

# SEET plc



12

## Report and Financial Statements

for the year ended 30 April 1997

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# Directors and Advisers

## **Directors**

J N Stevenson, BSc (Chairman)  
J H M Mackenzie, MA (Non-executive Director)  
D W Meddings, FCA (Chief Executive)  
A M Bottomley, BSc, ATI (Executive Director)

## **Secretaries**

W & J Burness, W S  
16 Hope Street  
Edinburgh EH2 4DD

## **Principal bankers**

Bank of Scotland

## **Auditors**

Neville Russell  
24 Bevis Marks  
London EC3A 7NR

## **Solicitors**

W & J Burness, W S  
16 Hope Street  
Edinburgh EH2 4DD

## **Registrars and transfer office**

IRG PLC  
Balfour House  
390–398 High Road  
Ilford  
Essex IG1 1NQ

## **Offices**

Head Office:  
16 Maddox Street  
London W1R 9PL

Registered Office:  
16 Hope Street  
Charlotte Square  
Edinburgh EH2 4DD

Registered in Scotland No. 46267

# Notice of Meeting

Notice is hereby given that the twenty-ninth annual general meeting of SEET plc will be held at 9.30 a.m. on 4 September 1997 at 16 Hope Street, Edinburgh EH2 4DD for the following purposes:

- 1 To receive and consider the reports of the directors and auditors and statement of accounts of the company for the year ended 30 April 1997.
- 2 To re-elect as a director, Mr J H M Mackenzie, special notice having been given, pursuant to Sections 293 and 379, Companies Act 1985, of the intention to propose the following resolution as an ordinary resolution:  

That Mr J H M Mackenzie, a director retiring by rotation, who attained the age of 70 years on 29 August 1995 be re-elected a director of the company.

- 3 To reappoint Neville Russell, Chartered Accountants, as auditors and to authorise the directors to fix their remuneration.

As special business, to consider, and if thought fit, to pass resolutions 4 and 5 as special resolutions, namely:

## Special resolutions

- 4 That, subject to and in accordance with article 9 of the company's articles of association, the company is hereby authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange up to an aggregate of 600,000 ordinary shares of 20p each (being approximately 11.97 per cent. of the issued share capital) at not less than nominal value and not more than 5 per cent. above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for ten business days immediately before the purchase is made. This authority will remain in effect until the conclusion of the annual general meeting in 1998 at which meeting a resolution to renew it for a further year will be proposed.

By order of the Board

**W & J Burness, W S**  
Secretaries

11 August 1997

16 Hope Street  
Charlotte Square  
Edinburgh EH2 4DD

## Notes

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote on his behalf. The form of proxy must be lodged with the company's registrars at least 48 hours before the meeting or adjourned meeting. A proxy need not be a member of the company. A proxy form is enclosed.

In order to attend and vote at this meeting (and for the purpose of enabling the company to determine the number of votes they may cast), members must be entered on the company's Register of Members at 9.30 a.m. on 2 September 1997 (the "Specified Time"). Should the meeting be adjourned to a time not more than 48 hours after the specified time applicable to the original meeting that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the votes they may cast) at the adjourned meeting. Should the meeting be adjourned for a longer period then, to be so entitled, members must be entered on the company's Register of Members at the time which is 24 hours before the time fixed for the adjourned meeting or, if the company gives notice of the adjourned meeting, that the time specified in that Notice.

# Chairman's Statement

Our trading operations during the year remained successful with improved results from our most recent acquisition.

Your Board has agreed a new strategy to refocus SEET into niche fields of specialist protective clothing and schoolwear. Although the costs of this transformation exceeded the profitability of our other trading activities, we were fortunate to have the resources to take such radical steps.

A key factor to our future success will be the determination and depth of the experience of our people throughout the Group and I would like to extend to them my thanks for all their hard work and support. With the current team and those joining from the acquisitions, referred to below, growth in the future is a real prospect.

## **The year**

During the year the Group acquired the whole of the share capital in Marmair Holdings Limited and, as a consequence, its wholly owned trading subsidiary, Distinctive Clothing Company Limited ("Distinctive"). Distinctive is one of the market leaders in the manufacture of school blazers and other children's wear.

The acquisition was effective from 11 June 1996 and the subsequent results and contribution exceeded the Board's expectations. Additional turnover at £2.59 million helped the Group's figures to improve to £7.06 million from £5.06 million and Distinctive added £238,767 to operating profits.

The turnover of Peter MacArthur & Co Limited ("MacArthur") fell to £4.47 million from £5.06 million in the last year. Trading conditions continue to be slow as indicated in the Interim Report and it is not anticipated that there will be any improvement in the near future.

Your Board is accordingly recommending the sale of this business which no longer fits in with the strategy outlined above.

## **Results**

The significant professional advisory fees incurred in getting the Group into a position to take advantage of the opportunities for growth, referred to above, together with the reduced contribution from MacArthur, the Group shows an operating profit of £19,064 and a loss attributable to shareholders of £(123,339) ((2.46p) per share) compared with an operating profit of £10,713 and a profit attributable to shareholders of £56,527 (1.13p earnings per share) in the previous year.

## **Current Trading and Prospects**

With the proposed disposal of MacArthur and the success of the Distinctive purchase, your Board is now recommending further acquisitions as set out in the circular document.

J N Stevenson  
**Chairman**

11 August 1997

# Directors' Report

The directors present their report and the financial statements for the year ended 30 April 1997.

## **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 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 statement on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining 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.

## **Principal activities and business review**

The principal activities of the group during the year were the manufacture of schoolwear; apparel fabrics, accessories and clothing. A review of the business of the group and its future prospects may be found in the Chairman's Statement on page 4. Details of the group's segmental report are shown in note 2 to the accounts. The group profit and loss account appears on page 12.

## **Future developments**

The Directors consider that 1998 will continue to be a period of growth and you will see from the enclosed document their plans for the future. Further opportunities will be considered where the directors believe them to be appropriate to the continuing expansion of the Group's operations.

