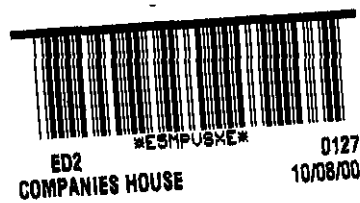


**STEPHEN WALTERS & SONS  
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2000



Company no 00060209



# STEPHEN WALTERS & SONS LIMITED

## FINANCIAL STATEMENTS

For the year ended 31 March 2000

---

Company registration number: 00060209

Registered office: Sudbury Silk Mills  
Sudbury  
Suffolk  
CO10 2XB

Directors: Mr D J Walters  
Mr J S Walters  
Mr J H Dossor  
Mr T Sunman  
Mr J D Flint  
Mr J D Walters  
Miss J McSorley

Secretary: Mr J D Flint

Bankers: Lloyds TSB Bank plc  
Bank of Scotland plc  
Abbey National plc

Solicitors: Bates Wells & Braithwaite

Auditors: Grant Thornton  
Registered auditors  
Chartered accountants



**STEPHEN WALTERS & SONS LIMITED**

**FINANCIAL STATEMENTS**

For the year ended 31 March 2000

---

**INDEX**

**PAGE**

Report of the directors	1 - 2
Report of the auditors	3
Principal accounting policies	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 17



# STEPHEN WALTERS & SONS LIMITED

## REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 March 2000.

### Principal activities

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

### Business review

There was a profit for the year after taxation amounting to £708,183 (1999: profit £832,617). The directors do not recommend payment of a dividend and the profit has therefore been transferred to reserves.

The directors are satisfied with the results for the year and look forward to the continued development of the company.

### Directors

The present membership of the Board is set out below. All directors served throughout the year apart from Mr J D Walters and Miss J McSorley, who were appointed to the Board on 4 November 1999.

The interests of the directors and their families in the shares of the company as at 31 March 2000 and 1 April 1999 were as follows:

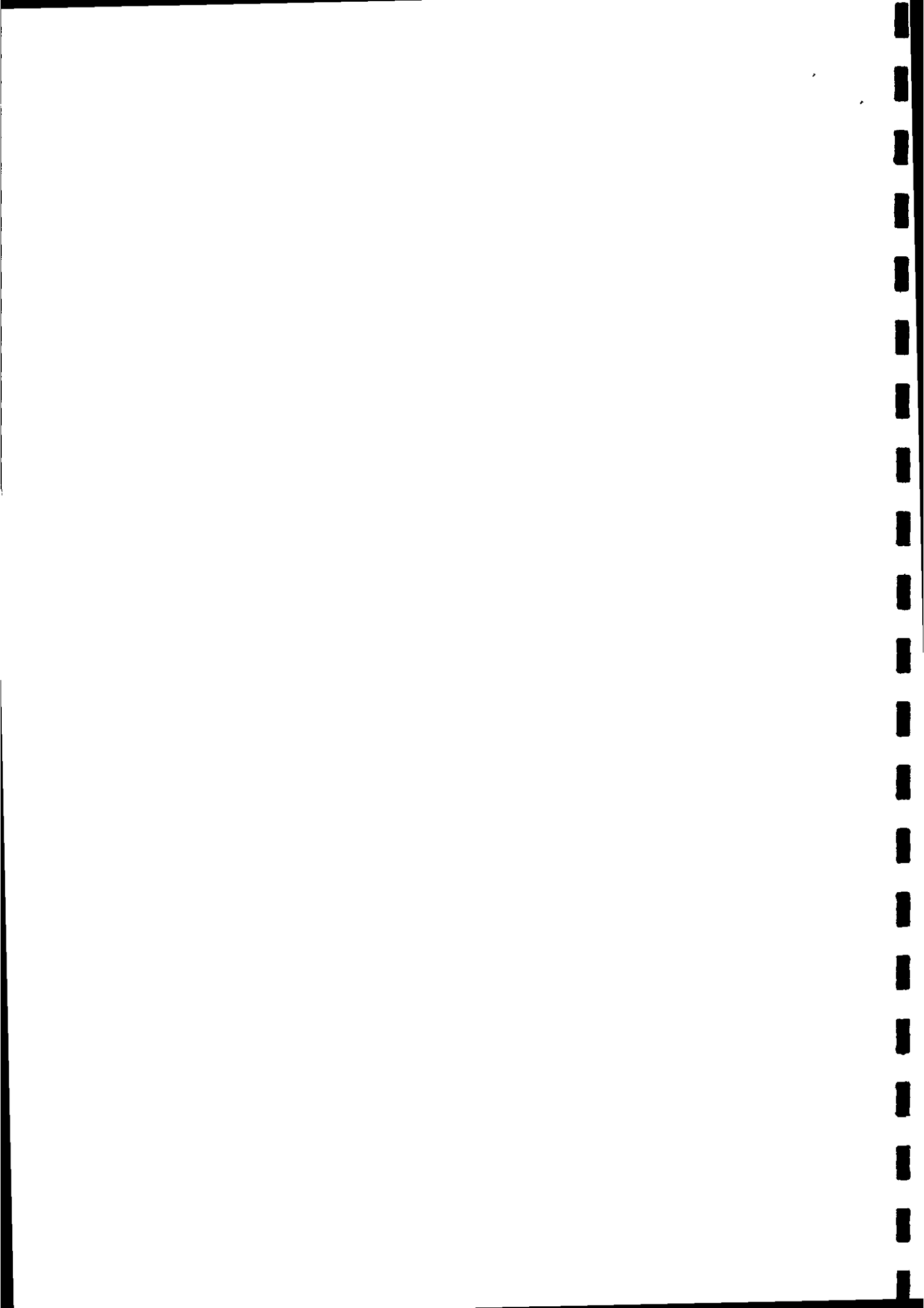
	<b>Ordinary shares</b>	
	<b>31 March 2000</b>	<b>1 April 1999</b>
Mr D J Walters	10,415	10,415
Mr J S Walters	100	100
Mr J H Dossor	2,349	2,349
Mr T Sunman	-	-
Mr J D Flint	-	-
Mr J D Walters (appointed 4 November 1999)	-	-
Miss J McSorley (appointed 4 November 1999)	-	-

### Fixed assets

The directors are of the opinion that in aggregate the market value of land and buildings exceeds its book value.

