



Financial statements Stephen Walters & Sons Limited

For the Year Ended 31 March 2011



Company No. 00060209

Company information

Company registration number	00060209
Registered office	Sudbury Silk Mills Cornard Road SUDBURY Suffolk CO10 2XB
Directors	Mr D J Walters Mr J S Walters Mr J D Walters Mr B Crabtree Mr M James Mr R Heap
Secretary	Ms N Currie
Bankers	Lloyds TSB Bank plc Abbey National Plc
Solicitors	Birkett Long
Auditor	Grant Thornton UK LLP Chartered Accountants Statutory Auditor Crown House Crown Street IPSWICH Suffolk IP1 3HS

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2011

Principal activities and business review

The company is principally engaged in the weaving and dying of fabrics from silk and other fibres

During the year, turnover was £7.0m (2010 - £5.9m), and gross profit margin was 30.6% (2010 - 35.5%)

The company made a net profit before tax of 1.3% on sales (2010 - 8.2%)

Liquidity remains strong, with a liquidity ratio of 0.3 (2010 - 1.5)

The directors are satisfied with the result for the year and anticipate continued profitability in the coming year

On 31 March 2010, the net assets and trade of David Walters Fabrics Limited and Glemsford Silk Mills Limited, both fellow subsidiaries, were transferred to the company

Results and dividends

The profit for the year, after taxation, amounted to £64,599. The directors have not recommended a dividend.

Financial risk management objectives and policies

The company aims to minimise financial risk in its operations by the identification and mitigation of key risk areas. The key areas of risk identified by the directors are market risk, price risk, credit risk and currency risk.

The measures used by the directors to manage general financial, market and price risks include the preparation of profit and loss budgets and the regular monitoring of actual performance against these budgets.

Credit risk, as identified by the directors, arises from the company's trade debtors. In order to manage credit risk, the directors set limits for customers and ensure that credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The directors have identified that the company is exposed to translation and transaction foreign exchange risk. The directors use foreign currency forecasts which are regularly monitored to analyse the exposure to foreign currency gains or losses, and identify any necessary actions. Forward and other similar contracts are also used if the directors consider it to be appropriate.

Directors

The directors who served the company during the year were as follows

Mr D J Walters
Mr J S Walters
Mr J D Walters
Mr B Crabtree
Mr M James
Mr R Heap

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Donations

During the year the company made the following contributions

	2011	2010
	£	£
Charitable	<u>204</u>	<u>14</u>

Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'J D Walters', with a long horizontal line extending to the right.

Director
J D Walters

7 September 2011



Independent auditor's report to the members of Stephen Walters & Sons Limited

We have audited the financial statements of Stephen Walters & Sons Limited for the year ended 31 March 2011 which comprise the principal accounting policies, profit and loss account, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Stephen Walters & Sons Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Grant Thornton UK LLP

MARK HANDLEY (Senior Statutory Auditor)

For and on behalf of

GRANT THORNTON UK LLP

STATUTORY AUDITOR

CHARTERED ACCOUNTANTS

IPSWICH

7 September 2011

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Invoices are raised when goods are despatched

Fixed assets

All fixed assets are initially recorded at cost

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Plant & Machinery	-	13 - 33%
Fixtures & Fittings	-	20%
Motor Vehicles	-	20%

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Cost includes amounts incurred in bringing each product to its present location and condition

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transition. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, except for those assets and liabilities which are covered by forward exchange contracts.

All exchange gains and losses in the normal course of business are taken to the profit and loss account.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Investments

Shares in the subsidiary undertaking are included at original cost less any amounts written off for permanent diminution in value.

