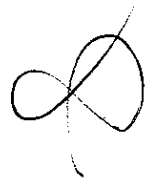


Report of the Director and
Financial Statements for the Period 1 January 2000 to 30 June 2000
for
ROBERTSON OF DUMFRIES LIMITED

RST Fava and Co.
Chartered Accountants
Queens Court Business Centre
Newport Road
Middlesbrough
TS1 5EH



ROBERTSON OF DUMFRIES LIMITED

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for the Period 1 January 2000 to 30 June 2000

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ROBERTSON OF DUMFRIES LIMITED

Company Information

for the Period 1 January 2000 to 30 June 2000

DIRECTOR:	Mr S Angelino
SECRETARY:	Mrs J.M Caven
REGISTERED OFFICE:	Saughtree Factory Belle Vue Street Dumfries Scotland DG1 3EL
REGISTERED NUMBER:	SC010939 (Scotland)
AUDITORS:	RST Fava and Co. Chartered Accountants Queens Court Business Centre Newport Road Middlesbrough TS1 5EH
BANKERS:	HSBC 29 English Street Carlisle Cumbria CA3 8JT
SOLICITORS:	MacLay, Murray & Spens 3 Glenfinlas Street Edinburgh Scotland EH3 6AQ

ROBERTSON OF DUMFRIES LIMITED

Report of the Director
for the Period 1 January 2000 to 30 June 2000

The director presents his report with the financial statements of the company for the period 1 January 2000 to 30 June 2000.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of the manufacture and wholesale of what is perceived to be Scotland's finest knitwear for ladies and gentlemen.

REVIEW OF BUSINESS

The results for the period and financial position of the company are as shown in the annexed financial statements.

The company's balance sheet as detailed on page 5 shows a deficit of shareholders' funds amounting to £1,110,154.

DIVIDENDS

No dividends will be distributed for the period ended 30 June 2000.

FIXED ASSETS

In the opinion of the director there is no significant difference between the present market value of the company's property and the amounts at which it is stated in the accounts. Details are set out in note 7.

DIRECTOR

Mr S Angelino was the sole director during the period under review.

The director holding office at 30 June 2000 did not hold any beneficial interest in the issued share capital of the company at 1 January 2000 or 30 June 2000.

TAXATION STATUS

The company is a close company as defined by the Income and Corporation Taxes Act 1988. There has been no change in this respect since the end of the financial period.

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the director 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 director is required to

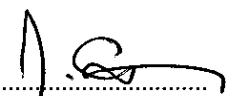
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

AUDITORS

The auditors, RST Fava and Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:



Mrs J.M Caven - SECRETARY

Dated: 12.06.01.

ROBERTSON OF DUMFRIES LIMITED

Report of the Independent Auditors to the Shareholders of
ROBERTSON OF DUMFRIES LIMITED

We have audited the financial statements of ROBERTSON OF DUMFRIES LIMITED for the period ended 30 June 2000 on pages four to ten. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of director and auditors

As described on page two the company's director is responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Report of the Director 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 director's remuneration and transactions with the company is not disclosed.

We read the Report of the Director and consider the implications for our report if we become aware of any apparent misstatements within it.

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 director 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 30 June 2000 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



RST Fava and Co.
Chartered Accountants
Queens Court Business Centre
Newport Road
Middlesbrough
TS1 5EH

Dated: 12 June 2001

ROBERTSON OF DUMFRIES LIMITED

Profit and Loss Account

for the Period 1 January 2000 to 30 June 2000

		Period 1.1.00 to 30.6.00	Year Ended 31.12.99
	Notes	£	£
TURNOVER		1,071,146	3,245,795
Cost of sales		1,035,680	2,643,140
GROSS PROFIT		35,466	602,655
Administrative expenses		482,635	577,303
OPERATING (LOSS)/PROFIT	3	(447,169)	25,352
Interest receivable and similar income		340	399
		(446,829)	25,751
Interest payable and similar charges	4	61,677	107,518
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(508,506)	(81,767)
Tax on loss on ordinary activities	5	-	1,087
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION		(508,506)	(82,854)
Deficit brought forward		(2,486,721)	(3,295,321)
		(2,995,227)	(3,378,175)
Brand Transfer		-	921,241
Restatement of Balance Sheet		-	(29,787)
DEFICIT CARRIED FORWARD		<u>£(2,995,227)</u>	<u>£(2,486,721)</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current period or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the losses for the current period or previous year.