## **Results and dividends**

No interim dividend was paid and the directors propose not to pay a final dividend. The profit for the year has been added to reserves.

## **Directors**

Mr J H M Mackenzie retires by rotation and offers himself for re-election. Since he is over 70 years of age special notice of the intention to propose a resolution to re-elect him is required. Such notice has been given to the Company as stated in item 2 in the Notice of the Meeting.

The names of the directors who have held office during the whole of the period from 1 May 1996 to the date of the report, unless otherwise stated, are shown on page 2.

The directors do not have service contracts in excess of one year.

Mr J N Stevenson has some 30 years experience in the textile industry. He was Chief Executive of Langholm Dyeing Company Limited for most of his working life. He was also a non-executive director of The Edinburgh Woollen Mills Limited.

# Directors' Report—continued

Mr J H M Mackenzie is the founder of SEET, and Chairman since 1969, he resigned as Chairman last year to become a non-executive director of the Company. A barrister by profession, he was formerly a director of Grampian Holdings Plc and was a founder and Chief Executive of London and Northern Securities Plc.

The number of shares in which directors holding office at 30 April 1997, and to the date of this report, and their families had an interest in, were as follows:

	30 April 1997	30 April 1996 or date of appointment if later
Beneficial:		
J N Stevenson	1,305,200	1,305,200
J H M Mackenzie	658,510	658,510
D W Meddings	2,000	2,000
A M Bottomley	1,001,000	1,001,000
Non-Beneficial:		
J H M Mackenzie	307,000	307,000

On 25 August 1995, Mr J H M Mackenzie acquired a beneficial interest in 27,000 shares in the company.

Included in Mr J H M Mackenzie's non-beneficial shareholding are 181,000 shares (1996 181,000 shares) held as trustee for his charitable trust in which neither he nor his family has any beneficial interest. A group of private companies of which Mr J H M Mackenzie is a director and shareholder holds 495,240 shares (1996 495,240 shares) which are included in his beneficial holding.

Mr J N Stevenson's holding is registered in the name of Ashleybank Investments Limited, a private company of which Mr Stevenson is a shareholder and director.

None of the present directors has any material interest in any contract with the company other than a service contract.

## Substantial shareholdings

The directors have been informed that on 11 July 1997, the trustees of the Mars UK Pension Fund held 178,630 shares (3.56 per cent.). As far as they are aware there were no other holdings in the shares of the company at that date in excess of 3 per cent. of the issued share capital apart from directors' holdings.

## Corporate governance

### Introduction

The group complied throughout the accounting period with many of the provisions of the Code of Best Practice ("the Code") of the Cadbury Committee on financial aspects of corporate governance.

Your directors have given careful consideration to those aspects of the Code with which the group does not fully comply. The composition of the board does not include sufficient non-executive directors as defined by the Code. As such the functions of the remuneration and audit committees is undertaken by the full board. However, the Board have concluded that the current position best suits the efficient and proper operation of the business in its present circumstances.

# Directors' Report—continued

## **Internal financial controls**

The directors are responsible for the company's system of internal financial control. Any such system can provide a reasonable and not absolute assurance of the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial control.

The group has structured an executive management process through which day to day control is affected. This process is now being carried out by a management committee whose members all have business function responsibilities.

The system of internal financial control includes: detailed formal budgeting for all group activities thus producing group annual budgeting which is approved by the Board. Actual performance is monitored against the budget monthly by the Board. As part of this process the main business risks are identified and consequently plans developed to address any financial implications. Revised forecasts are prepared from time to time for review by the Board during the year.

Any significant treasury and investment matters are reviewed in detail by the Board. The group has defined procedures for the appraisal, review and control of capital expenditure, including approval limits and required rates of return.

The directors confirm that they have reviewed the effectiveness of the system of internal control.

## **Going concern**

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue operations for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the accounts.

## **Audit committee**

Since the whole board takes responsibility for the appointment of and receiving reports from the auditors, a separate committee is not economically justified.

## **Executive directors' salaries**

The basic salary of executive directors is determined by the Board with reference to appropriate advice from external and financial advisers. Salaries are reviewed annually or when a change of responsibility occurs and detailed directors' remuneration are shown in note 10 on page 18 of these accounts.

The directors have given full consideration to sections (A) and (B) of the Best Practice Provisions appended to the Stock Exchange listing rules. They do not currently comply with section (A) as the composition of the Board does not include sufficient non-executive directors as defined by the rules relating to corporate governance.

## **Policy and practice on payment of creditors**

The group agrees terms of payment in advance with its main suppliers linked to the satisfactory date of delivery of goods or service and the receipt of a correct invoice. The group does not have a standard or code which deals specifically with the payment of suppliers.

The number of creditor days calculated for 1997 is 104 days (1996: 130 days).



# Directors' Report—continued

## **Purchase by the company of its own shares**

It has been the company's practice for several years to take powers, as permitted by the Companies Act 1985, to purchase, in the market, a limited number of its own shares. The power of a company to make such purchases must have been approved by its members in general meeting, must be renewed at least once every eighteen months and must be permitted by appropriate provisions in its Articles of Association. Any shares so purchased are cancelled. Your Board believes that SEET plc should have the ability to take advantage of this facility. It is therefore seeking your approval, by resolution number 5, to exercise this power up to a maximum aggregate of 600,000 ordinary shares, representing approximately 11.97 per cent. of the present issued ordinary share capital. The terms of the proposed authority provide that any purchases may be made only at a price of not less than 20p (being the nominal value of an ordinary share) and not more than 5 per cent. above the average of the middle market quotations as derived from the London Stock Exchange Daily Official List for the ten business days before any such purchase is made. The authority will enable purchases to be made only in the market and it is your Board's intention that renewal of the authority will be sought at subsequent annual general meetings.

