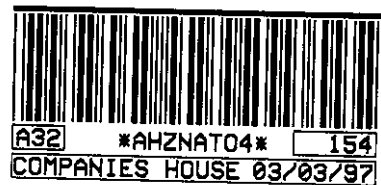


H Dawson, Sons & Co (Wool) Limited

Directors' Report and Financial Statements

For the year ended 31 August 1996

Registered number: 274345



BINDER HAMLYN

Directors' report

For the year ended 31 August 1996

Financial Statements

The directors present their report and financial statements for the year ended 31 August 1996.

Directors' responsibilities

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; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and review of the business

The principal activity of the group is that of wool merchants.

We consider our results to be satisfactory in what has been a competitive and difficult year, and are pleased to have maintained our sales turnover during a period of falling wool prices.

Results and Dividends

The profit for the year after taxation amounted to £571,553. The directors do not recommend the payment of a final dividend, leaving this amount to be added to reserves.

Fixed assets

Details of changes in fixed assets during the year are set out in notes 8 and 9 to the financial statements.

Directors' report (continued)

For the year ended 31 August 1996

Directors

The directors during the year were as follows:

J Dawson
FR Dawson
AG Dawson
JN Cock
AP Halliday
JG Moulson

Directors' interests in shares

The table below sets out the names of the persons who were directors of the company at 31 August 1996 together with details of their, and their families, interests in the shares of the company at that date and corresponding details at 31 August 1995. The interests are beneficial unless otherwise stated.

	£1 Ordinary shares	
	1996	1995
J Dawson (note 1)	78,417	97,248
FR Dawson	52,278	52,278
AG Dawson (note 2)	78,417	78,417
JN Cock	12,886	12,886
AP Holliday	12,886	12,886
JG Moulson	12,886	12,886

Note 1 Includes 26,139 (1995: 44,970) shares as trustee

Note 2 Includes 25,224 (1995: 25,224) shares as trustee

The directors are also beneficially interested in the shares of East Parade Wools Limited, an undertaking in which this company has a participating interest, and details of these interests at 31 August 1996, together with corresponding details at 31 August 1995, are set out below.

	£1 Ordinary shares	
	1996	1995
J Dawson*	20,000	20,000
FR Dawson*	20,000	20,000
AFG Dawson*	20,000	20,000
JN Cock	2,222	2,222
AP Holliday	2,222	2,222
JG Moulson	2,222	2,222

* Indicates a director of East Parade Wools Limited

Directors' report (continued)

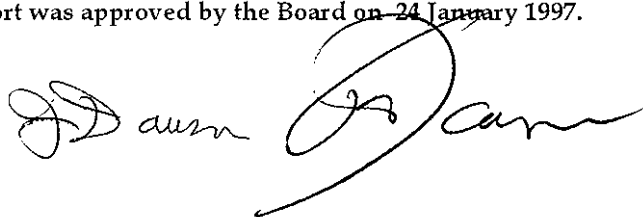
For the year ended 31 August 1996

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Binder Hamlyn be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on ~~24 January~~ 1997.

Director

Two handwritten signatures in cursive script. The first signature appears to be 'J. Dawson' and the second appears to be 'J. Parn'. Both are written in dark ink.

To the members of H Dawson, Sons & Co (Wool) Limited

Andersen Worldwide

St Paul's House
Park Square
Leeds LS1 2PJ

We have audited the financial statements on pages 5 to 21 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 affairs of the company and the group's affairs as at 31 August 1996 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditors

24 January 1997

Group profit and loss account

For the year ended 31 August 1996

	Notes	1996 £	1995 £
Turnover	2	40,133,723	39,903,566
Change in stocks of finished goods		(875,460)	(158,315)
Other operating income		235,336	190,633
		<hr/> 39,493,599	<hr/> 39,935,884
Raw materials and consumables		(32,135,354)	(32,634,900)
Other external charges		(4,419,197)	(4,428,393)
Staff costs	19	(1,085,599)	(997,735)
Depreciation and amounts written off investments		(74,701)	(46,081)
Other operating charges		(801,889)	(925,325)
Operating profit	4	<hr/> 976,859	<hr/> 903,450
Income from property		88,129	35,000
Income from listed investments		4,570	4,017
Interest payable less interest receivable	3	(256,428)	(348,140)
Profit on ordinary activities before taxation		<hr/> 813,130	<hr/> 594,327
Tax on profit on ordinary activities	5	(178,996)	(36,101)
Profit on ordinary activities after taxation		<hr/> 634,134	<hr/> 558,226
Profit applicable to participating interests outside the group		(62,581)	(75,273)
Profit applicable to group		<hr/> 571,553	<hr/> 482,953
Dividend	7	-	(100,000)
Retained profit for the year applicable to the group	15	<hr/> 571,553	<hr/> 382,953

There are no recognised gains and losses other than the profit for the year.