The notes form part of these financial statements

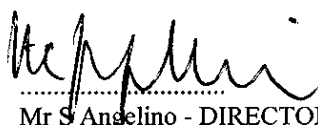
ROBERTSON OF DUMFRIES LIMITED

Balance Sheet

30 June 2000

		2000		1999	
	Notes	£	£	£	£
FIXED ASSETS:					
Intangible assets	6		267		267
Tangible assets	7		388,080		392,000
			<u>388,347</u>		<u>392,267</u>
CURRENT ASSETS:					
Stocks	8	1,682,762		1,292,855	
Debtors	9	1,113,947		1,379,330	
Cash at bank and in hand		394,286		74,386	
		<u>3,190,995</u>		<u>2,746,571</u>	
CREDITORS: Amounts falling due within one year	10	3,084,180		2,200,895	
NET CURRENT ASSETS:			<u>106,815</u>		<u>545,676</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			495,162		937,943
CREDITORS: Amounts falling due after more than one year	11		1,455,026		1,389,301
			<u>£(959,864)</u>		<u>£(451,358)</u>
CAPITAL AND RESERVES:					
Called up share capital	14		262,162		262,162
Revaluation reserve	15		399,656		399,656
Other reserves	16		1,373,545		1,373,545
Profit and loss account			<u>(2,995,227)</u>		<u>(2,486,721)</u>
SHAREHOLDERS' FUNDS:	18		<u>£(959,864)</u>		<u>£(451,358)</u>

ON BEHALF OF THE BOARD:



 Mr S Angelino - DIRECTOR

Approved by the Board on 12-6-01

The notes form part of these financial statements

Notes to the Financial Statements
for the Period 1 January 2000 to 30 June 2000

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold Property - 2% straight line

Stocks

Stock and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Going Concern Assumption

The company maintains bank ing support from Banca Sella in Biella, Italy. On this basis the director considers that it is appropriate to prepare the financial statements on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of Robertson of Dumfries srl (formerly Elba International Spa), who guarantee the loans made to Robertson of Dumfries Ltd by the Banca Sella.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to rectify fixed assets and long term liabilities as current assets and liabilities.

2. STAFF COSTS

	Period 1.1.00 to 30.6.00 £	Year Ended 31.12.99 £
Wages and salaries	<u>822,072</u>	<u>1,573,894</u>

The average monthly number of employees during the period was as follows:

	Period 1.1.00 to 30.6.00	Year Ended 31.12.99
Administration	<u>1</u>	<u>1</u>

ROBERTSON OF DUMFRIES LIMITED

Notes to the Financial Statements
for the Period 1 January 2000 to 30 June 2000

3. OPERATING (LOSS)/PROFIT

The operating loss (1999 - operating profit) is stated after charging/(crediting):

	Period 1.1.00 to 30.6.00 £	Year Ended 31.12.99 £
Depreciation - owned assets	3,920	8,000
Profit on disposal of fixed assets	-	(408,997)
Auditors' remuneration	4,000	10,000
	<u>40,000</u>	<u>86,376</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Period 1.1.00 to 30.6.00 £	Year Ended 31.12.99 £
Interest on Borrowings	60,877	97,114
Other Interest & Penalties	-	5,961
Hire/Lease Purchase Interest	800	4,443
	<u>61,677</u>	<u>107,518</u>

5. TAXATION

The tax charge on the loss on ordinary activities for the period was as follows:

	Period 1.1.00 to 30.6.00 £	Year Ended 31.12.99 £
UK corporation tax	-	1,087

6. INTANGIBLE FIXED ASSETS

	Patents and licences £
COST:	
At 1 January 2000	
and 30 June 2000	267
NET BOOK VALUE:	
At 30 June 2000	267
At 31 December 1999	267