Your Board has no immediate plans to exercise this authority, and will do so only when it is satisfied that it is in the best interests of shareholders as a whole, for example to increase the net assets per share. The figures referred to in the proposed authority should not be construed as an indication that the company will purchase ordinary shares at any particular price, if indeed at all, or to imply any opinion on the part of the Board as to the market value at any time of your company's ordinary shares. An immediate announcement would be made by the company upon any purchase being made and full details would be set out in the next annual report and accounts.

It is your Board's intention that any purchases of ordinary shares made by the company should not interfere with dividend policy decisions and that the purchase price for any ordinary shares should be met from distributable profits, rather than funded through a new issue of shares.

# Directors' Report—continued

Any purchase of ordinary shares by the company pursuant to these proposals would be made through the London Stock Exchange. As a result, any shareholder who sold his ordinary shares, even if those shares were subsequently acquired by the company, would not be subject to different tax considerations from those normally applying to a sale of shares in the market. Under current legislation, any advance corporation tax payable by the company in connection with the purchase of ordinary shares would be available for recovery by the company in the normal manner.

Shareholders who are in doubt about the tax implications of sales of their shares should consult their own professional advisers.

## **Company status**

The close company provisions of the Income and Corporation Taxes Act 1988 did not apply to the company during the year and no change in this status has since occurred.

## **Auditors**

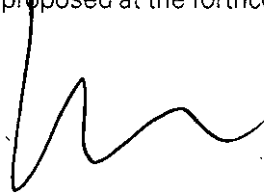
Neville Russell has signified their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

By order of the Board

**W & J Burness, W S**

Secretaries

11 August 1997



# Auditors' Report

to the shareholders of SEET plc

We have audited the accounts set out on pages 12 to 28 which have been prepared following the accounting policies set out on page 15.

## **Respective responsibilities of directors and auditors**

As described on page 5, the directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

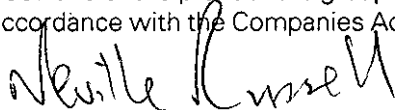
## **Basis of opinion**

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group'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 accounts 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 accounts.

## **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 30 April 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



## **Neville Russell**

Chartered Accountants  
and Registered Auditors  
London.

11 August 1997

# Auditors' Report

## to SEET plc on Corporate Governance Matters

In addition to our audit of the accounts, we have reviewed the directors' statements on pages 6 and 7 concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43 (v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

### **Opinion**

With respect to the directors' statements on internal financial control and going concern on page 7, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion, the directors' statement on page 7, appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43 (j).

### **Neville Russell**

Chartered Accountants  
and Registered Auditors  
London

11 August 1997

# Consolidated Profit and Loss Account

of SEET plc and its subsidiaries  
for the year ended 30 April 1997

	Notes	1997 £	1996 £
<b>Turnover</b> —continuing operations		4,469,387	5,057,603
—acquisitions		2,588,108	—
		<u>7,057,495</u>	<u>5,057,603</u>
Changes in stocks of finished goods and work-in-progress	2	(38,736)	(99,111)
		<u>7,018,759</u>	<u>4,958,492</u>
Other operating income		20,110	17,779
		<u>7,038,869</u>	<u>4,976,271</u>
Raw materials and consumables		(3,345,335)	(1,859,177)
Other external charges		(842,247)	(786,418)
Trading expenses		<u>(2,832,223)</u>	<u>(2,319,967)</u>
<b>Operating profit</b>		19,064	10,709
—continuing operations		(219,703)	10,709
—acquisitions		<u>238,767</u>	<u>—</u>
Exceptional item	5	—	18,788
		<u>19,064</u>	<u>29,497</u>
Other interest receivable and similar income		46,769	91,127
Amounts written off goodwill	11	(57,740)	—
Interest payable and similar charges	6	<u>(102,203)</u>	<u>(558)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(94,110)	120,066
Taxation on (loss)/profit on ordinary activities	7	<u>(29,229)</u>	<u>(27,712)</u>
<b>(Loss)/profit on ordinary activities after taxation</b>		(123,339)	92,354
Minority interest equity	8	—	(35,827)
<b>(Loss)/profit on ordinary activities attributable to the members of SEET plc</b>		<u>(123,339)</u>	<u>56,527</u>
<b>Retained (loss)/profit for the financial year</b>		<u>(123,339)</u>	<u>56,527</u>
<b>(Loss)/earnings per share</b>	1	<u>(2.46)p</u>	<u>1.13p</u>

There were no recognised gains or losses other than the profit or loss for the current and prior years.

There is no material difference between the result for the current and prior years and those prepared on an unmodified historical cost basis.

# Consolidated Balance Sheet

of SEET plc and its subsidiaries  
as at 30 April 1997

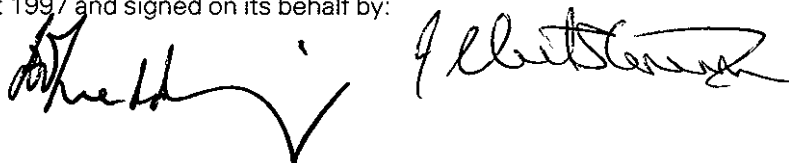
	Notes	1997 £	1997 £	1996 £	1996 £
<b>Assets employed</b>					
<b>Fixed assets</b>					
Intangible assets	11	1,241,788		—	
Tangible assets	12	<u>728,426</u>		<u>290,852</u>	
			1,970,214		290,852
<b>Current assets</b>					
Stocks and work in progress	14	2,113,694		1,332,277	
Debtors	15	1,830,358		952,078	
Cash at bank and in hand		<u>638,799</u>		<u>1,286,371</u>	
		4,582,851		3,570,726	
Creditors: amounts falling due within one year	16	<u>(2,310,552)</u>		<u>(584,470)</u>	
Net current assets			2,272,299		2,986,256
<b>Total assets less current liabilities</b>			4,242,513		3,277,108
Creditors: amounts falling due after more than one year	17		(1,092,903)		(2,398)
Provision for liabilities and charges	18		<u>(10,890)</u>		<u>—</u>
			<u>£3,138,720</u>		<u>£3,274,710</u>
<b>Financed by</b>					
<b>Capital and reserves</b>					
Called up share capital	19		1,002,566		1,002,566
Share premium account	21		753,484		753,484
Capital reserve	21		40,790		40,790
Revaluation reserve	21		44,486		57,136
Profit and loss account	22		<u>1,297,394</u>		<u>1,420,734</u>
<b>Shareholders' funds</b>	20		<u>£3,138,720</u>		<u>£3,274,710</u>

