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Directors, Secretary and Advisers

DIRECTORS
S. J. Wootliff (Chairman and Managing)
D. Thompson, B.A. (Econ.), F.C.C.A. (Finance)
J. Hanford B.Sc., C.Eng.,
F.I.C.E., M.I.W.E.M., M. ConsE. (Non-Executive)
R. G. Henton, F.C.A. (Non-Executive)

SECRETARY AND REGISTERED OFFICE
D. Thompson B.A. (Econ.), F.C.C.A.
Princes House,
635 Roundhay Road,
Leeds, LS8 4BA

AUDITORS
Arthur Andersen,
St Paul's House,
Park Square,
Leeds, LS1 2PJ

SOLICITORS
Lupton Fawcett,
Yorkshire House,
Greek Street,
Leeds, LS1 5SX

REGISTRARS AND
TRANSFER OFFICE
Independent Registrars Group Limited,
Balfour House,
390/398 High Road,
Ilford, Essex, JG1 1NQ

BANKERS
Lloyds Bank Plc
6/7 Park Row,
Leeds, LS1 1QS

Notice of the Annual General Meeting

for the year ended 31 December 1996

Notice is hereby given that the sixty-fifth Annual General Meeting of the Company will be held at Lupton Fawcett, Yorkshire House, Greek Street, Leeds LS1 5SX at 10.00am on 23 May 1997 for the following purposes:

AS ORDINARY BUSINESS:

1 To receive and consider the report of the Directors and the audited financial statements for the year ended 31 December 1996.

2 To declare a final dividend.

3 To re-elect D Thompson as a Director.

4 To re-appoint Arthur Andersen as Auditors to the Company until the next Annual General Meeting and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS:

5 To consider and, if thought fit, pass the following Resolution which will be proposed as an Ordinary Resolution:

That the Authorised Share Capital of the Company be and hereby is increased to £1,500,000 by the creation of 3,000,000 Ordinary Shares of 10 pence each.

6 To consider and, if thought fit, pass the following Resolution which will be proposed as an Ordinary Resolution:

That the Directors be and hereby are generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 Companies Act 1985) up to an aggregate nominal value of shares equal to the amount of the unissued Authorised Share Capital of the Company at the date of passing this Resolution provided that this authority shall expire on the fifth anniversary of the date of passing this Resolution but without prejudice to any offer or agreement made by the Company before that anniversary which would or might require relevant securities to be allotted or otherwise dealt with by the Board or the Company under such authority after that anniversary has expired.

7 To consider and, if thought fit, pass the following Resolution which will be proposed as a Special Resolution:

That the Directors be, and hereby are empowered, pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of the Act) as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws or the requirements of any recognised regulatory body; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £200,000, being 2,000,000 Ordinary Shares of 10 pence each (equal to 18.2 per cent of the issued share capital of the Company at the date of passing of this Resolution) and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the date of the passing of this Resolution (whichever is earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.

8 To consider and, if thought fit, pass the following Resolution which will be proposed as an Ordinary Resolution:

That the Company be generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) Companies Act 1985) of Ordinary Shares of 10 pence each in the Company ('Shares') provided that:

(a) The maximum number of Shares hereby authorised to be acquired is 1,000,000.

(b) The minimum price which may be paid for any such Share is 10 pence;

(c) The maximum price which may be paid for any such Share is an amount equal to 105% of the average of the middle market quotations for a Share as derived from The London Stock Exchange Daily Official List for the ten business days immediately preceding the day on which the Share is contracted to be purchased; and

(d) The authority hereby conferred shall expire at the close of the next Annual General Meeting of the Company to be held after the date hereof, but a contract of purchase may be made before such an expiry which will or may be executed wholly or partly thereafter, and a purchase of Shares may be made in pursuance of any such contract.

9 To transact any other business as may be properly transacted at a General Meeting of the Company.

A member entitled to attend and vote at the above meeting may appoint a proxy to vote on his behalf. Notification of the appointment of a proxy must be deposited with the Company Registrar not later than 48 hours before the time of the meeting. A proxy need not be a member of the Company. A form of proxy for the purpose is enclosed.

Copies of Directors' service contracts will be available for inspection on the day of the meeting. There will be available for inspection at the Registered Office of the Company during business hours (Saturdays, Sundays and Public Holidays excluded) and at the place of the meeting from 9.45 am until the conclusion of the meeting, a statement of transactions of Directors and of their family interests in each class of the share capital of the Company and of its subsidiary undertakings.