All of the above results derive from continuing activities and there were no acquisitions in the year.

Group balance sheet

31 August 1996

	Notes	1996 £	1995 £
Fixed assets			
Intangible assets			
- goodwill		1	1
Tangible assets	8	566,331	573,545
Investments	9	97,763	97,412
		<u>664,095</u>	<u>670,958</u>
Current assets			
Stocks	10	8,403,012	9,278,472
Debtors	11	9,058,189	7,358,387
Cash at bank and in hand		243,942	43,940
		<u>17,705,143</u>	<u>16,680,799</u>
Creditors: amounts falling due within one year	12	(10,472,730)	(10,089,383)
Net current assets		<u>7,232,413</u>	<u>6,591,416</u>
Total assets less current liabilities		<u>7,896,508</u>	<u>7,262,374</u>
Net assets		<u>7,896,508</u>	<u>7,262,374</u>
Capital and reserves			
Called up share capital	14	292,740	292,740
Share premium account	15	65,309	65,309
Capital reserve	15	16,459	16,459
Profit and loss account	15	6,578,774	6,007,221
Shareholders' funds (all equity)	16	<u>6,953,282</u>	<u>6,381,729</u>
Minority interest (all equity)		943,226	880,645
		<u>7,896,508</u>	<u>7,262,374</u>

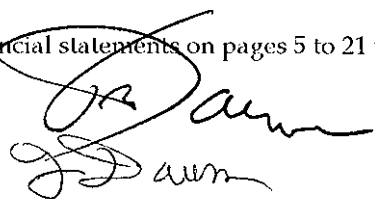
Company balance sheet

31 August 1996

	Notes	1996 £	1995 £
Fixed assets			
Intangible assets			
- goodwill		1	1
Tangible assets	8	566,331	573,545
Investments	9	345,573	345,222
		<u>911,905</u>	<u>918,768</u>
Current assets			
Stocks	10	7,784,756	8,779,048
Debtors	11	8,061,630	6,372,012
Cash at bank and in hand		243,942	43,688
		<u>16,090,328</u>	<u>15,194,748</u>
Creditors: amounts falling due within one year	12	<u>(10,272,577)</u>	<u>(9,924,098)</u>
Net current assets		<u>5,817,751</u>	<u>5,270,650</u>
Total assets less current liabilities		<u>6,729,656</u>	<u>6,189,418</u>
Net assets		<u>6,729,656</u>	<u>6,189,418</u>
Capital and reserves			
Called up share capital	14	292,740	292,740
Share premium account	15	65,309	65,309
Profit and loss account	15	6,371,607	5,831,369
		<u>6,729,656</u>	<u>6,189,418</u>

The financial statements on pages 5 to 21 were approved by the Board on 24 January 1997.

Director



Group cash flow statement

For the year ended 31 August 1996

	Notes	1996 £	1995 £
Inflow (outflow) from operating activities	20	<u>760,581</u>	<u>(1,522,497)</u>
Returns on investments and servicing of finance			
Dividends received:			
Quoted equities		4,570	4,017
Dividends paid		-	(100,000)
Interest received		92,193	94,200
Interest paid		(381,342)	(379,521)
Rents received		<u>90,212</u>	<u>35,000</u>
Net cash outflow from returns on investments and servicing of finance		<u>(194,367)</u>	<u>(346,304)</u>
Taxation			
UK Corporation tax paid (including advance corporation tax)		<u>(38,618)</u>	<u>(592,829)</u>
Investing activities			
Receipts from disposal of investments		-	215
Payments to acquire tangible fixed assets		(99,207)	(66,077)
Payments to acquire investments		(5,156)	(206)
Receipts from sales of tangible fixed assets		<u>36,525</u>	<u>30,949</u>
Net cash outflow from investing activities		<u>(67,838)</u>	<u>(35,119)</u>
Net cash inflow (outflow) before and after financing		<u>459,758</u>	<u>(2,496,749)</u>
Increase (decrease) in cash and cash equivalents	20	<u>459,758</u>	<u>(2,496,749)</u>

Notes to the financial statements

1 Accounting policies

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Consolidation

The consolidated accounts comprise the accounts of the company and its subsidiary undertaking made up to 31 August. The goodwill arising on consolidation has been dealt with as part of the group reserves.