Approved by the Board on 11 August 1997 and signed on its behalf by:

**J Neil Stevenson**

**D W Meddings**

} Directors



# Company Balance Sheet

of SEET plc  
as at 30 April 1997

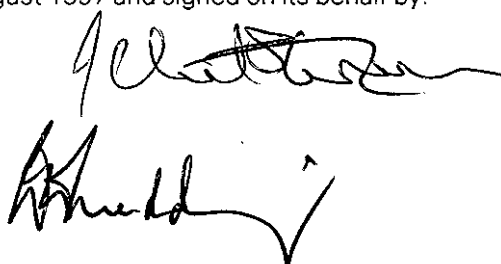
	Notes	1997 £	1997 £	1996 £	1996 £
<b>Assets employed</b>					
<b>Fixed assets</b>					
Tangible assets	12		4,176		9,042
Investments—subsidiary companies	13		3,221,250		1,295,506
			<u>3,225,426</u>		<u>1,304,548</u>
<b>Current assets</b>					
Debtors	15	711,050		778,745	
Cash at bank and in hand		<u>636,688</u>		<u>341,313</u>	
		1,347,738		1,120,058	
Creditors: amounts falling due within one year	16	<u>(548,948)</u>		<u>(85,027)</u>	
Net current assets			798,790		1,035,031
<b>Total assets less current liabilities</b>			<u>4,024,217</u>		<u>2,339,579</u>
Creditors: Amounts falling due after more than one year	17		<u>(917,500)</u>		<u>—</u>
			<u>£3,106,716</u>		<u>£2,339,579</u>
<b>Financed by</b>					
<b>Capital and reserves</b>					
Called up share capital	19		1,002,566		1,002,566
Share premium account	21		753,484		753,484
Profit and loss account	22		<u>1,350,666</u>		<u>583,529</u>
<b>Shareholders' funds</b>	20		<u>£3,106,716</u>		<u>£2,339,579</u>

Approved by the Board on 11 August 1997 and signed on its behalf by:

J Neil Stevenson

D W Meddings

} Directors



# Notes to the Accounts

For the year ended 30 April 1997

## 1 Accounting policies

The accounts have been prepared in accordance with applicable accounting standards.

### a Accounting convention

The accounts have been prepared under the historical cost convention, modified to incorporate the revaluation of heritable properties and certain fixed asset investments.

### b Basis of consolidation and goodwill

The group financial statements consolidated the financial statements of the company and its subsidiary undertakings made up to 30 April 1997.

The profits and losses of subsidiary undertakings are consolidated from the date of acquisition to the date of disposal. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is written off to reserves in the year in which it arises on acquisitions prior to 1 May 1996. From that date, the difference is capitalised, as goodwill, and amortised through the profit and loss account in equal instalments over its estimated useful life.

The estimated useful life of the goodwill on the acquisition of Marmair Limited and Distinctive Clothing Company Limited is considered to be 20 years.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year was £767,137 (1996: £281,915).

### c Depreciation of tangible fixed assets

No provision for depreciation is made in respect of heritable land. Depreciation is provided on heritable properties at 1% per annum based on revalued amounts. Freehold land is not depreciated and freehold buildings are depreciated at 2% per annum on a straight line basis. Plant, machinery, equipment and vehicles are depreciated by reference to their estimated useful lives and residual values at rates varying from 5% per annum to 33⅓% per annum on a straight line basis. Government grants are credited to the profit and loss account at rates corresponding to the depreciation of the relevant fixed assets.

### d Stocks and work in progress

These are valued at the lower of cost and net realisable value. Cost of work in progress and finished goods includes materials, direct labour and production overheads. Net realisable value is based on estimated selling price less distribution costs.

### e Deferred taxation

Deferred taxation is accounted for on the liability method in respect of the tax reduction arising from timing differences, except where it is expected with reasonable probability that they will continue for the foreseeable future. Advance corporation tax estimated to be recoverable against the tax liabilities on future years' profits has been deducted from the balance on the deferred taxation account in the consolidated balance sheet.

### f (Loss)/profit per share

The calculation is based on the (loss)/profit attributable to the members of the holding company after taxation and minority interests of £(123,339) (1996: £56,527) and on issued capital of 5,012,829 (1996: 5,012,829) ordinary shares.

### g Pension funding

The group operates a defined benefits pension scheme, the contributions to which are based on independent periodic actuarial calculations and are charged to the profit and loss account accordingly. The scheme is fully funded by payments to an insurance company.



# Notes to the Accounts—continued

## 2 Segmental report

The group had only one class of business in its subsidiary operating companies, that of a manufacturer of schoolwear, apparel fabrics, accessories and clothing. The turnover, profit before taxation and net assets are attributable to that business.