By order of the Board

D. Thompson, Secretary

25 April 1997

Registered Office: Princes House,
635 Roundhay Road, Leeds LS8 4BA

Chairman's Statement

for the year ended 31 December 1996

RESULTS

I am pleased to report further significant progress in the year ended 31 December 1996. Turnover for the year was £13.2 million compared with £10.1 million for the previous 14 month period. Pre-tax profits were £780,000 compared with £405,000 for the previous 14 month period and earnings per share moved ahead strongly to 5.57p. We are proposing to increase the final dividend to 0.8p per share making an overall increase for 1996 of 10%.

GERMANY

1996 was a year of consolidation for our main German subsidiary Nissel. In addition to the relocation of the warehouse at the end of 1995, Nissel had to deal with the absorption of Roumi Textiles, which it acquired at the beginning of the year, the German recession and the rapidly weakening German Mark. In spite of all these difficulties Nissel managed to maintain market share albeit at lower margins.

The strength of sterling has also resulted in the contribution of Nissel and our Swiss activities being reduced due to currency translation differences.

The beginning of 1997 has shown no improvement, but we have long term faith in the German economy and look for some upturn towards the end of the current year.

SWITZERLAND

Our Swiss company continued to source significant amounts of goods from Romania and Egypt which were sold into Germany and the UK through our own subsidiaries and also in increased amounts to third party customers. Sales to Romania remained constrained by the levels of credit we were willing to extend to customers. No sales were made to the USA in the year due to our inability to secure acceptable margins.

UK

Last year was one of significant growth for the Group in the UK, principally because of acquisitions.

In April we acquired Lawtex Nursery Products Limited which increased the Group's involvement in childrenswear and also took us into the new but complementary area of nursery products, mainly parasols and canopies for Mothercare. At the same time we acquired Lawtex Promotional Umbrellas Limited and Lowfare Limited.

The Group is involved in litigation with the vendors of the Lawtex companies. The vendors are seeking the issue of Loan Notes and the right to rescind the contracts. The Group has made full provision for the Loan Note liability in the accounts and has received legal advice that the vendors cannot rescind. The Group is claiming for breaches of warranty an amount in excess of the Loan Notes.

In June we acquired the underwear activities of Tandem Group PLC, which were hived down into a new subsidiary company, Medallion Limited. Medallion's activities of importing men's, ladies' and children's underwear are being integrated with those of our Challioner and Walker subsidiary offering synergy in product range and customer profile.

We are particularly pleased with the management and staff who have joined us with these acquisitions.

Pabon International Limited, which supplies manufactured tailored garments into UK, did little business in 1996. There is clear evidence that Pabon will do materially better in 1997.

NEW DEVELOPMENTS

Since acquiring Lawtex Nursery Products Limited with its patented universal clamp for the attachment of nursery products, such as parasols and canopies, we have embarked on a programme of research and development to improve the product.

We have now developed a new clip mechanism, the NINA clip, which greatly improves the facilities for attaching products to baby transport. This development is a complete redesign of the existing clamp and has, at the pre-production stage, been well received by major potential customers, both in the UK and Continental Europe.

The full launch of this new product will be at the Autumn 1997 International Baby and Teenage Fair in Cologne.

GENERAL

The Group's profitability remains heavily weighted to the second half of the financial year and it is too early to predict the final outcome. However, I am optimistic that the existing operations will perform satisfactorily for the year as a whole.

The development of the NINA clip offers exciting new opportunities. We expect a small contribution from this towards the end of the current year and a more substantial contribution in 1998.

1996 has been a year of considerable change and development for the Caldwell Group and I would like to take this opportunity to thank my colleagues and all Caldwell employees, both old and new, for making it possible.

S. J. Wootliff
Chairman

14 April 1997

Directors' Report

for the year ended 31 December 1996

DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The trade of the Company remains that of a holding company. The subsidiary undertakings distribute textiles, allied products and nursery products. The development of the Group during the year is set out in the Chairman's statement on page 3.

The Group made a profit after taxation and minority interests of £560,877 (1995: £294,090).

DIVIDENDS

The Directors recommend a final dividend on ordinary shares in respect of the year ended 31 December 1996 of 0.8p per share payable on 16 June 1997 to shareholders on the register on 6 June 1997 which with the interim dividend paid on 1 October 1996 absorbs £131,220. The retained profit for the year of £429,657 will be added to reserves.