### Charitable donations

During the year the company made charitable donations of £13,010 (1999: £11,850).





# STEPHEN WALTERS & SONS LIMITED

## REPORT OF THE DIRECTORS

---

### Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Year 2000 compliance

All systems operated satisfactorily over the Year 2000 date change and continue to do so. There have been no indications from the company's customers and suppliers that the Year 2000 date change has impacted on their businesses.

### Auditors

Grant Thornton offer themselves for reappointment in accordance with section 385 of the Companies Act 1985 at the next Annual General Meeting.

BY ORDER OF THE BOARD



J D Flint  
Secretary

2 June 2000



**REPORT OF THE AUDITORS TO THE MEMBERS OF  
STEPHEN WALTERS & SONS LIMITED**

We have audited the financial statements on pages 4 to 17 which have been prepared under the accounting policies set out on pages 4 to 5.

**Respective responsibilities of directors and auditors**

As described on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

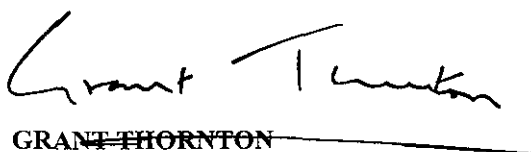
**Basis of opinion**

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

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

**Opinion**

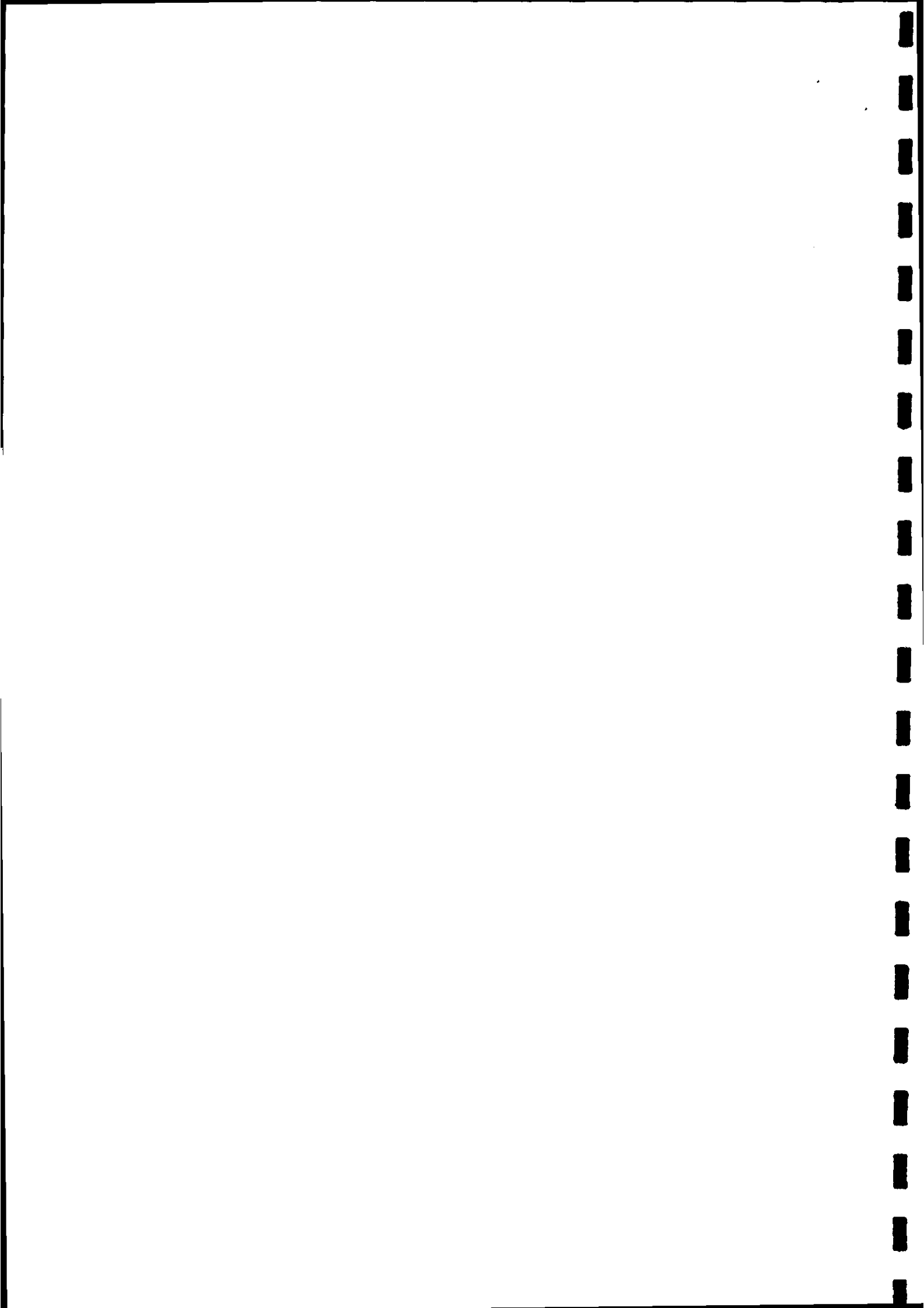
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**GRANT THORNTON**  
**REGISTERED AUDITORS**  
**CHARTERED ACCOUNTANTS**

IPSWICH

25 July 2000



# STEPHEN WALTERS & SONS LIMITED

## PRINCIPAL ACCOUNTING POLICIES

---

### BASIS OF PREPARATION

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

The company has not prepared consolidated financial statements on the grounds that its subsidiary, after elimination of intra group transactions, is not material. These financial statements therefore present information about the company as an individual undertaking and not the group.