ROBERTSON OF DUMFRIES LIMITED

Notes to the Financial Statements

for the Period 1 January 2000 to 30 June 2000

7. TANGIBLE FIXED ASSETS

	Freehold property
	£
COST:	
At 1 January 2000	
and 30 June 2000	400,000
DEPRECIATION:	
At 1 January 2000	8,000
Charge for period	3,920
At 30 June 2000	11,920
NET BOOK VALUE:	
At 30 June 2000	388,080
At 31 December 1999	392,000

8. STOCKS

	2000	1999
	£	£
Raw Materials	405,993	507,411
Work in Progress	481,824	89,642
Finished Goods	794,945	695,802
	1,682,762	1,292,855

**9. DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2000	1999
	£	£
Trade Debtors	1,049,539	1,257,232
Prepayments	25,925	19,333
VAT (UK and Italian)	38,483	102,765
	1,113,947	1,379,330

**10. CREDITORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

	2000	1999
	£	£
Bank loans and overdrafts (see note 12)	1,247,086	884,134
Trade Creditors	1,050,576	500,642
Hire/Lease Purchase	15,121	19,290
Payroll and Employment Taxes	174,466	141,242
Loan - Cashmeres of Scotland	400,000	400,000
Other Creditors	21,791	21,791
Accruals	175,140	233,796
	3,084,180	2,200,895

ROBERTSON OF DUMFRIES LIMITED

Notes to the Financial Statements

for the Period 1 January 2000 to 30 June 2000

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2000 £	1999 £
Bank loans (see note 12)	<u>1,455,026</u>	<u>1,389,301</u>

12. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	2000 £	1999 £
Amounts falling due within one year or on demand:		
Bank overdrafts	45,161	-
Bank loans	<u>1,201,925</u>	<u>884,134</u>
	<u>1,247,086</u>	<u>884,134</u>
Amounts falling due between one and two years:		
Bank loans	<u>1,455,026</u>	<u>1,389,301</u>

13. SECURED DEBTS

The bank borrowings are guaranteed by Robertson of Dumfries srl (formerly Elba International Spa) who hold a first standard security and a floating charge over Robertson of Dumfries Limited.

14. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2000 £	1999 £
200,000	Ordinary	£1	200,000	200,000
100,000	Class B	£1	<u>100,000</u>	<u>100,000</u>
			<u>300,000</u>	<u>300,000</u>

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2000 £	1999 £
162,162	Ordinary	£1	162,162	162,162
100,000	Class B	£1	<u>100,000</u>	<u>100,000</u>
			<u>262,162</u>	<u>262,162</u>

15. REVALUATION RESERVE

	2000 £	1999 £
Revaluation Reserve	<u>399,656</u>	<u>399,656</u>

ROBERTSON OF DUMFRIES LIMITED

Notes to the Financial Statements

for the Period 1 January 2000 to 30 June 2000

16. OTHER RESERVES

	2000 £	1999 £
Brought forward	1,373,545	-
S/h Non-Red Interest Free Loan	-	1,373,545
	<u>1,373,545</u>	<u>1,373,545</u>

17. RELATED PARTY DISCLOSURES

Robertson of Dumfries Limited is a wholly owned subsidiary of Cashmeres of Scotland Limited which in turn is wholly owned by Trading and Investment Development Enterprises SA, a company registered in Luxembourg. All transactions during the period were conducted on an arms length basis.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Loss for the financial period	(508,506)	(82,854)
New Share Capital Subscribed	-	100,000
Movement in Reserves	-	2,264,999
Net (reduction)/addition to shareholders' funds	<u>(508,506)</u>	<u>2,282,145</u>
Opening shareholders' funds	(451,358)	(2,733,503)
Closing shareholders' funds	<u>(959,864)</u>	<u>(451,358)</u>
Equity interests	<u>(959,864)</u>	<u>(451,358)</u>