TAX STATUS

In the opinion of the Directors the Company is not a Close Company within the meaning of the Income and Corporation Taxes Act 1988.

DIRECTORS

The Directors during the year were as follows:

S. J. Wootliff
D. Thompson
J. Hanford (Non-Executive)
R. G. Henton (Non-Executive)

J. Hanford is a Chartered Engineer with wide experience of international trading operations. He was previously Managing Director of an international group of engineering companies to which he now acts as a consultant. He is also a director of two of that group's associated companies.

R. G. Henton is principal of a firm of Chartered Accountants specialising in corporate advisory services. He is also a director of two privately owned commercial companies, being Non-Executive Chairman of one and Group Financial Director of the other.

D. Thompson retires by rotation and, being eligible, offers himself for re-election. He has a service contract with the Company which includes a notice period of 2 years. His current annual salary is £42,500.

Directors' Report

for the year ended 31 December 1996

DIRECTORS' INTERESTS IN SHARES

The Directors who held office at 31 December 1996 had the following beneficial interests in the shares of the Company.

	25 April 1997	**Percentage of Issued Share Capital**	**31 December 1996**	31 December 1995
S. J. Wootliff	**697,030**	**6.3**	**697,030**	672,030
D. Thompson	**349,912**	**3.2**	**349,912**	174,912
J. Hanford	**70,312**	**0.6**	**70,312**	32,812
R. G. Henton	**33,953**	**0.3**	**33,953**	33,953

No Director had at anytime during the year any contract with the Company or Group except for service contracts between the Company and S. J. Wootliff and D. Thompson.

Details of Directors' ordinary share options are shown in note 27 to the financial statements.

SUBSTANTIAL INTERESTS

The Company is aware that at 31 March 1997 the following, other than the Directors shown above, held in excess of 3% of the Issued Share Capital:

Name	**Number of Ordinary Shares**	**Percentage of Issued Share Capital**
Chambers & Remmington Nominees Limited	**435,253**	**4.0**
Lawtex Group PLC	**500,000**	**4.6**
Miss F Searson	**625,000**	**5.7**
Swiss Bank Corporation (London Office Nominees) Limited	**2,875,730**	**26.2**

ACQUISITION OF THE COMPANY'S OWN SHARES

The Issued Share Capital of the Company was reduced by £16,000 in the year. The Company purchased 160,000 ordinary shares with a nominal value of £16,000 and representing 1.5% of the Company's Issued Ordinary Share Capital, for a consideration of £48,100. The shares were subsequently cancelled.

DONATIONS

During the year the Group made charitable donations of **£100** (1995: £565). There were no political contributions.

SUPPLIER PAYMENT POLICY

The Company's policy is to settle the terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of the agreement.

LITIGATION

The Group is involved in litigation with the vendors of the Lawtex Companies. The vendors are seeking the issue of the Loan Notes provided in these financial statements (notes 15, 16 and 25) and the right to rescind the contracts. The Company has received legal advice that the vendors cannot rescind. The Group is claiming under breaches of warranty an amount in excess of the Loan Notes.

AUDITORS

In accordance with Section 388 of the Companies Act 1985, a resolution proposing the re-appointment of Arthur Andersen, who were appointed by the Directors to fill a casual vacancy, will be put to the Annual General Meeting.

By order of the Board

D. Thompson
Secretary
Princes House, 635 Roundhay Road,
Leeds LS8 4BA

25 April 1997

Corporate Governance

for the year ended 31 December 1996

STATEMENT OF COMPLIANCE WITH THE CADBURY CODE OF BEST PRACTICE

The Company has throughout the year ended 31 December 1996 complied with the Code of Best Practice published in December 1992 by the Committee on the Financial Aspects of Corporate Governance, except in the following respects:

The Code envisages that companies should normally have at least three non-executive directors and in particular that the Audit Committee should have at least three non-executive directors. We believe that non-executive directors have a significant role to play in good corporate governance and the Company complies with the recommendation of 'The Financial Aspects of Corporate Governance: Guidance for Smaller Companies' published (in May 1995) by The City Group for Smaller Companies (CISCO) that smaller quoted companies should aim to have at least two non-executive directors. The Company does not have an Audit Committee.

INTERNAL CONTROL

The Board of Directors has overall responsibility for ensuring that the Group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets. The key features of the internal financial control system that operated throughout that period covered by the accounts are described below.

