

SANGSON LIMITED

FINANCIAL STATEMENTS

for the year ended 30th September 1997

1221723

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The following page does not form part of the statutory accounts

Detailed trading and profit and loss account	Appendix 1
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SANGSON LIMITED

COMPANY INFORMATION

30th September 1997

INCORPORATED	England and Wales, 4 August 1975
NUMBER	01221723
DIRECTORS	Mr Gurbax Singh Sangha Mrs Nashater Kaur Sangha
SECRETARY	Mr Gurbax Singh Sangha
REGISTERED OFFICE	Sangha House, Unit 1, 5-7 South Road, Hockley, Birmingham, B19 1RJ.
BANKERS	Midland Bank Plc, P.O. Box 28, 328 High Street, West Bromwich, B70 8DL.
AUDITORS	Javed & Co. Chartered Accountants, Nova Court, Bristol Street, Birmingham, B5 7AP.

SANGSON LIMITED

DIRECTORS' REPORT

30th September 1997

The directors present their report and the audited financial statements for the year ended 30th September 1997.

Principal activity

The principal activity of the company is that of clothing manufacturers and wholesalers.

Business review

The company's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £322,924.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	30th September 1997	1st October 1996
	Ordinary shares	Ordinary shares
Mr Gurbax Singh Sangha	225	225
Mrs Nashater Kaur Sangha	225	225

In accordance with the Articles of Association, Mr Gurbax Singh Sangha retires by rotation and offers himself for re-election.

continued

SANGSON LIMITED

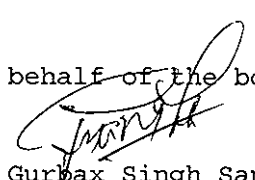
DIRECTORS' REPORT
(continued)

30th September 1997

Auditors

Javed & Co. have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board


Mr Gurbax Singh Sangha
Secretary

Sangha House,
Unit 1, 5-7 South Road,
Hockley,
Birmingham, B19 1RJ.

3/3/98

SANGSON LIMITED

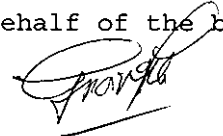
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 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.

On behalf of the board



Mr Gurbax Singh Sangha
Director

3/3/98

SANGSON LIMITED

AUDITORS' REPORT

Auditors' report to the members of

Sangson Limited

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3, 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 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 error or other irregularity. 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 30th September 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Birmingham,

Javed & Co

Javed & Co.
Registered Auditors
Chartered Accountants,

3/3/98

SANGSON LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 30th September 1997

	Note	1997 £	1996 £
Turnover	2	2,759,435	2,415,328
Cost of sales		(2,572,813)	(2,243,113)
Gross profit		186,622	172,215
Net operating expenses			
Administrative Expenses		(114,023)	(106,609)
Other operating income		-	77
Operating profit	3	72,599	65,683
Interest payable	5	(20,365)	(14,788)
Profit on ordinary activities before taxation		52,234	50,895
Taxation	6	(11,586)	(12,428)
Profit on ordinary activities after taxation		40,648	38,467
retained for the year	14		

Movements in reserves are shown in note 14.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1997 or 1996 other than the profit for the year.

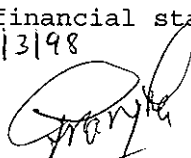
SANGSON LIMITED

BALANCE SHEET

at 30th September 1997

	Note	1997 £	1996 £
Fixed assets			
Tangible assets	7	39,190	29,097
Current assets			
Stocks	8	241,459	281,351
Debtors	9	1,188,788	988,971
Cash at bank and in hand		98	102
		<u>1,430,345</u>	<u>1,270,424</u>
Creditors: amounts falling due within one year	10	<u>(1,146,611)</u>	<u>(1,017,245)</u>
Net current assets		<u>283,734</u>	<u>253,179</u>
Total assets less current liabilities		<u>322,924</u>	<u>282,276</u>
Capital and reserves			
Called up share capital	13	500	500
Profit and loss account	14	<u>322,424</u>	<u>281,776</u>
Total shareholders' funds	12	<u>322,924</u>	<u>282,276</u>

The financial statements on pages 5 to 13 were approved by the board of directors on 3/3/98 and signed on its behalf by:


Mr Gurbar Singh Sangha
Director

SANGSON LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1997

1 Accounting policies**Basis of accounting**

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

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it qualifies as a small company under the Companies Act 1985.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation is calculated to write off the cost over their estimated useful lives by the reducing balance method at the following rates:

Plant and machinery	15 %
Motor vehicles	25 %
Fixtures and fittings	15 %

Leases and hire purchase contracts

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Pensions**Defined contribution scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

2 Turnover

The turnover for the year was derived from the company's principal activity. The whole of the turnover is attributable to the UK market.

