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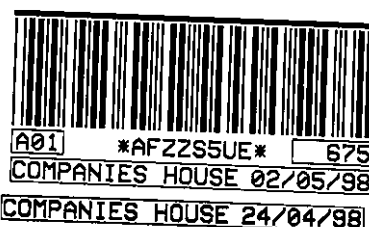
GARSDALE KNITWEAR LIMITED

REPORT OF THE DIRECTORS AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

78 DICKENSON ROAD
RUSHOLME
MANCHESTER
M14 5BF

AMPA20/G1

SADDIQUE & CO
CHARTERED ACCOUNTANTS &
REGISTERED AUDITORS
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GARSDALE KNITWEAR LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1997

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GARSDALE KNITWEAR LIMITED

GENERAL

BUSINESS ADDRESS

64 CHAPLETOWN STREET
ANCOATS
MANCHESTER M1 2WQ

DIRECTORS

MOHAMMAD ARSHAD
MOHAMMAD ANWAR
MOHAMMAD HANIF

SECRETARY

MOHAMMAD ANWAR

REGISTERED OFFICE

78 DICKENSON ROAD
RUSHOLME
MANCHESTER M14 5HF

AUDITORS

SADDIQUE & CO
CHARTERED ACCOUNTANTS
78 DICKENSON ROAD
RUSHOLME
MANCHESTER M14 5HF

BANKERS

NATIONAL WESTMINSTER BANK PLC
P.O.BOX 305
SPRING GARDENS
MANCHESTER M60 2DB

COMPANY NO. 01765714

GARSDALE KNITWEAR LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1997

The directors present their report on the affairs of the Company, together with the Financial Statements for the year ended 31 December 1997.

1. 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 profit or loss of the company for that period. In preparing those financial statement, 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 keeping proper accounting records which disclose with reasonable accuracy at any time of 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 the safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

2. PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company continues to be that of manufacturing and distribution of knitwear garments.

GARSDALE KNITWEAR LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 1997

3. DIRECTORS AND THEIR INTERESTS

The directors who served during the year and the interests in the shares of the company of those serving at the end of the year were as follows:

	At 31 December 1997	At 31 December 1996
	Ordinary shares of £ 1 each	Ordinary shares of £ 1 each
MOHAMMAD ARSHAD	2,000	1,500
MOHAMMAD ANWAR	2,000	3,000
MOHAMMAD HANIF	1,000	1,325

4. DIVIDENDS

Dividends amounting to £ 30,000 have been paid out of profits for the current financial year.

5. AUDITORS

The auditors, SADDIQUE & CO, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 31st August 1992.

The report was approved by the board on 26 March 1998. In preparing this report, the directors have taken advantage of special exemptions available to small companies.

BY THE ORDER OF THE BOARD

**M. ANWAR
SECRETARY**

M. Anwar

REPORT OF THE AUDITORS TO THE MEMBERS OF GARSDALE KNITWEAR LIMITED

We have audited the financial statements set out on pages 5 to 11 which have been prepared under the historical cost convention and accounting policies set out on page seven.

Respective responsibilities of Directors and Auditors

As described on page two 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 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 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the companies Act 1985 applicable to small companies.

78 Dickenson Road
Rusholme
Manchester M14 5HF

Date31.3.98


SADDIQUE & CO.
Registered Auditors &
Chartered Accountants

GARSDALE KNITWEAR LIMITED
TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997

	Notes	1997	1996
	£	£	£
Sales	1e	1,555,645	1,984,493
Insurance claim		16,492	69,530
		<u>1,572,137</u>	<u>2,054,023</u>
Less: Cost of sales		(1,331,581)	(1,767,470)
Gross Profit		<u>240,556</u>	<u>286,553</u>
Discounts Received		10,070	-
Profit on sale of motor vehicle		2,029	-
		<u>252,655</u>	<u>286,553</u>
Selling and Distribution Expenses	21,800		17,944
Administration Expenses	174,532		180,592
		<u>(196,332)</u>	<u>(198,536)</u>
Profit on ordinary activities before Taxation	4	<u>56,323</u>	<u>88,017</u>
Tax on profit on ordinary activities	5	(4,046)	(22,292)
Profit for the financial year		<u>52,277</u>	<u>65,725</u>
Dividends paid		(30,000)	-
Retained Profit Brought forward		417,036	351,311
Retained Profit for the financial year		<u>439,313</u> =====	<u>417,036</u> =====

There were no recognised gains and losses either in the current or preceeding year other than those included in the profit and loss account.

GARSDALE KNITWEAR LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1997

	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Tangible Assets	2		598,085		537,932
CURRENT ASSETS					
Stocks	1c	61,016		108,034	
Debtors and prepayments	6	684,613		208,909	
Cash in hand & at Bank		45,082		137,300	
			790,711	454,243	
CREDITORS: Amounts due within one year	7	(764,408)		(469,314)	
NET CURRENT ASSETS/(LIABILITIES)			26,303	(15,071)	
TOTAL ASSETS LESS CURRENT LIABILITIES			624,388	522,861	
Amounts due after more than one year	8		(101,111)	(17,117)	
NET ASSETS			£523,277	£505,744	
CAPITAL AND RESERVES:					
Called-up Share Capital	9		9,000	9,000	
Directors Loan Account			10,099	11,178	
Retained Profit			439,313	417,036	
Deferred Taxation	10		64,865	68,530	
			£ 523,277	£ 505,744	

The directors have taken advantage in preparing these accounts, of special exemptions available to small companies on the grounds that the company is a small company by virtue of Section 247 of the Companies Act 1985. These financial statements were approved by the board on 26 March 1998 and signed on its behalf by



MOHAMMAD ARSHAD
DIRECTOR

The accompanying notes form an integral part of these accounts.

