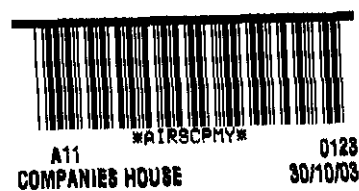


Drummond Group plc

Annual report and financial statements
for the year ended 31 December 2002

Registered Number: 192947



Drummond Group plc

Annual report and financial statements for the year ended 31 December 2002

Contents

Directors and advisors	1
Directors and advisors	1
Principal activity	2
Review of the business	2
Results and dividends	2
Directors and their interests	2
Share capital	2
Post balance sheet event	2
Post balance sheet events are disclosed in note 11 to the accounts.	2
Disabled employees	3
Statement of directors' responsibilities	3
Independent auditors' report to the members of Drummond Group plc	4
Respective responsibilities of directors and auditors	4
Basis of opinion	4
Profit and loss account for the year ended 31 December 2002	5
Notes to the financial statements for the year ended 31 December 2002	7
Investments	7
Foreign currencies	8
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses arising from movements in the exchange rate subsequent to the date of the transaction are taken to the profit and loss account.	8
4 Tax on loss on ordinary activities	9
5 Preference dividend	9
6 Fixed asset investments	9
Investments in subsidiary undertaking	9
Cost	9
18,779	9

Drummond Group plc

14,279.....	9
Amounts written off in earlier years	9
(14,279).....	9
(14,279).....	9
Amount written off in current year	9
(4,500).....	9
Net book value	9
-	9
-	9
8 Called-up share capital.....	10
The amount of shareholders' funds attributable to non-equity interest is £Nil (2001 - £9,440,000).....	10
9 Reconciliation of movements in shareholders' funds	10
Share premium account	11
Profit and loss account	11
2002.....	11
2001.....	11
2002.....	11
2001.....	11
£'000	11
£'000	11
£'000	11
£'000	11
At 1 January.....	11
3,243.....	11
3,243.....	11
(9,538).....	11
(95).....	11
Loss for the financial period.....	11
-	11
-	11
(3,809).....	11
(9,443).....	11
At 31 December.....	11
3,243.....	11
3,243.....	11
(13,347).....	11
(9,538).....	11
11 Post Balance Sheet Event	11
12 Contingencies	11
13 Immediate parent company	11
14 Ultimate parent company	11

Drummond Group plc

Directors and advisors

Directors

R Bellande

P Servan

S Coimbra

Secretary

C Malir

Auditors

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Lower Mosley Street

Manchester

M2 3PW

Registered Office

Park Valley Mills

Meltham Road

Lockwood

Huddersfield

HD4 7BH

Registered Number

192947

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activity

The principal activity of the company is that of the holding company of Drummond Parkland of England Limited which manufactures and distributes fabric and associated products. During the year Drummond Parkland of England Limited acquired all the share capital of Park Valley (Dyers and Finishers) Limited which also manufactures and distributes fabric and associated products.

Review of the business

The company's investments have not changed during the year, but the company subscribed for additional share capital of £4,500,000 in Drummond Parkland of England Limited in March 2002.

The company has been confronted with difficult market conditions during the year due to the rising price of wool fibre (which has made it increasingly difficult for woollen garments to compete against garments using cotton and synthetics) and also the significant growth in direct imports from the Far East. To restore the financial situation of the company, Chargeurs Tissus, SA, the company's immediate parent company, decided to increase the share capital of the company (see note 11 to the accounts detailing post balance sheet events). A restructuring process has also been initiated in order to improve the efficiency of the ladieswear and menswear sales force.

Presentation of financial statements

The directors have taken advantage of the exemption under Section 228 of the Companies Act 1985, and elected not to prepare consolidated accounts, as the company and its subsidiary undertakings are included in the consolidated financial statements of its ultimate parent company, Chargeurs SA.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. There are no distributable reserves and hence the directors do not recommend the payment of a dividend.

Directors and their interests

The directors who served during the year were:

R. Bellande	
P Servan	(appointed 1 February 2002)
S Coimbra	
P Bayet	(resigned 11 January 2002)
F T Finnie	(resigned 18 June 2002)

None of the directors has any beneficial interests in the share capital of the company.

The directors had no other interests which are required to be disclosed under the Companies Act 1985.

Share capital

During the year the preference and deferred shares of the company were converted into ordinary 5p shares. Dividends attaching to the preference shares were also waived.

Post balance sheet event

Post balance sheet events are disclosed in note 11 to the accounts.

Directors' report for the year ended 31 December 2002 (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

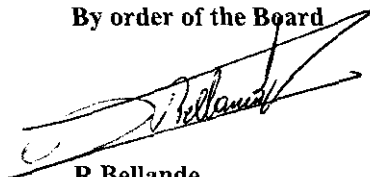
Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the company continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records which 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 1985. 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.