	1997 £	1996 £
The turnover all originates in the United Kingdom, and a geographical analysis of turnover by destination is as follows:		
United Kingdom	4,092,322	1,990,237
Rest of the European Union	1,396,457	1,323,030
Rest of the world	1,568,716	1,744,336
	<u>£7,057,495</u>	<u>£5,057,603</u>

## 3 Acquisition of subsidiary company

On 11 June 1996 the issued share capital of Marmair Holdings Limited was acquired for a total initial consideration of £1,400,000, comprised of £1,175,000 in cash and £225,000 in bank guaranteed loan notes. In addition, up to £342,840 of contingent consideration is payable to the management vendors and the management family vendors, the amount of which depends upon any increase in the adjusted consolidated operating profit of the Marmair Group during the two years ending 30 September 1996 and 30 September 1997 over the sum of £307,000. No consideration was payable at 30 September 1996, but, a contingent consideration has been provided on the basis of profit projections for the year ended 30 September 1997 of £308,000. The payment will be satisfied by the company issuing bank guaranteed loan notes not earlier than 1 January 1998. Details of the loan notes issued are given in Note 17 to the accounts.

This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising was £1,299,528 which has been capitalised and will be amortised through the profit and loss account over a period of 20 years.

The profit after taxation of the Marmair Group for the period from the beginning of its financial year up to the date of acquisition and for its previous financial year was as follows:

	£
1 October 1995 to date of acquisition	£42,789
Financial year ended 30 September 1995	<u>£202,705</u>

The profit after taxation of the Marmair group for the period from the date of acquisition to the balance sheet date included in the consolidated accounts was £111,394.

The table below explains the adjustment made to the book values of the major categories of assets and liabilities acquired in arriving at fair values:

	Book value £	Revaluation £	Other items £	Fair value at date of acquisition £
<b>FIXED ASSETS</b>				
Tangible investments	448,693	(32,376)	—	416,317
<b>CURRENT ASSETS</b>				
Stock	828,956	—	—	828,956
Debtors	754,142	—	—	754,142
Cash at bank	(488,424)	—	—	(488,424)
<b>TOTAL ASSETS</b>	<u>1,543,367</u>	<u>(32,376)</u>	<u>—</u>	<u>1,510,991</u>
<b>LIABILITIES</b>				
Total creditors	(310,966)	—	—	(310,966)
Other creditors	(566,429)	—	(7,380)	(573,809)
<b>TOTAL LIABILITIES</b>	<u>(877,395)</u>	<u>—</u>	<u>(7,380)</u>	<u>(884,775)</u>
<b>NET ASSETS</b>	<u>£665,972</u>	<u>£(32,376)</u>	<u>£(7,380)</u>	<u>£626,216</u>

# Notes to the Accounts—continued

<b>4 (Loss)/profit on ordinary activities before taxation</b>	1997 £	1996 £
The (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (note 9)	2,212,957	1,383,916
Depreciation	76,660	43,854
Amortisation of goodwill	57,740	—
Directors' emoluments (note 10)	199,867	145,517
Auditors' remuneration:		
—audit	42,000	17,800
—non-audit services	91,028	23,600
Operating lease rentals	30,000	30,000
Profit on sale of fixed assets	(2,050)	(13,875)
	<u>£</u>	<u>£</u>
<b>5 Exceptional items</b>	1997 £	1996 £
Write back of fixed asset investment	£—	£18,788
	<u>£</u>	<u>£</u>
<b>6 Interest payable and similar charges</b>	1997 £	1996 £
Bank overdrafts, bank loans and other loans repayable within five years	£102,203	£558
	<u>£</u>	<u>£</u>
<b>7 Taxation on profit on ordinary activities</b>	1997 £	1996 £
Corporation tax payable at 24%	(27,649)	(27,712)
Transfer to deferred taxation	(3,190)	—
Overprovision in respect of previous years	1,610	—
	<u>£(29,229)</u>	<u>£(27,712)</u>
<b>8 Minority interest</b>	1997 £	1996 £
Share of profit of subsidiary company attributable to minority	£—	£(35,827)
	<u>£</u>	<u>£</u>
<b>9 Staff costs</b>	1997 Number	1996 Number
The average weekly number of employees (including directors) during the year was:		
Production	161	72
Distribution	6	3
Administration	28	23
	<u>195</u>	<u>98</u>
	£	£
Staff costs comprise the following:		
Wages and salaries	2,066,337	1,282,044
Social security costs	138,506	105,965
Other pension costs	8,114	(4,093)
	<u>£2,212,957</u>	<u>£1,383,916</u>

# Notes to the Accounts—continued

<b>10 Directors Remuneration</b>	1997	1996
Emoluments	£	£
	199,867	145,517
Total emoluments	<u>199,867</u>	<u>145,517</u>

The emoluments of directors disclosed above include the following amounts paid to the highest paid director:

Emoluments	<u>80,926</u>	<u>54,058</u>
------------	---------------	---------------

As at 30 April 1997 the following amounts relating to the highest paid director were accrued under a defined benefit pension scheme:

Accrued pension entitlement	<u>24,959</u>
-----------------------------	---------------

During the period the following number of directors:

Accrued benefits under defined benefit pension schemes	<u>Number</u>
	<u>1</u>

The remuneration of the directors who served during the year is detailed below:

	Salary £	Benefits £	Bonuses £	Fees £	1997 Total £	1996 Total £
J H M Mackenzie	31,889	10,137	—	—	42,026	50,719
D W Meddings	56,667	5,748	—	—	62,415	31,667
A M Bottomley	63,500	14,128	3,298	—	80,926	54,058
J N Stevenson	—	—	—	14,500	14,500	6,226
	<u>152,056</u>	<u>30,013</u>	<u>3,298</u>	<u>14,500</u>	<u>199,867</u>	<u>142,670</u>

## 11 Intangible fixed assets

	Goodwill £
<b>COST</b>	
At 1 May 1996	—
Additions	1,299,528
At 30 April 1997	<u>1,299,528</u>
<b>AMORTISATION</b>	
At 1 May 1996	—
Charge for the year	57,740
At 30 April 1997	<u>57,740</u>
<b>NET BOOK VALUE</b>	
At 30 April 1997	<u>£1,241,788</u>
At 30 April 1996	<u>—</u>

Goodwill arising on the acquisition of the Marmair Group in 1996 is being amortised over 20 years. In the opinion of the directors, this represents a prudent estimate of the period over which the group will derived economic benefit from the goodwill existing at the date of acquisition.