Profit and loss account

	Note	2011 £	2010 (restated) £
Turnover			
Continuing operations		5,848,078	5,908,823
Acquisitions		1,149,078	—
		<u>6,997,156</u>	<u>5,908,823</u>
Cost of sales	1	(4,859,013)	(3,811,021)
Gross profit		<u>2,138,143</u>	<u>2,097,802</u>
Other operating charges	2	<u>2,034,376</u>	<u>1,609,035</u>
Operating profit	3		
Continuing operations		204,357	488,767
Acquisitions		(100,590)	—
		<u>103,767</u>	<u>488,767</u>
Interest receivable	6	2,132	1,535
Interest payable and similar charges	7	(13,622)	(7,532)
		<u>92,277</u>	<u>482,770</u>
Profit on ordinary activities before taxation			
Tax on profit on ordinary activities	8	27,678	14,513
		<u>64,599</u>	<u>468,257</u>
Profit for the financial year	19		

All of the activities of the company are classed as continuing

The company has no recognised gains or losses other than the results for the year as set out above

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2011 £	2010 £
Fixed assets			
Tangible assets	9	<u>1,215,108</u>	<u>1,110,222</u>
Current assets			
Stocks	10	1,996,235	1,460,893
Debtors	11	3,529,631	3,362,071
Cash at bank and in hand		<u>1,851,794</u>	<u>276,831</u>
		<u>7,377,660</u>	<u>5,099,795</u>
Creditors: amounts falling due within one year	12	<u>5,613,820</u>	<u>3,319,807</u>
Net current assets		<u>1,763,840</u>	<u>1,779,988</u>
Total assets less current liabilities		<u>2,978,948</u>	<u>2,890,210</u>
Provisions for liabilities			
Deferred taxation	14	<u>38,652</u>	<u>14,513</u>
		<u>2,940,296</u>	<u>2,875,697</u>
Capital and reserves			
Called-up equity share capital	17	32,466	32,466
Other reserves	18	19,558	19,558
Profit and loss account	19	<u>2,888,272</u>	<u>2,823,673</u>
Shareholders' funds	20	<u>2,940,296</u>	<u>2,875,697</u>

These financial statements were approved by the directors and authorised for issue on 7/9/11, and are signed on their behalf by



J D Walters
 Director

Company Registration Number 00060209

The accompanying accounting policies and notes form part of these financial statements.

Notes to the financial statements

1 Analysis of cost of sales and net operating expenses

	Continuing operations £	Acquired operations £	Total £
Year ended 31 March 2011			
Cost of sales	<u>3,872,935</u>	<u>986,078</u>	<u>4,859,013</u>
Distribution costs	974,756	134,378	1,109,134
Administrative expenses	830,477	132,812	963,289
Other operating income	(34,447)	(3,600)	(38,047)
Net operating expenses	<u>1,770,786</u>	<u>263,590</u>	<u>2,034,376</u>
Year ended 31 March 2010 (restated)			
Cost of sales	<u>3,811,021</u>	-	<u>3,811,021</u>
Distribution costs	860,184	-	860,184
Administrative expenses	797,302	-	797,302
Other operating income	(48,451)	-	(48,451)
Net operating expenses	<u>1,609,035</u>	-	<u>1,609,035</u>

2 Other operating charges

	2011 £	2010 (restated) £
Distribution costs	1,109,134	860,184
Administrative expenses	963,289	797,302
Other operating income and charges	(38,047)	(48,451)
	<u>2,034,376</u>	<u>1,609,035</u>

3 Operating profit

Operating profit is stated after charging/(crediting)

	2011 £	2010 £
Depreciation of owned fixed assets	311,912	237,402
Profit on disposal of fixed assets	(27,706)	–
Auditor's remuneration		
Audit fees	9,036	13,010
Operating lease costs		
- Other	176,750	103,750
Net loss on foreign currency translation	<u>61,450</u>	<u>48,981</u>

At 31 March 2011, the company has reclassified some costs differently to 31 March 2010 as it is considered to be a fairer reflection of the business activities. As such, these costs have also been reclassified in the comparative profit and loss account.