The principal accounting policies of the company and its subsidiary have remained unchanged from the previous year and are set out below.

### TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

### TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Computer equipment	33%
Plant and machinery	15% - 25%
Motor vehicles	20%
Fixtures and fittings	20% - 33%

No depreciation is provided on freehold land and buildings on the basis that the value of the land is greater than the current book value of the land and buildings.

### INVESTMENTS

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

Other investments comprise a portrait and properties valued at cost or insurance valuation.

The directors consider the properties and the portrait of the founder by Thomas Gainsborough to be investments and that they have a value in excess of their book value.

### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes amounts incurred in bringing each product to its present location and condition. In the case of work in progress, cost comprises the cost of direct materials and labour plus appropriate overhead costs.

### DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.



## **STEPHEN WALTERS & SONS LIMITED**

### **PRINCIPAL ACCOUNTING POLICIES**

---

#### **FOREIGN CURRENCIES**

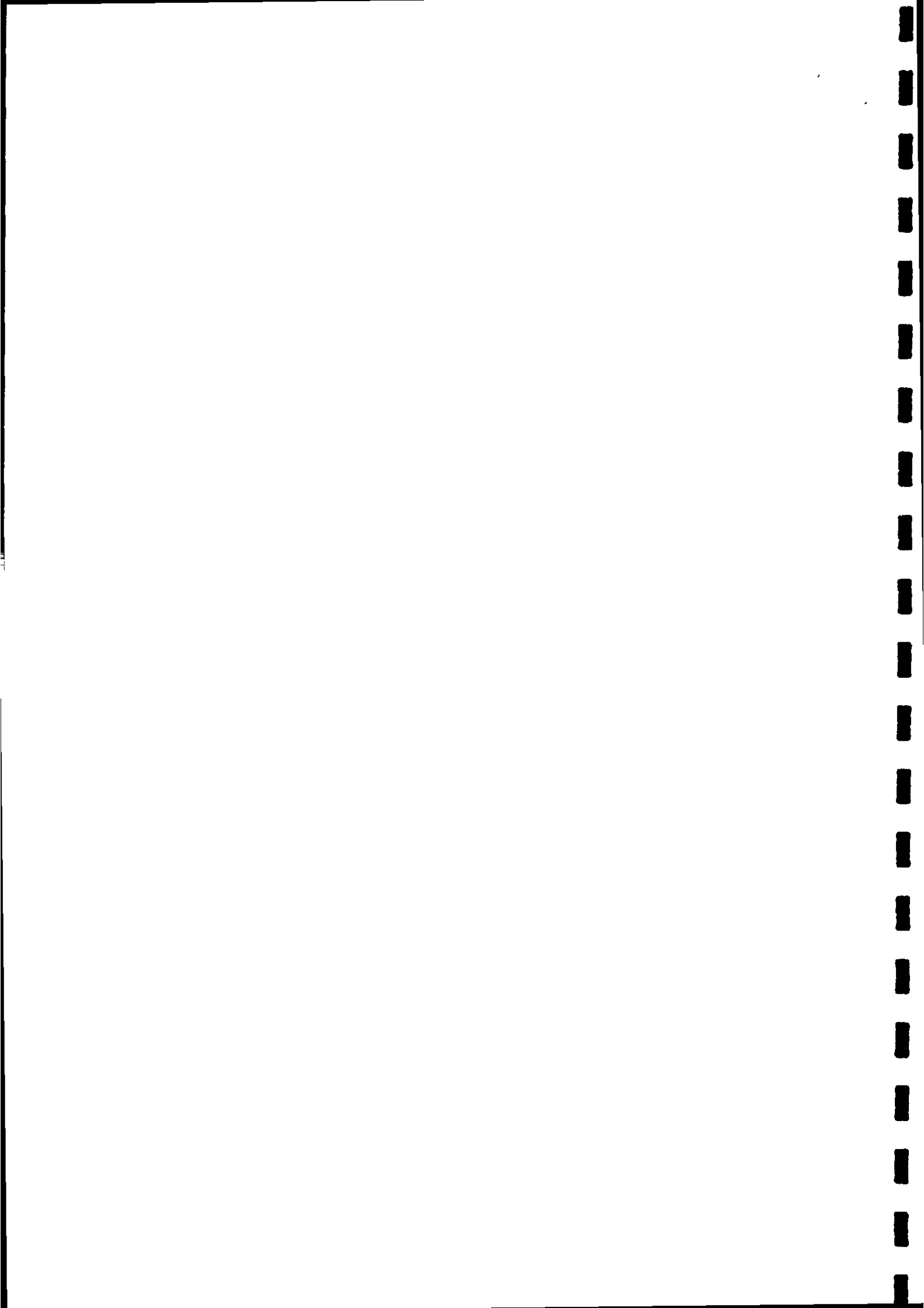
Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, except for those assets and liabilities 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.*

#### **CONTRIBUTIONS TO PENSION FUNDS**

##### **Defined contribution scheme**

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.