By order of the Board



R Bellande
Secretary
8th May 2003

Independent auditors' report to the members of Drummond Group plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, as explained in note 1 to the financial statements, the evidence available to us was limited because the company is suffering trading losses and there is uncertainty over the company's ability to continue trading, the availability of financial support from the parent company, and lack of evidence of alternative funding.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning the availability of alternative future funding, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the matters referred to above, we have not obtained all the information and explanation we considered necessary for the purposes of our audit.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
8th May 2003

Profit and loss account for the year ended 31 December 2002

		Year ended 31 December 2002	Year ended 31 December 2001
	Note	£'000	£'000
Administrative expenses			
Exceptional items - Reorganisation costs		-	(118)
Other administrative expenses		-	(34)
Loss on ordinary activities before interest and taxation	2	-	(152)
Amounts written off investments	6	(4,500)	(9,342)
Loss on ordinary activities before taxation		(4,500)	(9,494)
Tax on loss on ordinary activities	4	-	-
Loss for the financial year		(4,500)	(9,494)
Preference dividends released	5	691	51
Retained loss for the year	10	(3,809)	(9,443)

The above activities all relate to continuing operations.

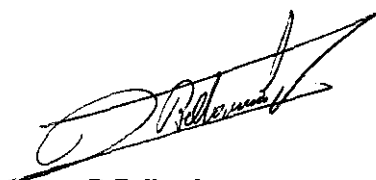
The company had no recognised gains and losses in the financial year, other than those included in the profit and loss account, and therefore no statement of total recognised gains and losses has been presented.

These notes on pages 7 to 11 form part of these financial statements.

Balance Sheet as at 31 December 2002

	Note	31 December 2002 £'000	31 December 2001 £'000
Fixed assets			
Investments	6	-	-
Current assets			
Amounts owed by group undertaking		4,047	4,047
		4,047	4,047
Creditors: amounts falling due within one year	7	-	(691)
Net current assets		4,047	3,356
Total assets less current liabilities		4,047	3,356
Net assets		4,047	3,356
Capital and reserves			
Called-up share capital	8	14,151	9,651
Share premium account	10	3,243	3,243
Profit and loss account	10	(13,347)	(9,538)
Shareholders' funds	9	4,047	3,356
Equity interests		4,047	(6,084)
Non equity interests		-	9,440
Total capital employed		4,047	3,356

These financial statements were approved by the board of directors on 8th May 2003 and were signed on its behalf by:



R Bellande
Director

Notes to the financial statements for the year ended 31 December 2002

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and the preceding year.

Basis of preparation

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

During the year the company incurred a loss before taxation of £3.8m. Subsequent to the year end, the unaudited management accounts show a loss for the three months ended 31 March 2003 of £Nil. These financial statements have been prepared on the going concern basis which assumes the company will have sufficient resources to fund its financial requirements for the foreseeable future.

On 7 May 2003 the company was recapitalised, as described in note 11.

The directors are currently in negotiations to dispose of the share capital of the company to an unrelated third party. If the negotiations are successful Chargeurs will cease to provide financial support as it will no longer be the parent company. The future intentions of the third party and the possibility of new funding following a disposal are not known to the directors. As a result the directors do not know what funding will be available to the company to enable it to continue to trade and hence whether it is likely to be a going concern.

Should the going concern basis of preparation not be appropriate adjustments may be necessary to reduce the assets to their recoverable amount, and to provide for any further liabilities which may arise and to reclassify fixed assets as current assets. The directors are not able to quantify the amount of any such adjustments.

Consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements by S228 of the Companies Act 1985, as it is a wholly owned subsidiary of Chargeurs SA, a company incorporated in France, which prepares consolidated financial statements which are publicly available from the address given in Note 13.

Cash flow statement

The company is a wholly owned subsidiary of Chargeurs SA, a company incorporated in France, whose financial statements are publicly available. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of paragraph 5(a) of Financial Reporting Standard 1 (revised 1996).

Related party transactions

As a wholly owned subsidiary of Chargeurs SA, the company has taken advantage of the exemption under paragraph 3(a) of Financial Reporting Standard 8 from disclosing transactions with other member companies of the group headed by Chargeurs SA.

There are no other related party transactions requiring disclosure.

Investments

Investments in subsidiary undertakings are stated at cost less provision for any impairment. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

1 Accounting policies (continued)

Taxation

The company provides for corporate taxation on the results for each period at the normal rate applicable to that period.

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

Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses arising from movements in the exchange rate subsequent to the date of the transaction are taken to the profit and loss account.

2 Loss on ordinary activities before taxation

Auditors' remuneration is borne by another group company.

3 Directors' remuneration and employee costs

Directors' remuneration is borne by Drummond Parkland of England Limited. The amounts incurred were:

	Year ended 31 December 2002 £'000	Year ended 31 December 2001 £'000
Total remuneration	169	222
Highest paid director	169	222

The amount of accrued pension under the company's defined benefit pension scheme of the highest paid director was:

	2002	2001
Accrued annual pension	£17,225	£15,948

The company had no other employment costs in the year (2001 Nil).