The company has not presented its own profit and loss account as permitted by Section 230 Companies Act 1985.

c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Freehold buildings	50 years
Plant and machinery	10 years
Motor cars	4 years
Motor lorries	3 years
Office equipment	4 years
Fixtures and fittings	4 years

d) Investments

Investments are stated at cost less provision which may be required to recognise any permanent reduction in their value.

e) Stocks

Stocks are valued at the lower cost and net realisable value. Cost represents the actual cost of purchase of stocks and includes all directly attributable costs.

Net realisable value is based on estimated selling price less all further costs expected to be incurred in selling, distributing and holding the stocks.

f) Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes, except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

Notes to the financial statements (continued)

g) Trading contracts

As part of its normal business the company enters into contracts to sell wool at an agreed price at future dates. Provision is made for losses incurred or accrued after the balance sheet date in respect of contractual obligations existing at that date.

h) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date except where matched with forward exchange contracts. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. All differences are taken to the profit and loss account.

As part of its normal business the company enters into contracts to purchase and sell foreign currencies at agreed rates of exchange at future dates. All profits and losses on realisation are taken to the profit and loss account. Provision is made for losses incurred or accrued after the balance sheet date in respect of contracts entered into on or before that date. Profits are taken only on realisation.

i) Pension costs

The cost of providing pensions is recognised on a systematic and rational basis over the year in which benefit is derived from the employees. Contributions payable are charged to the profit and loss account in the year in which they are due.

j) Leases

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

k) Compliance with accounting standards

The financial statements have been prepared in accordance with applicable accounting standards.

2 Segment information

The group has one class of business that of wool merchants. An analysis of turnover by geographical market is not provided as to do so would, in the opinion of the directors, be seriously prejudicial to the interests of the company.

Notes to the financial statements (continued)

3 Interest payable less interest receivable

	1996	1995
	£	£
Payable on bank loans, overdrafts and other loans repayable within five years	348,509	442,637
Receivable from short-term deposits	(3,246)	(9,123)
Other interest receivable	(88,835)	(85,374)
	<u>256,428</u>	<u>348,140</u>

4 Operating profit

is stated after charging or (crediting):

	1996	1995
	£	£
Fees to auditors		
- audit	23,000	22,400
- other	14,150	12,150
Operating lease rentals		
- plant and machinery	19,364	16,060
Depreciation: owned fixed assets	84,912	88,208
Amounts written off (back) listed investments	4,805	(17,908)
Profit on sale of fixed asset and listed investments	<u>(15,016)</u>	<u>(24,219)</u>

5 Taxation

	1996	1995
	£	£
UK current year taxation		
UK Corporation tax at 27.76% (1995 - 25%)	167,741	38,183
Tax credits on franked investment income	914	760
	<u>168,655</u>	<u>38,943</u>
Prior year adjustment		
UK Corporation tax	10,341	(2,842)
Tax on profit on ordinary activities	<u>178,996</u>	<u>36,101</u>

Notes to the financial statements (continued)

6 Profit for the year

The amount of profit for the year attributable to the parent company which has been dealt with in these accounts is £540,238 (1995: £445,333).

7 Dividend

	1996 £	1995 £
Dividend on ordinary shares		
Interim nil (1995: 34.16p)	-	100,000

8 Tangible fixed assets

- Group and company

	Freehold land and buildings £	Plant and machinery £	Fixtures and fittings £	Vehicles £	Total £
Cost					
1 September 1995	495,178	73,378	169,569	405,054	1,143,179
Additions	-	-	5,778	93,429	99,207
Disposals	-	-	(2,700)	(55,209)	(57,909)
31 August 1996	495,178	73,378	172,647	443,274	1,184,477
Depreciation					
1 September 1995	66,355	55,986	155,620	291,673	569,634
Provision for the year	8,304	2,144	8,416	66,048	84,912
Disposals	-	-	(2,699)	(33,701)	(36,400)
31 August 1996	74,659	58,130	161,337	324,020	618,146
Net book value					
31 August 1996	420,519	15,248	11,310	119,254	566,331
31 August 1995	428,823	17,392	13,949	113,381	573,545

The cost of freehold buildings on which depreciation is charged amounted to £415,178 (1995: £415,178).

