>Non-trading</i>	<i>Equity Holding</i>	<i>Non-trading (contd.)</i>	<i>Equity Holding</i>
Reuben Gaunt & Sons Limited	100%	Arthur Harrison & Company Limited	100%
Dalton Worsteds Limited	100%	Scott Wilson Worsteds Limited *	100%
Processed Fibres Limited	100%	Borval Fabrics Limited *	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.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

10. INVESTMENTS (contd.)

b) Interest in associated undertakings:

	<i>Group & Company</i>	
	<i>At 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Cost:		
Additions during the period	<u>40</u>	<u>-</u>

The associated company of R.Gaunt & Sons (Holdings) Limited is Bridgehaugh Limited a company registered in Scotland. Its principal activity will be package yarn dyeing and the investment is represented by 23.5% of the issued share capital of ordinary shares of £1 each.

The further information regarding the associated undertakings in which the company has a participating interest which is required by schedule 5 to the Companies Act 1985 has not been given as at 31 March 1998 the company had not commenced to trade.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

11. STOCKS

	<i>Group & Company at 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Raw materials	664	1,345
Work-in-progress	800	724
Finished goods and goods for resale	830	1,394
Mill stocks and sundries	121	147
	<u>2,415</u>	<u>3,610</u>

12. DEBTORS

	<i>Group at 30 September</i>		<i>Company at 30 September</i>	
	<i>1998</i>	<i>1996</i>	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	1,478	1,595	1,478	1,595
Amounts owed by subsidiary undertakings	-	-	78	78
Corporation tax recoverable	-	9	-	9
Value added tax	37	35	37	35
Other debtors	-	906	-	906
Prepayments and accrued income	152	97	153	97
	<u>1,667</u>	<u>2,642</u>	<u>1,746</u>	<u>2,720</u>

Included in trade debtors is an amount of £ nil (30 September 1996 £136,000) relating to debtors assigned to Barclays Bank Plc under their Tradeline facility. Creditors include amounts advanced to the group in respect of these debtors (see note 14).

13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

Group

	<i>at 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Increase in cash in the period	218	793
Cash flow from decrease in debt and finance leases	362	228
Change in net debt arising from cashflows	<u>580</u>	<u>1,021</u>
New finance leases	(46)	(73)
Movement in net debt	<u>534</u>	<u>948</u>
Net debt 1 October 1996	(1,819)	(2,767)
Net debt 31 March 1998 (note 13a)	<u>(1,285)</u>	<u>(1,819)</u>

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

13a. ANALYSIS OF CHANGES IN NET DEBT Group

	<i>1 Oct 96</i> <i>£000</i>	<i>Cash</i> <i>Flow</i> <i>£000</i>	<i>31 Mar 98</i> <i>£000</i>
Cash in hand and at bank	16	(5)	11
Overdrafts	(584)	223	(361)
	(568)	218	(350)
Debt due within one year	(294)	103	(191)
Debt due after one year	(600)	107	(493)
Debentures	(180)	-	(180)
Finance leases	(177)	106	(71)
	(1,819)	534	(1,285)

14. CREDITORS: amounts falling due within one year

	<i>Group</i> <i>at 30 September</i>		<i>Company</i> <i>at 30 September</i>	
	<i>1998</i> <i>£000</i>	<i>1996</i> <i>£000</i>	<i>1998</i> <i>£000</i>	<i>1996</i> <i>£000</i>
Current instalments due on loans (note 15)	191	294	191	294
Bank overdrafts	361	584	361	584
Obligations under hire purchase contracts	42	112	42	112
Trade creditors	1,160	1,099	1,160	1,099
Amount owed to subsidiary undertakings	-	-	2,439	2,038
Corporation tax payable	25	314	-	288
Other taxes and social security	69	82	69	82
Other creditors	-	30	-	30
Accruals and deferred income	206	431	206	431
Dividends payable	-	73	-	73
	2,054	3,019	4,468	5,031

Current instalments due on loans includes an amount of £ nil (30 September 1996 £122,000) which represents amounts advanced on the Tradeline facility against debtors which have been assigned to the bank . The bank has a fixed charge over the debtors assigned.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

15. CREDITORS: amounts falling due after more than one year

	<i>Group & Company at 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Loans (see below)	673	780
Obligations under hire purchase contracts (repayable in 2 to 5 years)	29	65
	<u>702</u>	<u>845</u>
Loans		
Not wholly repayable within five years	239	340
Wholly repayable within five years	625	734
	<u>864</u>	<u>1,074</u>
Amount due within one year	(191)	(294)
	<u>673</u>	<u>780</u>
Details of loans not wholly repayable within five years are as follows:		
	<i>£000</i>	<i>£000</i>
Bank loans	59	160
5% Debenture Stock repayable at company's option	180	180
	<u>239</u>	<u>340</u>
Amounts due at 31 March 1998 are repayable as follows:		
	<i>£000</i>	<i>£000</i>
Loans:		
Between two and five years	278	438
Between one and two years	194	159
	<u>472</u>	<u>597</u>
Within one year (included in current liabilities)	191	294
	<u>663</u>	<u>891</u>
Debentures and loans:		
After five years	201	183
Total	<u>864</u>	<u>1,074</u>

Bank loans of £172,000 (30 September 1996 - £160,000) are secured by a charge on certain investment properties.