# Notes to the Accounts—continued

## 12 Tangible fixed assets

	Freehold properties £	Short-term leasehold property £	Plant, machinery, equipment and vehicles £	Total £
<b>Group</b>				
Cost or valuation:				
At beginning of year	160,000	1,850	1,128,500	1,290,350
Additions at cost	—	—	104,969	104,969
Disposals at cost	—	—	(19,122)	(19,122)
Acquisition—subsidiary	347,525	—	410,821	758,346
At 30 April 1997	507,525	1,850	1,625,168	2,134,543
Depreciation:				
At beginning of year	4,500	1,850	993,148	999,498
Elimination in respect of disposals	—	—	(12,070)	(12,070)
Acquisitions—subsidiary	29,325	—	312,704	342,029
Charge for the year	4,862	—	71,798	76,660
At 30 April 1997	£38,687	£1,850	£1,365,580	£1,406,117
Net book value at 30 April 1997	£468,838	—	£259,588	£728,426
At 30 April 1996	£155,500	—	£135,352	£290,852

Cost or valuation of group tangible fixed assets at 30 April 1997 was made up as follows:

Valuation in 1991	160,000	—	—	160,000
Cost	347,525	1,850	1,625,168	1,974,543
	507,525	1,850	1,625,168	2,134,543

	Land and buildings	
	1997	1996
If the land and buildings had not been revalued they would have been included at the following amounts:		
Historical cost	£265,655	£120,000
Aggregate depreciation	£110,081	£16,235
Net book value	£155,574	£103,765

The net book value and related depreciation charge for the period in respect of assets held under finance leases and hire purchase contracts are as follows:

	Net book value		Depreciation	
	1997	1996	1997	1996
	£	£	£	£
Motor vehicles	£18,388	—	£19,877	—

# Notes to the Accounts—continued

## 12 Tangible fixed assets investments (continued)

Company	Short-term leasehold property £	Plant, machinery, equipment and vehicles £	Total £
Cost:			
At beginning of year	1,850	68,777	70,627
Additions at cost	—	800	800
At 30 April 1996	1,850	69,577	71,427
Depreciation:			
At beginning of year	1,850	59,735	61,585
Charge for the year	—	5,666	5,666
At 30 April 1997	1,850	65,401	67,251
Net book value at 30 April 1997	—	£4,176	£4,176
At 30 April 1996	—	£9,042	£9,042

## 13 Fixed asset investments

	Shares in Subsidiary companies £
Cost or valuation:	
At beginning of year	1,394,971
Movement in year—acquisition of subsidiary company	1,925,744
At 30 April 1997	£3,320,715
Provisions:	
At beginning of year	99,465
Movement in year	—
At 30 April 1997	£99,465
Net book value at 30 April 1997	£3,221,250
At 30 April 1996	£1,295,506

The above investments are unlisted.

SEET PLC has two main subsidiary companies, Peter MacArthur & Co, which is based in Hamilton, Lanarkshire and is registered and operates principally in Scotland. Its business is the production of apparel fabrics and accessories. SEET PLC owns 100% of both the preference shares and the ordinary shares.

It also acquired in the year Marmair Holdings Limited, which, in turn, wholly owns Distinctive Clothing Company Limited, the trading company. These companies are registered and operate in England and manufacture children's clothing. SEET PLC owns 100% of both the preference shares and the ordinary shares.

## 14 Stocks and work in progress

	1997 £	1996 £
Raw materials and consumables	844,873	453,088
Work in progress	510,039	381,783
Finished goods	758,782	497,406
	£2,113,694	£1,332,277

# Notes to the Accounts—continued

## 15 Debtors

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Amounts falling due within one year:				
Trade debtors	1,573,664	756,995	—	—
Dividend receivable from subsidiary company	—	—	235,273	475,000
Other amounts owed by subsidiary companies	—	—	294,395	144,286
Other debtors	134,824	101,534	90,976	80,994
Prepayments and accrued income	121,870	23,549	90,406	8,465
	<u>1,830,358</u>	<u>882,078</u>	<u>711,050</u>	<u>708,745</u>
Amounts falling due after one year:				
Other debtors	—	70,000	—	70,000
	<u>£1,830,358</u>	<u>£952,078</u>	<u>£711,050</u>	<u>£778,745</u>

## 16 Creditors: amounts falling due within one year

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Bank loans and overdrafts	784,567	—	162,825	—
Trade creditors	689,646	241,043	—	—
Amounts owed to subsidiary companies	—	—	46,193	46,193
Corporation tax payable	8,000	7,000	—	—
Other taxation and social security payable	53,623	28,691	3,000	5,505
Other creditors	48,335	13,408	7,208	13,408
Accruals and deferred income	418,381	294,328	21,722	19,921
Contingent consideration (Note 25)	308,000	—	308,000	—
	<u>£2,310,552</u>	<u>£584,470</u>	<u>£548,948</u>	<u>£85,027</u>

# Notes to the Accounts—continued

## 17 Creditors: amounts falling due after more than one year

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Bank loan and overdraft	817,500	—	692,500	—
Bank guaranteed loan notes 1996/2004	225,000	—	225,000	—
Trade creditors	42,680	—	—	—
Deferred credit for government grants	7,723	2,398	—	—
	<u>£1,092,903</u>	<u>£2,398</u>	<u>£917,500</u>	<u>—</u>

Included above are the following:

	Group		Company	
	1997	1996	1997	1996
	£	£	£	£
Amounts repayable otherwise than by instalments in more than five years	225,000	—	225,000	—
Amounts repayable by instalments:				
Repayable within five years	551,112	—	440,000	—
Repayable after five years	266,388	—	252,500	—
	<u>£1,042,500</u>	<u>—</u>	<u>£917,500</u>	<u>—</u>

A facility agreement between the company and its principal bankers was agreed on 22 May 1996, whereby a term loan of £775,000 repayable over eight years from 11 June 1997, and guarantee facilities for the loan notes issued pursuant to the acquisition agreement of the Marmair Group. The loan notes are redeemable at the option of the holder at any time from 11 June 1997 but before the date eight years from completion. In the directors opinion this amount will not be payable within the near future.