The Board has put in place an organisation structure at both head office and subsidiary level which clearly defines financial and commercial responsibilities and the delegation of authority from the Board to the operating units.

The Board has the primary responsibility for identifying significant business risks facing the Group, for developing appropriate policies to manage them and for determining key control objectives.

An annual budget exercise is carried out to set targets for each of the Group's reporting units. Detailed management accounts are submitted monthly to the Company which measure actual performance against budget. Detailed forecasts of sales, profits and cash for the remaining months to the end of the year are submitted to the Company for the second half of the year. Capital expenditure is controlled by means of authorisation levels requiring the approval of all but minor projects by the Group's Executive Directors. Defined procedures exist for investments, currency hedging and granting of guarantees.

The Directors have delegated to executive management implementation of the system of internal financial control throughout the Group and receive periodic confirmation from them of its operation. This includes financial controls which enable the Board to meet its responsibilities for the integrity and accuracy of the Group's accounting records.

The Directors have reviewed the operation and effectiveness of the internal financial control framework of the Group.

GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

REMUNERATION COMMITTEE REPORT

The Committee was set up on 22 March 1996 and meets as necessary. The Committee comprises Messrs J. Hanford and R. G. Henton.

Its policy is to ensure that the remuneration of the Executive Directors is commensurate with their responsibilities and provides them with sufficient motivation to ensure, so far as possible, their full commitment to perform in the best interests of all shareholders. In framing its policy, the Committee has given full consideration to Section B of the best practice provisions annexed to The Listing Rules of the London Stock Exchange.

The remuneration paid to the Executive Directors in the year ended 31 December 1996 is disclosed in full in note 27 to the financial statements.

Both Executive Directors have employment contracts with the Company. Notice of termination of employment to be given by the Company is 36 months in the case of Mr Wootliff and 24 months in the case of Mr Thompson. Both contracts contain a provision whereby, following a change of control of the Company, the Company could be liable to pay a sum equal to three times annual salary in the case of Mr Wootliff and two times annual salary in the case of Mr Thompson, in certain circumstances. The contracts further contain a provision whereby the Company would be liable to compensate the executive directors for any losses incurred by reason of their not being able to exercise any share options due to termination of employment.

At the time the Company entered into the agreements the Board of Directors considered, and the Remuneration Committee now considers, these provisions acceptable in the Company's circumstances in order to secure the services of Messrs Wootliff and Thompson for the benefit of shareholders.

Other than options granted under the Inland Revenue Approved Employee Share Option Scheme set out in the notes to the financial statements, there are no long term incentive schemes in operation.

Auditors' Report

to the Shareholders of Caldwell Investments P.L.C. on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the Directors' statements on page 6 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 financial statements. 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 and Group to continue in operational existence.

OPINION

With respect to the Directors' statements on internal financial control and going concern on page 6, 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 financial statements.

Based on enquiry of certain Directors and Officers of the Company, and examination of relevant documents, in our opinion the Directors' statement on page 6 appropriately reflects the Company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Arthur Andersen
Chartered Accountants
Registered Auditors

Arthur Andersen

25 April 1997

Auditors' Report

to the Shareholders of Caldwell Investments P.L.C.

We have audited the financial statements on pages 8 to 28 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 and 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4, 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 and 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1996 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants
Registered Auditors

25 April 1997

Consolidated Profit and Loss Account

for the year ended 31 December 1996

	Note	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £
TURNOVER			
– continuing operations		**6,721,706**	10,054,171
– acquisitions		**6,458,912**	–
	2	**13,180,618**	10,054,171
Cost of sales		**(10,573,867)**	(8,262,792)
GROSS PROFIT		**2,606,751**	1,791,379
Distribution costs		**(313,662)**	(195,858)
Administrative costs		**(1,629,438)**	(1,219,468)
Other operating income		**173,686**	55,498
Share of results of associated undertaking	11	**4,931**	1,216
OPERATING PROFIT			
– continuing operations		**304,785**	432,767
– acquisitions		**537,483**	–
		842,268	432,767
Interest receivable and similar income		**39,584**	42,008
Interest payable	4	**(101,475)**	(69,368)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	**780,377**	405,407
Tax on profit on ordinary activities	5	**(224,889)**	(111,230)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**555,488**	294,177
Minority interest - equity interests		**5,389**	(87)
PROFIT FOR THE FINANCIAL YEAR		**560,877**	294,090
Dividends	6	**(131,220)**	(107,671)
RETAINED PROFIT FOR THE YEAR AND TRANSFERRED TO RESERVES	20	**429,657**	186,419
Earnings per share			
– net basis	8	**5.57p**	3.02p
Dividend per share			
– interim paid	6	**0.425p**	0.3875p
– final proposed	6	**0.800p**	0.7250p

The accompanying notes are an integral part of this consolidated profit and loss account.