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

16. PROVISION FOR LIABILITIES AND CHARGES

Full provision for deferred taxation has been provided in the accounts as follows:

Group & Company

	<i>at 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
Capital allowances in advance of depreciation	280	274
Other differences in recognising revenue and expense items in other periods for taxation purposes	8	(45)
Losses	(207)	-
Advance corporation tax	(28)	(18)
	<u>53</u>	<u>211</u>

The movement during the period is as follows:

	<i>£000</i>	<i>£000</i>
<i>Group</i>		
At 1 October 1996	211	296
Charge for the period	(148)	(76)
Advance corporation tax	(10)	(9)
At 31 March 1998	<u>53</u>	<u>211</u>

Company

At 1 October 1996	157	261
Charge for the period	(94)	(95)
Advance corporation tax	(10)	(9)
At 31 March 1998	<u>53</u>	<u>157</u>

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

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS

for the 18 months ended 31 March 1998

17. CALLED UP SHARE CAPITAL

	<i>Authorised, allotted, called up and fully paid at 30 September</i>	
	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>
648 (1996 15,000) 4.2% cumulative preference shares of £1 each	1	15
360,000 ordinary shares of £1 each	360	360
At 31 March 1998	<u>361</u>	<u>375</u>

18. RESERVES

Group

	Reserve Arising on Consolidation £000	Revaluation Reserve £000	Profit and Loss Account £000	Capital Redemption Reserve £000	Total £000
At 1 October 1996	788	-	3,393	-	4,181
Retained loss for the period	-	-	(700)	-	(700)
Purchase of preference shares	-	-	(14)	14	-
Net surplus arising on revaluation of tangible fixed assets	-	2,229	-	-	2,229
At 31 March 1998	<u>788</u>	<u>2,229</u>	<u>2,679</u>	<u>14</u>	<u>5,710</u>

Company

	Revaluation Reserve £000	Profit and Loss Account £000	Capital Redemption Reserve £000	Total £000
At 1 October 1996	-	2,312	-	2,312
Retained loss for the period	-	(754)	-	(754)
Purchase of preference shares	-	(14)	14	-
Net surplus arising on revaluation of tangible fixed assets	2,229	-	-	2,229
At 31 March 1998	<u>2,229</u>	<u>1,544</u>	<u>14</u>	<u>3,787</u>

R Gaunt & Sons (Holdings) Limited

NOTES TO THE ACCOUNTS for the period ended 31 March 1998

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<i>Group</i> <i>at 30 September</i>		<i>Company</i> <i>at 30 September</i>	
	<i>1998</i>	<i>1996</i>	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
(Loss)/profit for the financial period	(699)	1,033	(753)	956
Dividends paid	(1)	(110)	(1)	(110)
	<u>(700)</u>	<u>923</u>	<u>(754)</u>	<u>846</u>
Net surplus arising on revaluation of tangible net assets	2,229	-	2,229	-
Purchase of preference shares	(14)	-	(14)	-
Net addition to shareholders funds	<u>1,515</u>	<u>923</u>	<u>1,461</u>	<u>846</u>
Opening Shareholders' funds	4,556	3,633	2,687	1,841
Closing Shareholders' funds	<u><u>6,071</u></u>	<u><u>4,556</u></u>	<u><u>4,148</u></u>	<u><u>2,687</u></u>

The total of shareholders funds comprises

	<i>Group</i> <i>at 30 September</i>		<i>Company</i> <i>at 30 September</i>	
	<i>1998</i>	<i>1996</i>	<i>1998</i>	<i>1996</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Non-equity interest				
-attributable to preference shareholders	1	15	1	15
Equity interest	<u>6,070</u>	<u>4,541</u>	<u>4,147</u>	<u>2,672</u>
	<u><u>6,071</u></u>	<u><u>4,556</u></u>	<u><u>4,148</u></u>	<u><u>2,687</u></u>

20. POST BALANCE SHEET EVENT

Subsequent to the year end, on the 7th October 1998 the company disposed of its textile division, including certain stocks and fixed assets associated with the trade, to the management of that division, including Mr N Gaunt, who retired on that date. The loss before taxation arising on the disposal is estimated to amount to £825,000.

21. RELATED PARTIES

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