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to

	2011 No	2010 No
Textile operatives	50	44
Administration	62	53
	<u>112</u>	<u>97</u>

The aggregate payroll costs of the above were

	2011 £	2010 £
Wages and salaries	2,568,237	2,311,176
Social security costs	244,729	217,630
Other pension costs	136,186	125,893
	<u>2,949,152</u>	<u>2,654,699</u>

5 Directors

Remuneration in respect of directors was as follows

	2011 £	2010 £
Remuneration receivable	344,008	360,016
Value of company pension contributions	27,815	27,072
	<u>371,823</u>	<u>387,088</u>

5 Directors (continued)

Remuneration of highest paid director

	2011	2010
	£	£
Total remuneration (excluding pension contributions)	90,007	86,999
Value of company pension contributions	12,320	12,027
	<u>102,327</u>	<u>99,026</u>

The number of directors who accrued benefits under company pension schemes was as follows

	2011	2010
	No	No
Money purchase schemes	<u>4</u>	<u>4</u>

6 Interest receivable

	2011	2010
	£	£
Bank interest receivable	<u>2,132</u>	<u>1,535</u>

7 Interest payable and similar charges

	2011	2010
	£	£
Interest payable on bank borrowing	<u>13,622</u>	<u>7,532</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2011	2010
	£	£
Current tax		
UK Corporation tax based on the results for the year at 21% (2010 - 28%)	3,539	-
Total current tax	<u>3,539</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	24,139	14,513
Tax on profit on ordinary activities	<u>27,678</u>	<u>14,513</u>

8 Taxation on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 21% (2010 - 28%)

	2011 £	2010 £
Profit on ordinary activities before taxation	<u>92,277</u>	<u>482,770</u>
Profit on ordinary activities by rate of tax	19,378	135,176
Expenses not deductible for tax purposes	3,160	9,412
Depreciation for the year in excess of capital allowances	(17,947)	(30,692)
Other timing differences	(1,052)	-
Group relief	-	(27,156)
Utilisation of tax losses	-	(86,740)
Total current tax (note 8(a))	<u>3,539</u>	<u>-</u>

No payment is made for group relief

9 Tangible fixed assets

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 April 2010	6,116,765	1,650,522	80,231	7,847,518
Additions	343,382	11,873	64,731	419,986
Disposals	(169,574)	(4,651)	(40,445)	(214,670)
At 31 March 2011	<u>6,290,573</u>	<u>1,657,744</u>	<u>104,517</u>	<u>8,052,834</u>
Depreciation				
At 1 April 2010	5,256,534	1,407,602	73,160	6,737,296
Charge for the year	219,400	82,103	10,409	311,912
On disposals	(167,137)	(4,651)	(39,694)	(211,482)
At 31 March 2011	<u>5,308,797</u>	<u>1,485,054</u>	<u>43,875</u>	<u>6,837,726</u>
Net book value				
At 31 March 2011	<u>981,776</u>	<u>172,690</u>	<u>60,642</u>	<u>1,215,108</u>
At 31 March 2010	<u>860,231</u>	<u>242,920</u>	<u>7,071</u>	<u>1,110,222</u>

10 Stocks

	2011 £	2010 £
Raw materials	1,375,564	858,519
Work in progress	226,093	194,593
Finished goods	394,578	407,781
	<u>1,996,235</u>	<u>1,460,893</u>

11 Debtors

	2011 £	2010 £
Trade debtors	981,687	741,294
Amounts owed by group undertakings	2,290,038	2,368,233
Amounts owed by related undertakings	—	367
Other debtors	27,248	48,484
Prepayments and accrued income	230,658	203,693
	<u>3,529,631</u>	<u>3,362,071</u>

12 Creditors: amounts falling due within one year

	2011 £	2010 £
Bank overdrafts	1,834,209	292,156
Trade creditors	532,681	298,751
Amounts owed to group undertakings	3,003,680	2,505,331
Corporation tax	3,539	—
Other taxation and social security	100,944	78,721
Other creditors	41,735	35,027
Amounts owed to related undertakings	6,294	5,670
Accruals and deferred income	90,738	104,151
	<u>5,613,820</u>	<u>3,319,807</u>

Included within creditors due within one year is £17,668 (2010 - £18,567) relating to outstanding pension contributions

The bank overdrafts are secured on the assets of the company and also by various cross guarantees (see note 15)

13 Pensions

Defined contribution scheme

The company operates defined contribution pension schemes. The assets of the schemes are administered by trustees in funds independent from those of the company.