Notes to the financial statements (continued)

8 Tangible fixed assets (continued)

The net book values of land and buildings comprise:

	1996	1995
	£	£
Freehold land	80,000	80,000
Freehold buildings	340,519	348,823
	<u>420,519</u>	<u>428,823</u>

9 Fixed asset investments

- Group

	£
Cost	
1 September 1995	106,910
Additions	5,156
31 August 1996	<u>112,066</u>
Provision for permanent diminution in value	
1 September 1995	9,498
Provision for the year	4,805
31 August 1996	<u>14,303</u>
Net book value	
31 August 1996	<u>97,763</u>
31 August 1995	<u>97,412</u>

Notes to the financial statements (continued)

9 Fixed assets investments (continued)

- Company

	Subsidiary undertaking £	Other investments £	Total £
Cost			
1 September 1995	247,810	106,910	354,720
Additions	-	5,156	5,156
31 August 1996	<u>247,810</u>	<u>112,066</u>	<u>359,876</u>
Provision for permanent diminution in value			
1 September 1995	-	9,498	9,498
Provision for the year	-	4,805	4,805
31 August 1996	<u>-</u>	<u>14,303</u>	<u>14,303</u>
Net book value			
31 August 1996	<u>247,810</u>	<u>97,763</u>	<u>345,573</u>
31 August 1995	<u>247,810</u>	<u>97,412</u>	<u>345,222</u>

The amount of UK listed investments in other investments was as follows:

	Group and Company	
	1996	1995
	£	£
Book value	<u>95,136</u>	<u>78,058</u>
Market value	<u>175,192</u>	<u>139,215</u>

The company owns more than 10% of the share capital of the following company:

Name	Country of incorporation or registration	Nature of business	Shares held	
			Class	Percentage
Subsidiary undertaking				
East Parade Wools Limited	England and Wales	Wool merchants	Ordinary	33 1/3

The group exerts a dominant influence over East Parade Wools Limited thereby satisfying the definition of a subsidiary undertaking in section 258 Companies Act 1985.

Notes to the financial statements (continued)

10 Stocks

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Goods for resale	<u>8,403,012</u>	<u>9,278,472</u>	<u>7,784,756</u>	<u>8,779,048</u>

11 Debtors

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Amounts owed by subsidiary undertaking	-	-	373,804	178,923
Trade debtors	8,985,183	7,173,965	7,614,820	6,008,667
Other debtors	710	103,305	710	103,305
Prepayments and accrued income	57,000	57,419	57,000	57,419
ACT recoverable	15,296	23,698	15,296	23,698
	<u>9,058,189</u>	<u>7,358,387</u>	<u>8,061,630</u>	<u>6,372,012</u>

12 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£	£	£	£
Provision against losses on forward contracts and currency contracts	212,078	217,110	212,078	217,110
Other loans	1,802,722	1,635,979	1,802,722	1,635,979
Bank loans and overdrafts	1,953,111	2,379,610	1,950,856	2,379,610
Trade creditors	5,598,673	5,214,340	5,545,904	5,199,672
Corporation tax payable	179,713	47,737	138,484	140
Other taxes and social security	69,341	47,306	59,828	37,793
Other accruals and deferred income	657,092	547,301	562,705	453,794
	<u>10,472,730</u>	<u>10,089,383</u>	<u>10,272,577</u>	<u>9,924,098</u>

Notes to the financial statements (continued)

13 Deferred taxation

No potential liability to deferred taxation exists at the balance sheet date in respect of timing differences arising in the course of the company's ordinary activities.

There is a potential liability in respect of a capital gain on the disposal of a property deferred by roll-over relief of £41,000 (1995: £41,000). This has not been provided for as it is not the directors' intention to dispose of the property without a replacement being purchased.

The unprovided potential deferred tax is made up as follows:

	1996 £	1995 £
Accelerated capital allowances	(25,406)	(24,606)
Rolled over gains	41,000	41,000
Short term timing differences	-	(61,893)
	<u>15,594</u>	<u>(45,499)</u>

14 Share capital

	Number	£
(1) Authorised		
£1 Ordinary shares		
1 September 1995 and 31 August 1996	<u>1,000,000</u>	<u>1,000,000</u>
(2) Allotted and fully paid		
£1 Ordinary shares		
1 September 1995 and 31 August 1996	<u>292,740</u>	<u>292,740</u>

Notes to the financial statements (continued)

15 Reserves

- Group

	Share premium account £	Capital reserve £	Profit and loss account £
1 September 1995	65,309	16,459	6,007,221
Profit for the year	-	-	571,553
31 August 1996	<u>65,309</u>	<u>16,459</u>	<u>6,578,774</u>