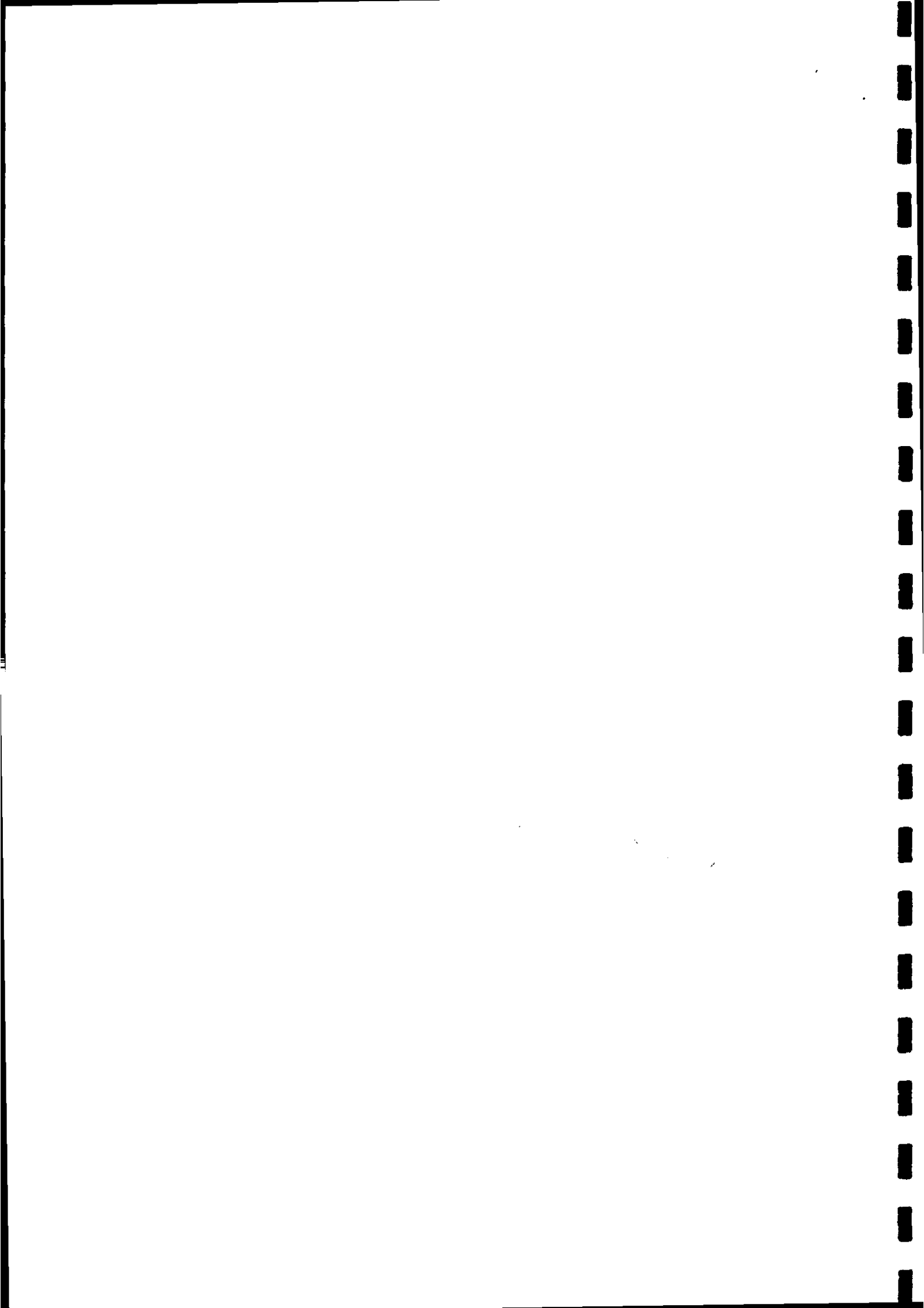
**STEPHEN WALTERS & SONS LIMITED****PROFIT AND LOSS ACCOUNT**

For the year ended 31 March 2000

	Note	2000 £	1999 £
Turnover	1	9,242,239	8,768,371
Cost of sales		(5,186,241)	(5,062,224)
Gross profit		4,055,998	3,706,147
Distribution costs		(766,380)	(790,708)
Administrative expenses		(2,527,389)	(2,011,432)
Other operating income		3,825	6,225
Operating profit		766,054	910,232
Income from other fixed asset investments	2	66,879	57,558
Other interest receivable and similar income		288,380	341,870
Interest payable and similar charges	3	(135,958)	(125,366)
Profit on ordinary activities before taxation	1	985,355	1,184,294
Tax on profit on ordinary activities	5	(277,172)	(351,677)
Profit transferred to reserves	14	708,183	832,617

There were no recognised gains or losses other than the profit for the financial year.

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

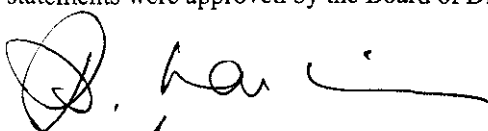


**STEPHEN WALTERS & SONS LIMITED****BALANCE SHEET AT 31 MARCH 2000**

	Note	2000 £	1999 £
<b>Fixed assets</b>			
Tangible assets	6	1,682,419	1,587,405
Investments	7	96,472	96,472
		<u>1,778,891</u>	<u>1,683,877</u>
<b>Current assets</b>			
Stocks	8	1,155,505	1,162,107
Debtors	9	3,593,179	3,871,431
Cash at bank and in hand		6,694,416	5,661,596
		<u>11,443,100</u>	<u>10,695,134</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(3,345,266)</u>	<u>(3,214,269)</u>
<b>Net current assets</b>		<u>8,097,834</u>	<u>7,480,865</u>
<b>Total assets less current liabilities</b>		<u>9,876,725</u>	<u>9,164,742</u>
<b>Provisions for liabilities and charges</b>	11	<u>(56,000)</u>	<u>(52,200)</u>
		<u>9,820,725</u>	<u>9,112,542</u>
<b>Capital and reserves</b>			
Called up share capital	13	41,089	41,089
Other reserves	14	10,935	10,935
Profit and loss account	14	9,768,701	9,060,518
<b>Shareholders' funds</b>	15	<u>9,820,725</u>	<u>9,112,542</u>