Statement of Total Recognised Gains and Losses

for the year ended 31 December 1996

	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £
Profit for the financial year	**560,877**	294,090
Currency translation differences on foreign currency net investments	**(315,050)**	94,203
Total recognised gains and losses	**245,827**	388,293

The accompanying notes are an integral part of this statement.

Balance Sheets

	Note	Group 31 December 1996 £	Group 31 December 1995 £	Company 31 December 1996 £	Company 31 December 1995 £
FIXED ASSETS					
Intangible assets	9	**221,979**	224,334	**8,034**	–
Tangible assets	10	**433,035**	272,685	**28,321**	4,396
Investments	11	**6,788**	3,987	**1,546,683**	697,159
		661,802	501,006	**1,583,038**	701,555
CURRENT ASSETS					
Stocks	12	**2,513,557**	1,810,024	**-**	-
Debtors					
– falling due within one year	13	**2,243,297**	1,507,119	**166,102**	323,177
– falling due after more than one year	13	**–**	–	**625,025**	771,901
Investments	14	**–**	75,000	**–**	75,000
Cash		**583,039**	701,969	**150,460**	268,004
		5,339,893	4,094,112	**941,587**	1,438,082
CREDITORS:					
Amounts falling due within one year	15	**(3,197,935)**	(1,799,573)	**(207,273)**	(134,846)
NET CURRENT ASSETS		**2,141,958**	2,294,539	**734,314**	1,303,236
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,803,760**	2,795,545	**2,317,352**	2,004,791
CREDITORS:					
Amounts falling due after more than one year	16	**(245,389)**	(9,000)	**-**	-
Provisions for liabilities and charges	17	**(45,769)**	(69,000)	**(34,181)**	(65,307)
NET ASSETS		**2,512,602**	2,717,545	**2,283,171**	1,939,484
CAPITAL AND RESERVES					
Called-up share capital	19	**1,048,000**	964,000	**1,048,000**	964,000
Share premium account	20	**1,036,011**	736,011	**1,036,011**	736,011
Other reserves	20	**23,584**	40,291	**-**	-
Capital redemption reserve	20	**27,000**	11,000	**27,000**	11,000
Profit and loss account	20	**375,387**	958,234	**172,160**	228,473
SHAREHOLDERS' FUNDS (All Equity)		**2,509,982**	2,709,536	**2,283,171**	1,939,484
MINORITY INTERESTS (All Equity)		**2,620**	8,009	**-**	–
		2,512,602	2,717,545	**2,283,171**	1,939,484

The accompanying notes are an integral part of these balance sheets.

The financial statements on pages 8 to 28 were approved by the Board on 25 April 1997

S. J. Wootliff
Director

Group Cash Flow Statement

For the year ended 31 December 1996

	Note	Year ended 31 December 1996		Fourteen Months ended 31 December 1995	
		£	£	£	£
NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES	21		**509,664**		(403,515)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Dividends paid		**(113,270)**		(97,500)	
Interest received		**39,584**		42,008	
Interest paid		**(101,475)**		(69,368)	
Net cash (outflow) from returns on investments and servicing of finance			**(175,161)**		(124,860)
TAXATION					
UK Corporation Tax paid		**(93,174)**		(35,793)	
Overseas tax paid		**(119,953)**		(43,968)	
Net cash (outflow) from taxation			**(213,127)**		(79,761)
INVESTING ACTIVITIES					
Purchase of intangible fixed assets		**(9,793)**		–	
Purchase of tangible fixed assets		**(111,299)**		(48,354)	
Purchase of investments		**–**		(75,000)	
Purchase of subsidiary undertakings		**(472,367)**		–	
Sale of tangible fixed assets		**25,042**		495,384	
Sale of investments		**71,048**		–	
Net cash (outflow) inflow from investing activities			**(497,369)**		372,030
NET CASH (OUTFLOW) BEFORE FINANCING			**(375,993)**		(236,106)
FINANCING					
Repayment of amounts borrowed		**–**		(287,779)	
Share capital cancelled	20	**(48,100)**		(34,000)	
Capital element of finance lease rentals		**–**		(15,566)	
Net cash (outflow) from financing			**(48,100)**		(337,345)
DECREASE IN CASH AND CASH EQUIVALENTS	22		**(424,093)**		(573,451)