GARSDALE KNITWEAR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

1. STATEMENT OF ACCOUNTING POLICIES

a) Basis of preparation of accounts

The financial statements are prepared under the historical cost convention. The company has taken advantage of exemption in Financial Reporting Standard No.1 from the requirement to produce cashflow statement on the grounds that it is a small company.

b) Tangible Fixed Assets and Depreciation

All Tangible Fixed Assets of the Company are stated at cost, and are depreciated over their expected lives or anticipated length of use by the Company in order to write off the cost less estimated residual value.

Depreciation is charged using Reducing Balance basis for Motor Vehicles, Machinery and Fixtures & Fittings, and Straight Line basis for property.

The rates used are as follows;

	%
Plant & Machinery	10
Fixtures & Fittings	15
Motor vehicles	25
Property	4

c) Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of manufacturing overheads.

d) Deferred Taxation

Provision is made for taxation deferred as a result of material timing differences between the incidence of income and expenditure for taxation and accounts purposes, using the liability method, only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the near future.

e) Turnover

Turnover comprises the value of sales of goods in the normal course of business, stated net of credits, allowances, trade discounts and VAT.

GARSDALE KNITWEAR LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1997

2. TANGIBLE FIXED ASSETS

Net Book Value representing cost less accumulated depreciation as shown in the Balance Sheet comprises as follows:

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicle £	TOTAL £
Cost as at 01/01/97	63,575	959,523	29,435	22,408	1,074,941
Additions at cost	-	146,000	484	12,361	158,845
Disposals at cost	-	(23,00)	-	(22,408)	(45,408)
Cost as at 31/12/97	63,575	1,082,523	29,919	12,361	1,188,837
Depreciation					
Balance b/f	29,702	477,492	14,676	15,139	537,009
Adjustment for disposal	-	-	-	(15,139)	(15,139)
Charge for the year	2,543	60,503	2,287	3,090	68,423
Depreciation as at 31/12/97	32,245	537,995	16,963	3,090	590,293
Net Book Value as at 31/12/97	31,330	544,528	12,956	9,271	598,085
Net book value As at 31/12/96	33,873	482,031	14,759	7,269	537,932

GARSDALE KNITWEAR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

3. BANK OVERDRAFT

Bank overdraft facility is secured against Directors' personal guarantees as well as a fixed and floating charge over all the assets of the company.

1997	1996
£	£

4. PROFIT BEFORE TAXATION

The following items have been charged in arriving at this figure.

Directors Remuneration	62,400	63,300
Auditors Remuneration	2,150	1,950
Depreciation	68,423	61,130

=====	=====
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5. CORPORATION TAX

Corporation tax has been charged on taxable profits at the rates applicable during the Company's accounting year. The charge to Profit and Loss account comprises:-

Provision for Corporation Tax	7,692	17,630
Transfer to/(from) deferred taxation account	(3,665)	4,662
Under (Over) provision for previous year	19	-

£ 4,046	£22,292
=====	=====

6. DEBTORS AND PREPAYMENTS

Trade Debtors	666,510	176,381
Advanced Corporation Tax	7,500	11,692
A.C.T on directors Loan	836	836
Insurance claim	-	20,000
HM Customs & Excise	9,767	-

£ 684,613	£ 208,909
=====	=====

GARSDALE KNITWEAR LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £	1996 £
7.CURRENT LIABILITIES:AMOUNTS FALLING DUE WITHIN ONE YEAR		
Trade Creditors	734,708	390,273
Others creditors and accruals	17,850	16,700
H.P.Creditors	4,158	23,463
Corporation Tax	7,692	17,630
Customs & Excise	-	21,248
	<u>£764,408</u>	<u>£469,314</u>
	=====	=====

8.CURRENT LIABILITIES:AMOUNTS FALLING DUE IN MORE THAN ONE YEAR

H.P.Creditors	101,111	17,117
	<u>£101,111</u>	<u>£ 17,117</u>
	=====	=====

9.SHARE CAPITAL

	Ordinary shares of £1 each	
Authorised	10,000	10,000
	=====	=====
Issued and fully paid up	9,000	9,000
	=====	=====

10.DEFERRED TAXATION ACCOUNT

Balance Brought Forward	68,530	63,868
Transfer to(from) Profit and Loss Account	(3,665)	4,662
	<u>£ 64,865</u>	<u>£ 68,530</u>
	=====	=====

GARSDALE KNITWEAR LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1997

	1997 £	1996 £
11.DIRECTORS' REMUNERATION		
M.. ARSHAD	20,800	21,200
M..ANWAR	20,800	21,200
M. HANIF	20,800	21,200
	<u>£ 62,400</u> =====	<u>£ 63,600</u> =====

12. There were no capital commitments at the Balance Sheet date.

13. There have been no events since the Balance Sheet date which affect the position of the Company.