SANGSON LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1997

3 Operating profit

	1997 £	1996 £
Operating profit is stated after crediting		
Interest receivable	-	77
Profit on sale of assets	2,568	-
	<u> </u>	<u> </u>
and after charging		
Staff costs (note 4)	57,568	73,098
Auditors' remuneration	2,150	2,150
Operating leases		
Equipment hire	267	356
Loss on sale of assets	-	916
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets (note 7)		
owned assets	5,557	6,341
leased assets	6,601	2,368
	<u> </u>	<u> </u>
	12,158	8,709
	<u> </u>	<u> </u>
The total amount charged against profits in respect of finance leases and hire purchase contracts is	7,905	2,463
(of which part is shown as depreciation and the balance is shown as interest payable in note 5)	<u> </u>	<u> </u>

SANGSON LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1997

4 Directors and employees

	1997	1996
	£	£
Staff costs including directors' emoluments		
Wages and salaries	53,088	49,781
Social security costs	3,808	3,076
Pension costs	672	20,241
	<u>57,568</u>	<u>73,098</u>
Average monthly number employed including executive directors:	Number	Number
Production staff	5	6
Office and management	2	2
Administration staff	2	2
	<u>9</u>	<u>10</u>
Directors	£	£
Emoluments	20,800	22,525
Directors' pension contributions	672	20,241
	<u>21,472</u>	<u>42,766</u>

Defined contribution pension scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £672 (1996 £20,241).

5 Interest payable

	1997	1996
	£	£
Bank interest	19,061	14,693
Hire purchase interest	1,304	95
	<u>20,365</u>	<u>14,788</u>

SANGSON LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1997

6 Taxation

	1997 £	1996 £
Corporation tax on profit on ordinary activities at 24% (1996 25%)	11,586	12,428

7 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Fixtures and Fittings £	Total £
1st October 1996	61,270	20,063	6,519	87,852
Additions	26,798	-	485	27,283
Disposals	(34,302)	-	-	(34,302)
30th September 1997	53,766	20,063	7,004	80,833
Depreciation				
1st October 1996	38,481	17,049	3,225	58,755
Charge for year	11,139	437	582	12,158
Disposals	(29,269)	-	-	(29,269)
30th September 1997	20,351	17,486	3,807	41,644
Net book amount				
30th September 1997	33,416	2,478	3,296	39,190
1st October 1996	22,789	3,014	3,294	29,097

The net book amount of fixed assets includes £19,803 (1996 £7,105) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

8 Stocks

	1997 £	1996 £
Raw materials	-	11,226
Work in progress	-	700
Finished goods	241,459	269,425
	241,459	281,351

SANGSON LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1997

9 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	1,184,211	984,309
Prepayments and accrued income	4,577	4,662
	<hr/>	<hr/>
	1,188,788	988,971
Amounts falling due after more than one year	-	-
	<hr/>	<hr/>
	<u>1,188,788</u>	<u>988,971</u>

10 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdrafts	239,746	159,307
Trade creditors	774,880	740,936
Corporation tax	11,586	12,428
Other taxation and social security	48,084	14,297
Other creditors	1,243	-
Directors' loan account	51,375	75,961
Accruals and deferred income	6,481	6,801
Obligations under finance leases and hire purchase contracts - note	13,216	7,515
	<hr/>	<hr/>
	<u>1,146,611</u>	<u>1,017,245</u>

The bank overdraft is secured by a fixed charge over book debts and a floating charge over all other assets.

SANGSON LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1997

11 Deferred taxation

	1997		1996	
	Potential liability	Provision made	Potential liability	Provision made
	£	£	£	£
Corporation tax deferred by	358	-	-	-
	<u>358</u>	<u>-</u>	<u>-</u>	<u>-</u>

The potential liability and provision are based on a corporation tax rate of 24% (1996 25%).

12 Reconciliation of movements in shareholders' funds

	1997	1996
	£	£
Profit for the financial year representing a Net addition to shareholders' funds	40,648	38,467
Opening shareholders' funds	282,276	243,809
Closing shareholders' funds	<u>322,924</u>	<u>282,276</u>

13 Called up share capital

	1997		1996	
	Number of shares	£	Number of shares	£
Authorized				
Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Allotted called up and fully paid				
Ordinary shares of £1 each	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>

SANGSON LIMITED

NOTES ON FINANCIAL STATEMENTS

30th September 1997

14 Profit and loss account

	1997 £
1st October 1996	281,776
Retained profit for the year	<u>40,648</u>
30th September 1997	<u><u>322,424</u></u>