The charges payable by the company to the principal bankers under the facility are as follows:

- (i) interest is payable on the term loan at a rate of 2 per cent over the base rate of the bank from time to time;
- (ii) a charge is payable at the rate of 2 per cent of the amount of the guarantees in issue from time to time;
- (iii) a charge is payable at the rate of 1 per cent of the amount of guarantees made available by the bank but remaining unissued from time to time.

The facility is secured by a bond and floating charge over the whole of the property of Peter MacArthur Limited, the wholly-owned subsidiary.

In addition, an existing loan in the Marmair Group is included above for £125,000. This loan is repayable by instalments. Interest is charged at 3 per cent over base rate and is secured on the land and buildings of Distinctive Clothing Company Limited.

### Analysis of debt maturity 1997

	Group Bank loans and overdrafts	Company Bank loans and overdrafts
	£	£
Amounts payable:		
In one year or less or on demand	784,567	162,825
Between one and two years	137,780	110,000
Between two and five years	413,340	330,000
In five years or more	491,380	477,500
	<u>£1,827,067</u>	<u>£1,080,325</u>

There were no borrowings in the previous year.

# Notes to the Accounts—continued

## 18 Provisions for liabilities and charges

	1997 £	1996 £
Deferred taxation account:		
At beginning of the year	—	—
Deferred tax from new subsidiary	7,700	—
Transfer from profit and loss account	3,190	1,172
Advance corporation tax recoverable	—	(1,172)
	<u>£10,890</u>	<u>—</u>

Potential amounts of deferred tax are as follows:

Provided above in respect of:		
Timing differences	10,890	1,172
Advance corporation tax recoverable	—	(1,172)
	<u>£10,890</u>	<u>—</u>
Not provided above in respect of:		
Accelerated capital allowances	£15,131	£15,131
Property Revaluations	£52,693	—
	<u>£67,824</u>	<u>£15,131</u>

There are expenses of management of approximately £854,153 in the holding company which are available to be carried forward for tax purposes against future profits.

## 19 Share capital

	1997	1996
Authorised:		
10,000,000 ordinary shares of 20p each (1996: 10,000,000)	<u>£2,000,000</u>	<u>£2,000,000</u>
Allotted, called up and fully paid:		
5,012,829 ordinary shares of 20p each (1996: 5,012,829)	<u>£1,002,566</u>	<u>£1,002,566</u>



# Notes to the Accounts—continued

## 20 Reconciliation of movement in shareholders' fund

	Group £	Company £
(Loss)/profit for the financial year	(123,339)	767,138
Movement on revaluation reserve	(12,650)	—
Opening shareholders' funds	3,274,710	2,339,579
Closing shareholders' funds	<u>£3,138,721</u>	<u>£3,106,717</u>

## 21 Reserves

	Share premium £	Capital reserve £	Revaluation reserve £
<b>Group</b>			
At 1 May 1996	753,484	40,790	57,136
Movement on consolidation	—	—	(12,650)
At 30 April 1997	<u>£753,484</u>	<u>£40,790</u>	<u>£44,486</u>
<b>Company</b>			
At 1 May 1996 and at 30 April 1997	<u>£753,484</u>	<u>—</u>	<u>—</u>

## 22 Profit and loss account

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
At 1 May 1996	1,420,733	1,364,206	583,529	301,614
(Loss)/profit for the year	(123,339)	56,527	767,137	281,915
At 30 April 1997	<u>£1,297,394</u>	<u>£1,420,733</u>	<u>£1,350,666</u>	<u>£583,529</u>

## 23 Leases

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Annual commitments under non-cancellable operating leases in respect of land and buildings: Expiring after five years	<u>£30,000</u>	<u>£30,000</u>	<u>£30,000</u>	<u>£30,000</u>

In the normal course of business, forward commitments have been entered into which are based on estimated requirements for the purchase of wool and yarn amounting to £893,000 (1996: £853,998).

# Notes to the Accounts—continued

## 24 Pension commitments

The group contributes to a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group.

Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation available is at 31 December 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would exceed salary increases by 2 per cent. per annum and that future pensions would increase at the rate of 3 per cent. per annum.

The pension charge for the year was £1,125 (1996: credit £4,093). The normal charge for the year would have been £99,300 (1996: £84,770) but as a result of the most recent actuarial valuation no contributions other than stated have been paid by the group. That valuation showed that the market value of the scheme's assets was £2,869,820 and that the actuarial value of those assets represented 108 per cent. of the benefits that had accrued to members, after allowing for expected future increases in earnings.

## 25 Deferred consideration

In connection with the acquisition of Marmair Holdings Limited, the group has entered into arrangements for additional payment to be made in the future to the vendors of the Company, where the amount of the future consideration is dependent upon the future performance of the Company in the year to 30 September 1996 and 30 September 1997. No additional consideration was paid in the year to 30 September 1996. This consideration is to be satisfied by the issue of bank guaranteed loan notes and £308,000 has been accrued in the accounts to the 30 April 1997. Provision is only made where the future performance can be estimated with reasonable certainty.