The financial statements were approved by the Board of Directors on 2 June 2000

D J Walters



Director

J D Flint



Director

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



**STEPHEN WALTERS & SONS LIMITED****CASH FLOW STATEMENT**

For the year ended 31 March 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	16	1,786,696	1,322,148
Returns on investments and servicing of finance			
Interest received		288,380	341,870
Interest paid		(135,958)	(125,366)
Dividends received		57,558	73,139
Net cash inflow from returns on investments and servicing of finance		209,980	289,643
Taxation		(445,872)	(383,277)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(550,182)	(460,304)
Sale of tangible fixed assets		5,000	3,960
Net cash outflow from capital expenditure and financial investment		(545,182)	(456,344)
Increase in cash	17	1,005,622	772,170

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



# STEPHEN WALTERS & SONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

### 1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover is all attributable to the principal activity of the company. An analysis of turnover by geographical market has not been disclosed as the directors consider that such an analysis would be seriously prejudicial to the business.

The profit on ordinary activities is stated after:

	2000 £	1999 £
Auditors' remuneration	14,169	15,420
Depreciation:		
Tangible fixed assets, owned	429,035	414,191
Loss on disposal of fixed assets	21,133	(2,218)
Other operating income includes:		
Rent receivable	3,825	6,225

During the year the auditors' non audit remuneration was £2,120 (1999: £12,545).

### 2 INCOME FROM OTHER FIXED ASSET INVESTMENTS

	2000 £	1999 £
Group undertakings	66,879	57,558

### 3 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
On bank overdrafts	135,958	125,366

### 4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2000 £	1999 £
Wages and salaries	72,070	73,499
Social security costs	11,917	7,350
Other pension costs	97,950	68,550
	181,937	149,399





# STEPHEN WALTERS & SONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

The average number of employees of the company during the year were as follows:

	2000 Number	1999 Number
Management	6	5

Remuneration in respect of directors was as follows:

	2000 £	1999 £
Emoluments	114,144	110,973
Pension contributions to money purchase pension schemes	82,950	53,550
	197,094	164,523

The amounts set out above include £144,589 in respect of the highest paid director (1999: £138,372) comprising emoluments of £87,339 (1999: £88,372) and pension contributions to money purchase pension schemes of £57,250 (1999: £50,000).

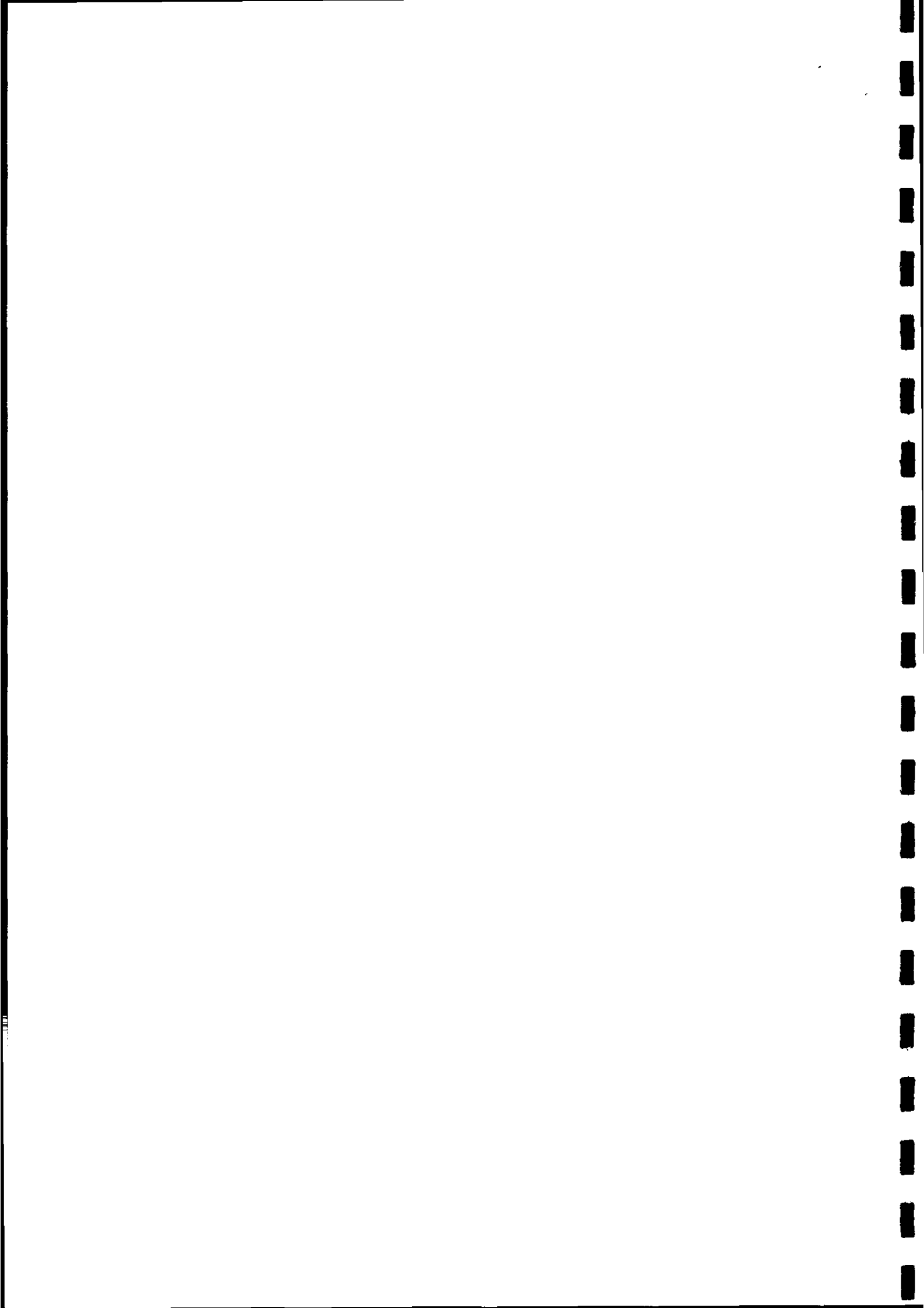
In addition to the above, £271,590 (1999: £230,171) was charged by Spunella Limited, a subsidiary company, in respect of directors' services and £2,833,165 (1999: £2,611,122) in respect of employment services.