4 Tax on loss on ordinary activities

No tax arises on the profit for the year (2001 - £Nil). Tax losses of the company amount to £Nil (2001 - £2,872,000) and unrelieved ACT amounts to £517,000 (2001 - £599,000). These are carried forward to be offset against any future taxable profits of the same trade.

No liability arises in respect of deferred taxation. The deferred tax asset of £376,000 (2001 - £880,000) arising on unrelieved trading losses and timing differences has not been recognised as it is not certain that future taxable profits will be available to relieve the trading losses. The assets will reduce the tax charge of future periods.

The difference between the actual current year tax charge and the theoretical current year tax charge of 30% is due to unrecognised tax losses.

5 Preference dividend

	2002 £'000	2001 £'000
Reversal of accrual	691	51
	691	51

The accrual made in 2000 was in excess of the company's available distributable reserves and this was released in 2001. In March 2002 all arrears of dividend were waived by the holding company.

6 Fixed asset investments

Investments in subsidiary undertaking	2002 £'000	2001 £'000
Cost	18,779	14,279
Amounts written off in earlier years	(14,279)	(14,279)
Amount written off in current year	(4,500)	
Net book value	-	-

During the year the company subscribed for £4,500,000 £1 Ordinary shares of Drummond Parkland of England Limited. The investment in Drummond Parkland of England Limited is regarded by the directors as impaired at the year end and has been written down to £Nil. Also during the year Drummond Parkland of England Limited subscribed for or acquired all of the issued share capital of Park Valley (Dyers and Finishers) Limited. Both these companies are wholly owned and registered in England and Wales.

7 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Preference dividends payable	-	691

8 Called-up share capital

	2002 £'000	2001 £'000
Authorised		
414,000,000 (2001 - 85,680,000) Ordinary shares of 5p each	20,700	4,284
Nil (2001 - 225,000) 5.6% Cumulative Preference shares of £1 each	-	225
Nil (2001 - 3,692,000) 5p (net) Cumulative Redeemable Preference shares of 25p each	-	923
Nil (2001 - 105,360,000) Deferred shares of 5p each	-	5,268
	20,700	10,700
Allotted, called up and fully paid		
283,020,354 (2001 - 64,700,000) Ordinary shares of 5p each	14,151	3,235
Nil (2001 - 225,000) 5.6% Cumulative Redeemable Preference share of £1 each	-	225
Nil (2001 - 3,692,000) 5p (net) Cumulative Redeemable Preference shares of 25p each	-	923
Nil (2001 - 105,360,000) Deferred shares of 5p each	-	5,268
	14,151	9,651

On 13th March 2002 the company's then immediate parent undertaking, Chargeurs UK Limited, subscribed and paid for 90,000,000 additional ordinary shares of 5p each and on the same date converted all of the above preference and deferred shares into ordinary shares of 5p each.

The amount of shareholders' funds attributable to non-equity interest is £Nil (2001 - £9,440,000).

9 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Loss for the financial year	(3,809)	(9,443)
Increase in share capital	4,500	-
Opening shareholders' funds	3,356	12,799
Closing shareholders' funds	4,047	3,356

10 Reserves

	Share premium account		Profit and loss account	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
At 1 January	3,243	3,243	(9,538)	(95)
Loss for the financial period	-	-	(3,809)	(9,443)
At 31 December	3,243	3,243	(13,347)	(9,538)

11 Post Balance Sheet Event

On 7th May 2003 the Company's immediate parent undertaking, Chargeurs Tissus, SA subscribed and paid for 129,000,000 ordinary shares of 5p each.

On 7th May 2003 Drummond Parkland of England Limited and Park Valley (Dyers & Finishers) Limited, both subsidiary undertakings of the Company, disposed of the design, marketing, logistics and administration functions of their ladieswear business and menswear business to respectively, Parkland Fabrics Limited and Drummond Fabrics Limited, two newly formed subsidiaries of Chargeurs Tissus, SA. The aggregate consideration receivable was £3,378,000 for the ladieswear business and £1,517,000 for the menswear business, part of which was paid in cash and the balance of which was satisfied by the assumption of certain creditors.

12 Contingencies

At 31 December 2002 the company has given bank guarantees in respect of subsidiary undertakings amounting to £2,913,000 (2001 - £3,004,000).

13 Immediate parent company

The directors regard Chargeurs Tissus SA, a company registered in France, as the immediate parent company.

14 Ultimate parent company

The directors regard Chargeurs SA, a company incorporated in France, as the ultimate parent company and ultimate controlling party. Chargeurs SA is the parent company of the largest and smallest group of which the company is a member and for which consolidated financial statements are drawn up. Copies of these financial statements are available from 38 Rue Marbeuf, 75008 Paris, France.