# Consolidated Cash Flow Statement

of SEET plc and its subsidiaries  
for the year ended 30 April 1997

	Notes	1997 £	£	1996 £	£
<b>Net cash inflow from operating activities</b>	A		106,371		679,671
<b>Returns on investment and servicing of finance</b>	B		(55,434)		90,569
<b>Taxation</b>			(74,930)		(6,953)
<b>Capital expenditure and financial investment</b>	B		(95,867)		(70,458)
<b>Acquisition and disposal</b>	B		(1,881,168)		(810,758)
<b>Cash outflow before use of liquid resources and financing</b>			(2,001,027)		(117,929)
<b>Financing—increase in debt</b>	B	700,000		630,000	
			700,000		630,000
<b>(Decrease)/increase in cash in the year</b>			<u>£(1,301,027)</u>		<u>£512,071</u>
<b>Reconciliation of net cash flow to movement in net debt</b>	C				
<b>(Decrease)/increase in cash in the year</b>		(1,301,028)		512,071	
Cash inflow from increase in debt		(700,000)		—	
Change in net debt resulting from cash flows			(2,001,028)		512,071
Loans acquired with subsidiary			(248,611)		—
Bank guaranteed loan notes			(225,000)		—
<b>Movement in net debt in the year</b>			<u>(2,747,639)</u>		<u>512,071</u>
<b>Net funds at 1 May</b>			1,286,371		774,300
<b>Net (debt)/funds at 30 April</b>			<u>£(1,188,268)</u>		<u>£1,286,371</u>

# Consolidated Cash Flow Statement—continued

## A. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	1997	1996
	£	£
Operating profit	19,064	10,709
Depreciation of tangible fixed assets	76,660	43,856
(Profit) on sale of tangible fixed assets	(2,050)	(13,875)
Decrease in stock	47,539	320,999
(Increase)/Decrease in debtors	(124,139)	501,477
Increase/(Decrease) in creditors	95,701	(181,899)
Government grant credit	(6,404)	(1,596)
	<u>£106,371</u>	<u>£679,671</u>

## B. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1997	1996
	£	£
<b>Returns on investments and servicing of finance</b>		
Interest received	46,769	91,127
Interest paid	(102,203)	(558)
<b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b>	<u>£(55,434)</u>	<u>£90,569</u>
<b>Capital expenditure and financial investment</b>		
Purchase of fixed assets	(104,967)	(84,658)
Sale of fixed assets	9,100	14,200
<b>Net cash outflow for capital expenditure and financial investment</b>	<u>£(95,867)</u>	<u>£(70,458)</u>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertaking	(1,392,744)	—
Net overdraft acquired with subsidiary	(488,424)	—
Purchase of fixed asset investments	—	(950,710)
Settlement received in respect of fixed asset investment	—	139,952
<b>Net cash outflow for acquisitions and disposals</b>	<u>£(1,881,168)</u>	<u>£(810,758)</u>
<b>Financing</b>		
Issue of ordinary share capital	—	630,000
Debt due beyond one year:		
Repayment of subordinated unsecured loan	(75,000)	—
New secured loan repayable 2008	775,000	—
<b>Net cash from financing</b>	<u>£700,000</u>	<u>£630,000</u>

	At 1 May 1996	Acquisition (excluding cost and overdraft)	Other cash charges	Cashflow	At 30 April 1997
Cash in hand and in bank	1,286,371	—	—	(647,572)	638,799
Overdrafts	—	—	—	(674,287)	(674,287)
Debt due after one year	—	(173,611)	—	(754,169)	(927,780)
Subordinated unsecured loans	—	(75,000)	—	75,000	—
Bank guarantee loan notes	—	—	(225,000)	—	(225,000)
	<u>£1,286,371</u>	<u>£(248,611)</u>	<u>£(225,000)</u>	<u>£(2,001,028)</u>	<u>£(1,188,268)</u>

# Consolidated Cash Flow Statement—continued

## D. MAJOR NON-CASH TRANSACTIONS

Part of the consideration for the purchase of the Marmair Group comprised loan notes of £225,000. Further details of the acquisition is set out below.

## E. PURCHASE OF SUBSIDIARY UNDERTAKINGS

	£
<b>Net assets acquired</b>	
Tangible fixed assets	416,317
Stocks	828,956
Debtors	754,142
Cash at bank and in hand	—
Creditors	(636,164)
Bank overdraft	(488,424)
Bank loan	(248,611)
	<hr/>
	626,216
Goodwill	1,299,528
	<hr/>
	£1,925,744
 <b>Satisfied by:</b>	
Cash paid to vendors	1,175,000
Cash paid to repay subordinated unsecured loan	75,000
Acquisition expenditure	142,744
	<hr/>
Cash movement on acquisitions	1,392,744
Loan notes issued	225,000
Contingent consideration	308,000
	<hr/>
	£1,925,744

The subsidiary undertaking acquired during the year contributed £293,874 to the group's net operating cash flows, paid £34,262 in respect of net returns on investments and servicing of finance, paid £64,730 in respect of taxation and utilised £94,414 for capital expenditure.

# Form of Proxy

I/We (block capital please) .....

.....  
a member/members of SEET plc, hereby appoint J H M Mackenzie, or failing him, D W Meddings, or  
failing him, A M Bottomley, or failing him, J N Stevenson, all directors of the company, or

† .....  
as my/our proxy to vote for me/us and on my/our behalf at the annual general meeting of the  
company to be held on Thursday 4 September 1997 and at any adjournment thereof.

Dated ..... August 1997    Signature .....

I/we direct my/our proxy to vote as follows:

Resolution	1	2	3	4
FOR*				
AGAINST*				

*\*Tick (✓) as appropriate*

†A member may appoint a proxy of his choice by deleting the other names and inserting here the  
name of the proxy.

## Notes

- 1 To be valid this form of proxy must be lodged at Balfour House, 390-398 High Road, Ilford, Essex IG1 1BR not later than 48 hours before the time fixed for the holding of the meeting. Any alterations made in the form should be initialled.
- 2 If the appointor is a corporation this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
- 3 In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated.
- 4 If this form of proxy is returned without any indication as to how the person appointed shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.



Fold 2

BUSINESS REPLY SERVICE  
Licence No IY 592



**IRG PLC**  
**Balfour House**  
**390/398 High Road**  
**Ilford**  
**Essex IG1 1BR**

Fold 1

Fold 3 and tuck in