The pension cost charge for the year was £136,186 (2010 - £125,893)

14 Deferred taxation

The movement in the deferred taxation provision during the year was

	2011 £	2010 £
Provision brought forward	14,513	-
Profit and loss account movement arising during the year	24,139	14,513
Provision carried forward	<u>38,652</u>	<u>14,513</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2011 £	2010 £
Excess of taxation allowances over depreciation on fixed assets	48,710	14,513
Other timing differences	(10,058)	-
	<u>38,652</u>	<u>14,513</u>

15 Contingent liabilities

The company has entered into an unlimited guarantee in connection with overdraft facilities provided to Glensford Silk Mills Limited, David Walters Fabrics Limited, Spitalfields Fabrics Limited, Walters Trading Company Limited, The Humphries Weaving Company Limited and Spunella Limited

A guarantee has been given in favour of H M Revenue and Customs up to a limit of £50,000 (2010 - £50,000)

16 Related party transactions

As a wholly owned subsidiary of Walters Holdings Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other wholly owned members of the group

During the year there were the following transactions with group undertakings and related parties

	2011 £	2010 £
Glemsford Silk Mills Limited		
Trade purchases	–	312,275
Sale of management services	–	60,000
	<u> </u>	<u> </u>
Spitalfields Fabrics Limited		
Payment of design royalties	<u>66,594</u>	<u>53,588</u>
Mr P B Walters		
Purchase of consultancy fees	<u>8,000</u>	<u>8,625</u>

Mr P B Walters is the father of D J Walters, a director of the company

At 31 March 2011, the following balances existed with group undertakings and related parties

Glemsford Silk Mills Limited		
Creditor	<u>(363,300)</u>	<u>(363,300)</u>
Spitalfields Fabrics Limited		
Creditor	<u>(6,294)</u>	<u>(5,670)</u>
Debtor	<u>–</u>	<u>367</u>
Mr P B Walters		
Creditor	<u>(3,000)</u>	<u>(1,000)</u>

Glemsford Silk Mills Limited is 90% owned by Walters Holdings Limited, this company's parent undertaking Spitalfields Fabrics Limited is a related company due to common control by the Walters family

On 31 March 2010, the net assets and trade of fellow subsidiaries, David Walters Fabrics Limited and Glemsford Silk Mills Limited were transferred into this company at their net book value of £1,012,161 and £363,300 respectively, and therefore the profit and loss account for the current year includes the activities previously conducted through these companies

17 Share capital

Authorised share capital

	2011 £	2010 £
63,750 Ordinary shares of £1 each	63,750	63,750
11,250 Preference shares of £1 each	11,250	11,250
	<u>75,000</u>	<u>75,000</u>

Allotted, called up and fully paid

	2011		2010	
	No	£	No	£
32,466 Ordinary shares of £1 each	<u>32,466</u>	<u>32,466</u>	<u>32,466</u>	<u>32,466</u>

18 Other reserves

	2011 £	2010 £
Capital redemption reserve	<u>19,558</u>	<u>19,558</u>

19 Profit and loss account

	2011 £	2010 £
Balance brought forward	2,823,673	2,355,416
Profit for the financial year	64,599	468,257
Balance carried forward	<u>2,888,272</u>	<u>2,823,673</u>

20 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit for the financial year	64,599	468,257
Opening shareholders' funds	<u>2,875,697</u>	<u>2,407,440</u>
Closing shareholders' funds	<u>2,940,296</u>	<u>2,875,697</u>

21 Capital commitments

The directors have confirmed that there were no capital commitments at 31 March 2011 or 31 March 2010

22 Controlling related party

Walters Holdings Limited is this company's parent undertaking. The Walters family is this company's ultimate controlling related party by virtue of its shareholdings in the ultimate parent undertaking Walters Holdings Limited.