- Company

	Share premium account £	Profit and loss account £
1 September 1995	65,309	5,831,369
Profit for the year	-	540,238
31 August 1996	<u>65,309</u>	<u>6,371,607</u>

16 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Profit on ordinary activities after taxation	571,553	482,953
Dividends	-	(100,000)
Net addition to shareholders' funds	<u>571,553</u>	<u>382,953</u>
Opening shareholders' funds	6,381,729	5,998,776
Closing shareholders' funds	<u>6,953,282</u>	<u>6,381,729</u>

17 Financial commitments

Leases

The group is committed to payments totalling £20,000 (1995: 19,500) within the next twelve months under an operating lease expiring between two and five years after the balance sheet date.

Notes to the financial statements (continued)

17 Financial commitments (continued)

Pension obligations

The group operates a defined contribution scheme for the provision of retirement benefits to employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions to the scheme are based on independent actuarial advice. The pension cost charge (see note 19) represents contributions payable to the scheme by the group in respect of the accounting year. No contributions were owing to the fund at the year end (1995: nil).

18 Directors

(1) Emoluments

	1996 £	1995 £
The emoluments of directors of the group were:		
Remuneration as executives	464,055	391,259
Pension scheme contributions	39,000	119,510
	<u>503,055</u>	<u>510,769</u>

(2) Bandings

	1996 £	1995 £
Emoluments disclosed above, (excluding pension contributions), include amounts paid to:		
Highest paid director	<u>112,469</u>	<u>87,344</u>

Other directors' emoluments (excluding pension contributions) were in the following ranges:

	1996 Number	1995 Number
£25,001 - £30,000	1	1
£40,001 - £45,000	1	-
£50,001 - £55,000	-	1
£55,001 - £60,000	1	1
£85,001 - £90,000	-	2
110,001 - £115,000	<u>2</u>	<u>-</u>

Notes to the financial statements (continued)

18 Directors (continued)

(3) Financial transactions with directors

Messrs J Dawson, FR Dawson and AFG Dawson have controlling interests in certain companies with which the group trades on a commercial basis in the normal course of business.

The volumes of trading in the year were:

	1996 £	1995 £
Sales	<u>2,822,056</u>	<u>3,566,997</u>
Purchases	<u>2,888,697</u>	<u>3,407,717</u>
The balances owing at the end of the year were:		
Debtors	<u>469,960</u>	<u>255,022</u>
Creditors	<u>1,020,022</u>	<u>1,031,987</u>

Creditors stated above includes other loans of £840,306 (1995: 788,905).

19 Employees

(1) Number of employees

The average weekly number of persons (including directors) employed by the group during the year was:

	1996 Number	1995 Number
Office and management	19	19
Sales and distribution	<u>20</u>	<u>20</u>
	<u>39</u>	<u>39</u>

Notes to the financial statements (continued)

19 Employees (continued)

(2) Employment costs

	1996 £	1995 £
Wages and salaries	928,119	775,226
Social security costs	87,318	76,347
Pension scheme contributions	70,000	146,000
Death in service benefit	162	162
	<u>1,085,599</u>	<u>997,735</u>

20 Cash flow statement

	1996 £	1995 £
(1) Reconciliation of operating profit to net cash inflow (outflow) from operating activities		
Operating profit	976,859	903,450
Provision against forward commitments written back	-	(50,000)
Depreciation less amounts written off (back) re investments	89,717	70,300
Profit on sale of tangible fixed assets and investments	(15,016)	(24,219)
Increase in debtors and prepayments	(1,708,316)	(2,457,184)
Decrease in stocks	875,460	158,315
Increase (decrease) in creditors	541,877	(123,159)
	<u>760,581</u>	<u>(1,522,497)</u>

(2) Analysis of changes in cash and cash equivalents:

	£
Balance at 1 September 1995	(3,971,649)
Net cash outflow	<u>459,758</u>
Balance at 31 August 1996	<u>(3,511,891)</u>

Notes to the financial statements (continued)

20 Cash flow statement (continued)

(3) Analysis of the balances of cash and cash equivalents as shown in the balance sheet:

	1996	1995	Change in the year
	£	£	£
Cash at bank and in hand	243,942	43,940	200,002
Bank overdrafts	(1,953,111)	(2,379,610)	426,499
Other loans	(1,802,722)	(1,635,979)	(166,743)
	<u>(3,511,891)</u>	<u>(3,971,649)</u>	<u>459,758</u>