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

1 ACCOUNTING POLICIES

Basis of accounting

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

Basis of consolidation

The Group financial statements comprise the accounts of the Company and its subsidiary undertakings made up to 31 December 1996 together with the Group's share of profits of associated undertakings.

No profit and loss account for the Company has been presented as permitted by Section 230 of the Companies Act 1985.

Associated undertakings

An associated undertaking is one in which the Group has a long term investment of not less than 20% of the equity and voting share capital and over which it exercises a significant influence.

The Group's share of the profits less losses of associated undertakings is included in the consolidated profit and loss account and its interest in their net assets is included in investments in the consolidated balance sheet under the equity method of accounting.

Turnover

Turnover represents amounts receivable for goods and services provided in the UK and overseas net of trade discounts, VAT and other sales related taxes. All of the Group's business is in nursery products, textiles and allied products.

Tangible fixed assets and depreciation

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

Freehold buildings	2% on cost
Short leasehold buildings	Over the period of the lease
Machinery and equipment	5%, 10% and 25% on cost
Motor vehicles	25% on cost

Intangible assets

Goodwill, representing the excess of the fair value of the consideration over the fair value of the net assets acquired, is either capitalised and amortised over 15 years from the date of payment where, in the opinion of the Directors, this represents a reasonable estimate of the useful life of the asset, or written off against reserves on acquisition if, in the opinion of the Directors, goodwill has no value.

Leasing and hire purchase commitments

Assets obtained under leases and hire purchase contracts which result in the transfer to the Group of substantially all the risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments and are depreciated in accordance with the above policy. Obligations under such agreements are included in creditors net of finance charges allocated to future periods. The finance element of the rental payments is charged to the profit and loss account over the period of the lease or hire purchase contract so as to produce a constant rate of charge.

Rentals paid under other leases (operating leases) are charged against income on a straight line basis over the lease term.

Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

Notes to the Financial Statements

1 ACCOUNTING POLICIES (Continued)

Stocks and work in progress

Stocks are stated at the lower of cost or net realisable value.

Cost is arrived at as follows:

Raw materials and bought in finished goods	– purchase cost on a first-in, first-out basis.
Work in progress and manufactured finished goods	– costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Profits and losses of overseas subsidiary and associated undertakings are translated into sterling at the closing exchange rate.

Assets and liabilities in foreign currencies, including the Group's interest in the underlying net assets of subsidiary and associated undertakings, are translated into sterling at the closing exchange rate. Gains or losses arising on the retranslating of the opening net assets of overseas subsidiary undertakings and associated undertakings at closing exchange rates, less exchange differences arising on related foreign currency borrowings used to finance or hedge the Group's investment in such overseas undertakings are taken to reserves. All other differences are taken to the profit and loss account.

Gemcotex SRL and SmaraCom SRL, the Romanian subsidiary and associate, currently operate in a hyper-inflationary economy and are accounted for using a suitably stable currency.

2 SEGMENTAL INFORMATION

The Directors regard the Group as carrying on one continuing class of business, being the distribution of textiles, allied products and nursery products.

	United Kingdom		Rest of Europe		North America		Group	
	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £
Turnover by destination	6,138,931	1,273,211	7,041,637	8,056,842	-	724,118	13,180,618	10,054,171
Turnover by origin	6,444,168	1,185,045	6,736,450	8,869,126	-	-	13,180,618	10,054,171
Segment profit	690,843	102,277	385,004	569,434	-	-	1,075,847	671,711
Common costs	-	-	-	-	-	-	(295,470)	(266,304)
Profit on ordinary activities before taxation	574,509	211,485	205,868	193,922	-	-	780,377	405,407
Net assets	882,417	1,377,530	1,630,185	1,340,015	-	-	2,512,602	2,717,545

The acquisition during the year of Medallion Limited and Lawtex Nursery Products Limited has had a material impact upon the results of the United Kingdom geographic segment.

Details of these acquisitions are disclosed in note 11.