During the year two (1999: one) directors participated in money purchase pension schemes and four (1999: three) in final salary pension schemes. The remuneration of the directors participating in defined benefit pension schemes is recharged by Spunella Limited and disclosures relating to the defined benefit scheme are shown in that company's accounts.

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

	2000 £	1999 £
UK Corporation tax at 30% (1999: 31%)	273,000	345,500
Deferred taxation	3,800	6,700
	276,800	352,200
Adjustments in respect of prior periods:		
Corporation tax	372	(523)
	277,172	351,677



**STEPHEN WALTERS & SONS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2000

**6 TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Motor vehicles £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
Cost					
At 1 April 1999	109,273	3,545,277	137,022	1,160,997	4,952,569
Additions	-	494,157	20,000	36,025	550,182
Disposals	-	(160,541)	(22,362)	(349)	(183,252)
At 31 March 2000	109,273	3,878,893	134,660	1,196,673	5,319,499
Depreciation					
At 1 April 1999	9,070	2,328,175	83,420	944,499	3,365,164
Provided in the year	-	302,846	20,984	105,205	429,035
Eliminated on disposals	-	(137,222)	(19,635)	(262)	(157,119)
At 31 March 2000	9,070	2,493,799	84,769	1,049,442	3,637,080
Net book amount at 31 March 2000	<u>100,203</u>	<u>1,385,094</u>	<u>49,891</u>	<u>147,231</u>	<u>1,682,419</u>
Net book amount at 31 March 1999	<u>100,203</u>	<u>1,217,102</u>	<u>53,602</u>	<u>216,498</u>	<u>1,587,405</u>

**7 FIXED ASSETS INVESTMENTS**

	<b>Shares in group undertaking £</b>	<b>Other investments £</b>	<b>Total £</b>
Cost			
At 1 April 1999 and 31 March 2000	2,577	93,895	96,472
Net book amount at 31 March 2000 and 31 March 1999	<u>2,577</u>	<u>93,895</u>	<u>96,472</u>



# STEPHEN WALTERS & SONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

At 31 March 2000 the company held more than 10% of the allotted share capital of the following subsidiary undertaking:

	Country of incorporation /registration	Class of share capital held	Proportion held	Nature of business	Capital and reserves £	Profit for the year £
Spunella Limited	England	Ordinary	60%	Provision of weaving and related services	4,140	-

The company has not prepared consolidated financial statements on the grounds that its subsidiary, after elimination of intra group transactions, is not material.

### 8 STOCKS

	2000 £	1999 £
Raw materials and consumable stores	516,012	572,656
Short-term work in progress	166,635	179,083
Finished goods and goods for resale	472,858	410,368
	<u>1,155,505</u>	<u>1,162,107</u>

### 9 DEBTORS

	2000 £	1999 £
Trade debtors	1,880,316	1,884,457
Amounts owed by related undertakings	1,369,195	1,762,370
Other debtors	198,891	129,170
Prepayments and accrued income	144,777	95,434
	<u>3,593,179</u>	<u>3,871,431</u>



# STEPHEN WALTERS & SONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

### 10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 £
Bank overdrafts	2,195,320	2,168,122
Trade creditors	367,892	273,431
Amounts owed to group undertakings	430,367	229,174
Amounts owed to related undertakings	16,421	73,531
Corporation tax	173,000	345,500
Social security and other taxes	3,056	4,120
Other creditors	37,074	48,651
Accruals and deferred income	122,136	71,740
	<u>3,345,266</u>	<u>3,214,269</u>

### 11 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 1 April 1999	52,200
Provided during the year	3,800
At 31 March 2000	<u>56,000</u>

### 12 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below:

	Amount provided 2000 £	1999 £
Accelerated capital allowances	63,500	56,200
Other timing differences	(7,500)	(4,000)
	<u>56,000</u>	<u>52,200</u>





**STEPHEN WALTERS & SONS LIMITED****NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2000

**13 SHARE CAPITAL**

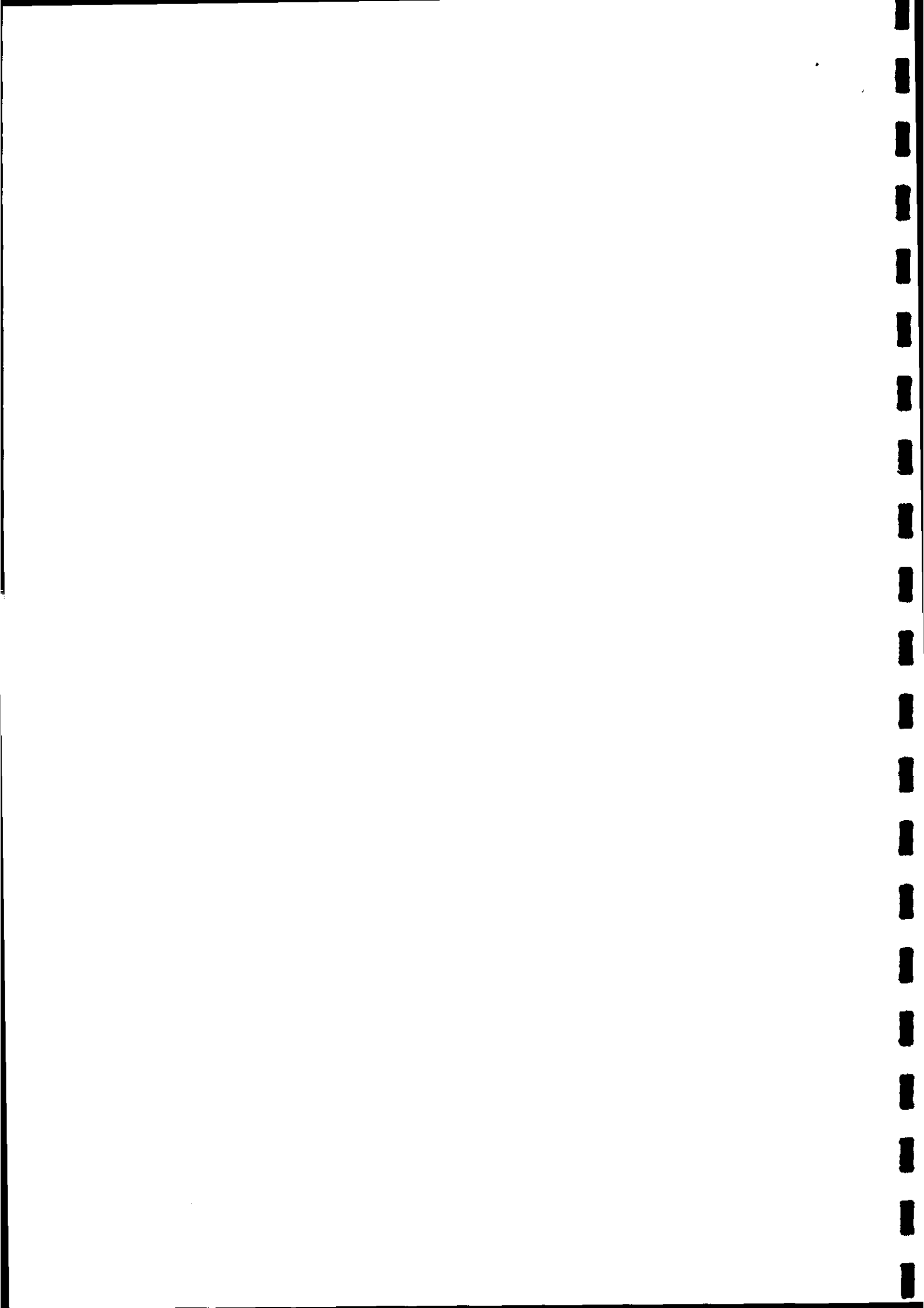
	2000 £	1999 £
Authorised		
63,750 ordinary shares of £1 each	63,750	63,750
11,250 preference shares of £1 each	11,250	11,250
	<u>75,000</u>	<u>75,000</u>
 Allotted, called up and fully paid		
41,089 ordinary shares of £1 each	<u>41,089</u>	<u>41,089</u>

**14 RESERVES**

	Other reserves £	Profit and loss account £
At 1 April 1999	10,935	9,060,518
Retained profit for the year	-	708,183
At 31 March 2000	<u>10,935</u>	<u>9,768,701</u>

**15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2000 £	1999 £
Profit for the financial year	708,183	832,617
Net increase in shareholders' funds	708,183	832,617
Shareholders' funds at 1 April 1999	9,112,542	8,279,925
Shareholders' funds at 31 March 2000	<u>9,820,725</u>	<u>9,112,542</u>



# STEPHEN WALTERS & SONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2000

### 16 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Operating profit	766,054	910,232
Depreciation	429,035	414,191
Loss on sale of tangible fixed assets	21,133	(2,218)
Decrease in stocks	6,602	174,748
Decrease in debtors	287,573	(242,583)
Increase in creditors	276,299	67,778
Net cash inflow from continuing operating activities	<u>1,786,696</u>	<u>1,322,148</u>

### 17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2000 £	1999 £
Increase in cash in the year	1,005,622	772,170
Change in net funds resulting from cashflows	1,005,622	772,170
Net funds at 1 April 1999	3,493,474	2,721,304
Net funds at 31 March 2000	<u>4,499,096</u>	<u>3,493,474</u>