Notes to the Financial Statements

3 OPERATING PROFIT

is stated after charging/(crediting):

	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £
Amortisation of intangible fixed assets	**18,614**	27,877
Depreciation of tangible fixed assets	**79,581**	50,521
Operating lease rentals		
– land and buildings	**122,759**	97,676
– other	**5,913**	
Auditors' remuneration	**35,742**	26,846
Currency gains	**(67,881)**	(52,271)
Rent receivable	**(46,906)**	–
Profit on sale of fixed assets	**(2,860)**	(27,983)

In addition to audit fees of **£32,183** (1995: £15,475) included above Arthur Andersen received fees of **£24,500** (1995: £6,275) in respect of taxation and other advice.

4 INTEREST PAYABLE

On bank loans and overdrafts:		
repayable within 5 years not by instalments	**63,347**	69,368
Finance lease charges	**4,111**	–
On other loans	**34,017**	–
	101,475	69,368

5 TAXATION

Tax on profit on ordinary activities

UK Corporation Tax at 33% (1995 - 25%)	**192,132**	12,108
Deferred taxation	**(52,367)**	14,122
Overseas taxation	**54,486**	56,190
Associated undertakings	**1,502**	–
Adjustments in respect of prior years		
– current taxation	**–**	25,654
– deferred taxation	**29,136**	3,156
	224,889	111,230

6 DIVIDENDS

Ordinary shares		
Paid interim dividend of **0.425p** (1995 - 0.3875p)	**44,540**	37,781
Proposed, final dividend of **0.8p** (1995 - 0.725p)	**87,840**	69,890
Over provision prior period	**(1,160)**	–
	131,220	107,671

7 PROFIT FOR THE YEAR

The amount of Group profit after taxation for the year dealt with in the accounts of the Company was **£139,433** (1995: £119,899).

Notes to the Financial Statements

8 EARNINGS PER ORDINARY SHARE

The calculation of earnings per share is based on the profit on ordinary activities after taxation and minority interests of **£560,877** (1995: £294,090) and on **10,066,447** (1995: 9,725,375) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

There is no material dilution of the earnings per share if all relevant share options are taken into consideration.

9 INTANGIBLE FIXED ASSETS - GROUP

	Goodwill £	Patents and trade names £	Total £
GOODWILL			
Cost			
1 January 1996	383,651	–	383,651
Foreign exchange translation adjustment	(33,770)	–	(33,770)
	349,881	–	349,881
Acquisitions	–	38,034	38,034
31 December 1996	**349,881**	**38,034**	**387,915**
Amortisation			
1 January 1996	159,317	–	159,317
Foreign exchange translation adjustment	(19,534)	–	(19,534)
	139,783	–	139,783
Charge for the year	24,153	2,000	26,153
31 December 1996	**163,936**	**2,000**	**165,936**
Net book value			
31 December 1996	**185,945**	**36,034**	**221,979**
31 December 1995	224,334	–	224,334

INTANGIBLE FIXED ASSETS - COMPANY

	Patents and trade names £
Cost and net book value	
1 January 1996	–
Additions	8,034
Cost and net book value 31 December 1996	**8,034**

Notes to the Financial Statements

10 TANGIBLE FIXED ASSETS – GROUP

	Freehold land and buildings £	Machinery and equipment £	Motor vehicles £	Total £
Cost				
1 January 1996	197,849	206,631	127,864	532,344
Foreign exchange translation adjustment	(29,706)	(10,121)	(9,867)	(49,694)
	168,143	196,510	117,997	482,650
Acquisitions	–	45,109	6,890	51,999
Additions	–	105,782	131,417	237,199
Disposals	–	(8,048)	(82,846)	(90,894)
31 December 1996	**168,143**	**339,353**	**173,458**	**680,954**
Depreciation				
1 January 1996	8,011	140,871	110,777	259,659
Foreign exchange translation adjustment	(970)	(5,087)	(9,442)	(15,499)
	7,041	135,784	101,335	244,160
Charge for the year	3,549	40,731	32,134	76,414
Disposals	–	(946)	(71,709)	(72,655)
31 December 1996	**10,590**	**175,569**	**61,760**	**247,919**
Net book value				
Owned assets	157,553	133,114	77,387	368,054
Leased assets	–	30,670	34,311	64,981
31 December 1996	**157,553**	**163,784**	**111,698**	**433,035**
Owned assets	189,838	65,760	17,087	272,685
31 December 1995	189,838	65,760	17,087	272,685

Included in the depreciation charge for the year is depreciation on leased assets of **£14,560** (1995: Nil).