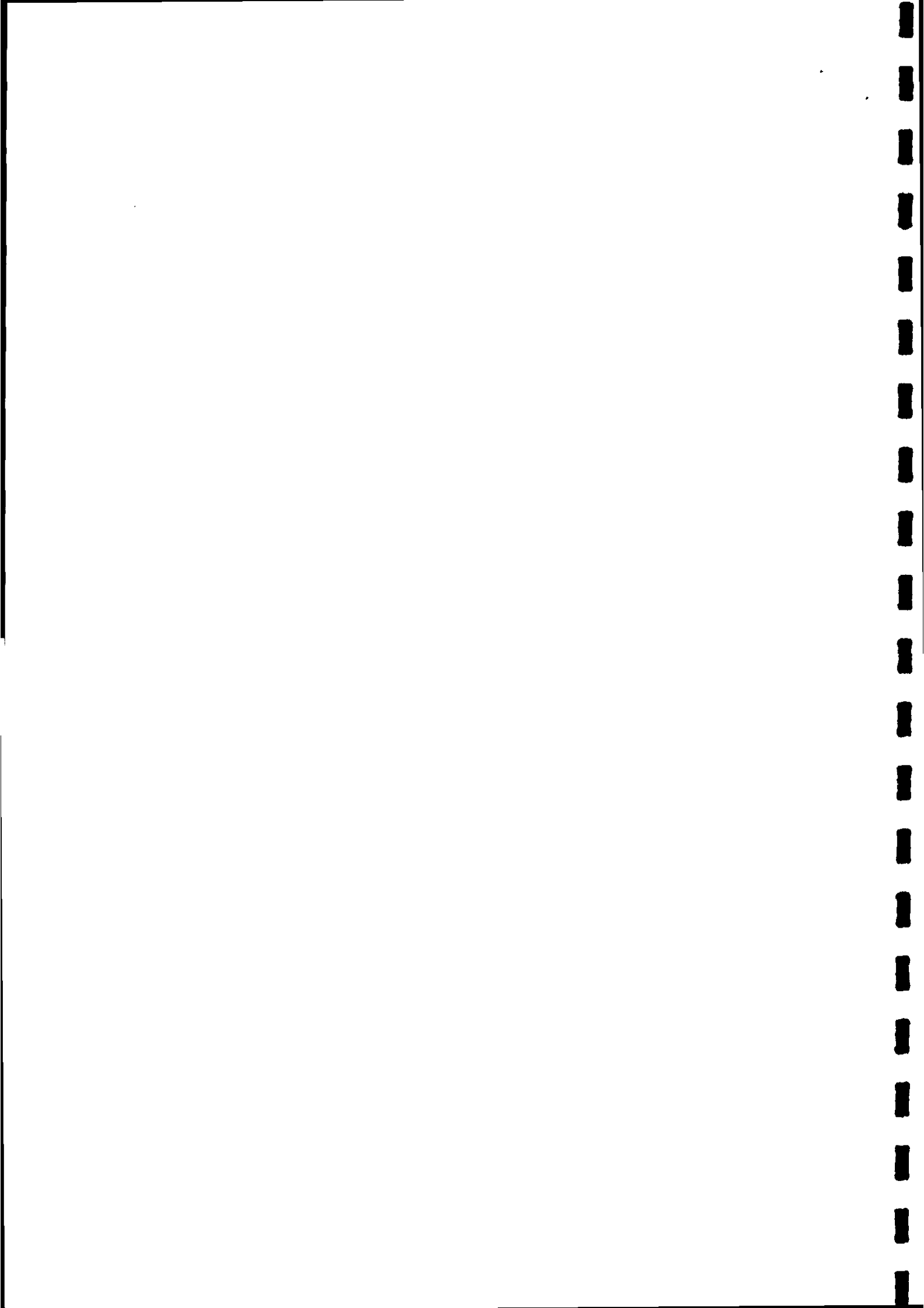
### 18 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 April 1999 £	Cash flow £	At 31 March 2000 £
Cash in hand and at bank	5,661,596	1,032,820	6,694,416
Overdrafts	(2,168,122)	(27,198)	(2,195,320)
	<u>3,493,474</u>	<u>1,005,622</u>	<u>4,499,096</u>

### 19 CAPITAL COMMITMENTS

	2000 £	1999 £
Contracted for but not provided in these statements	<u>83,865</u>	-

In addition, £40,000 (1999: £nil) was authorised but not provided in these statements.



**STEPHEN WALTERS & SONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2000

---

**20 CONTINGENT LIABILITIES**

The company has entered into an unlimited guarantee in connection with overdraft facilities provided to Glemsford Silk Mills Limited and David Walters Fabrics Limited.

A guarantee has been given in favour of H M Customs and Excise up to a limit of £50,000 (1999: £50,000).

**21 PENSIONS**

**Defined Contribution Scheme**

The company operates a defined contribution pension scheme. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The pension cost charge for the year was £65,000 (1999: £65,000).

In addition the company contributed £30,000 (1999: £nil) to an unapproved pension scheme on behalf of employees and directors and £2,950 (1999: £3,550) to personal pension schemes.

**22 ULTIMATE CONTROLLING RELATED PARTY**

The Walters family is this company's ultimate controlling related party by virtue of their shareholdings in the company.



**STEPHEN WALTERS & SONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2000

**23 TRANSACTIONS WITH RELATED PARTIES**

During the year the following transactions took place with related parties:

Related Party	Nature of Relationship	Type of Transaction	2000 £	1999 £
David Walters Fabrics Limited	Common Control	Trade Purchases	208,669	194,989
		Sale of Goods	310,146	215,927
		Purchase of Fixed Assets	-	15,134
		Sale of Management Services	45,000	45,000
Glemsford Silk Mills Limited	Common Control & Minority Shareholder	Trade Purchases	1,908,425	1,972,256
		Sale of Goods	36,768	20,323
		Sale of Management Services	30,000	30,000
Spitalfields Fabrics Limited	Common Control	Sale of Design Services	2,380	3,136
		Payment of Design Royalties	81,211	114,265
Spunella Limited	Subsidiary Company	Purchase of Employment Services	3,104,755	2,841,293
Mr P B Walters	Father of D J Walters	Purchase of Consultancy Services	7,300	7,875

All of the transfers of fixed assets were at net book value.

All of the above transactions were at arms length on normal commercial terms.

At 31 March 2000 the following balances existed with related parties:

Related Party	Nature of Relationship	Debtor/(Creditor)	£	£
David Walters Fabrics Limited	Common Control	Debtor	1,258,269	1,260,815
Glemsford Silk Mills Limited	Common Control & Minority Shareholder	Debtor	110,926	501,555
Spitalfields Fabrics Limited	Common Control	Creditor	(16,421)	(73,531)
Spunella Limited	Subsidiary Company	Creditor	(430,367)	(229,174)
Mr P B Walters	Father of D J Walters	Creditor	(1,950)	(3,246)