TANGIBLE FIXED ASSETS – COMPANY

	Freehold land and buildings £	Machinery and equipment £	Motor vehicles £	Total £
Cost				
1 January 1996	–	3,932	24,900	28,832
Additions	–	3,256	28,000	31,256
Disposals	–	–	(24,900)	(24,900)
31 December 1996	**–**	**7,188**	**28,000**	**35,188**
Depreciation				
1 January 1996	–	1,977	22,459	24,436
Charge for the year	–	1,390	4,788	6,178
Disposals	–	–	(23,747)	(23,747)
31 December 1996	**–**	**3,367**	**3,500**	**6,867**
Net book value				
31 December 1996	**–**	**3,821**	**24,500**	**28,321**
31 December 1995	–	1,955	2,441	4,396

Notes to the Financial Statements

11 FIXED ASSET INVESTMENTS – GROUP

Investment in associated undertaking

	£
Cost	
1 January 1996	3,987
Foreign exchange translation adjustment	(628)
	3,359
Share of profit after taxation for the year	3,429
31 December 1996	**6,788**

The Group has the following associated undertaking:

Name	Date of incorporation	Status of company	Country of incorporation	Nature of business	Description of holding	Proportion held
SmaraCom SRL	12 June 1991	Private	Romania	Sale of textiles	Lei 417,000 Registered shares	50%

The investment in SmaraCom SRL is owned by Atricom SA.

FIXED ASSET INVESTMENTS – COMPANY

Investment in subsidiary undertakings

	£
Cost	
1 January 1996	697,159
Additions	849,524
31 December 1996	**1,546,683**

Notes to the Financial Statements

11 FIXED ASSET INVESTMENTS (Continued)

The Company has the following subsidiary undertakings:

Name	Date of incorporation	Status of company	Country of incorporation and principal country of operation	Nature of business	Description of holding	Proportion held
Atricom SA	27 April 1988	Private	Switzerland	Distribution of textiles and allied products	SF 100,000 Registered shares	100%
Challioner and Walker Limited	1 May 1974	Private	Great Britain	Manufacture of garments	£150,000 Ordinary shares	100%
Gemcotex SRL	1 June 1993	Private	Romania	Distribution of textiles and allied products	US$5,000 Registered shares and DM 200,000 Registered shares	100%
Lawtex Nursery Products Limited	11 March 1996	Private	Great Britain	Distribution and manufacture of nursery products and childrenswear	£200,000 Ordinary shares	100%
Lawtex Promotional Umbrellas Limited	11 March 1996	Private	Great Britain	Manufacture of promotional umbrellas and parasols	£20,000 Ordinary shares	100%
Lowfare Limited	11 March 1996	Private	Great Britain	Dormant	£30,000 Ordinary shares	100%
Medallion Limited	11 June 1996	Private	Great Britain	Distribution of garments	£350,000 Ordinary shares	100%
Nissel Textilien GmbH	4 March 1987	Private	Germany	Distribution of garments	DM 750,000 Registered shares	100%
Pabon International Limited	19 April 1993	Private	Great Britain	Distribution of tailored garments	£1,001 Ordinary shares	50.03%
Roumi Textilhandels GmbH	22 May 1990	Private	Germany	Distribution of garmets	DM 100,000 Registered shares	100%

The investment in Gemcotex SRL is owned by Atricom SA.

Notes to the Financial Statements

ACQUISITION OF SUBSIDIARY UNDERTAKINGS

The Company acquired the entire share capital of Lawtex Nursery Products Limited on 3 April 1996 and of Medallion Limited on 19 June 1996. These were considered by the Directors to be material acquisitions and details of the book values of the identifiable assets and liabilities acquired and their fair value to the Group are set out below.

(i) LAWTEX NURSERY PRODUCTS LIMITED

	Book value £	Revaluation £	Fair value to the Group £
Fixed assets			
– tangible	131,540	–	131,540
– intangible	60,000	(60,000)	–
Stock	551,217	(133,263)	417,954
Debtors	430,409	(118,843)	311,566
Cash	2,413	–	2,413
Creditors			
– amounts falling due within one year	(728,962)	39,512	(689,450)
	446,617	(272,594)	174,023
Goodwill			331,614
			505,637
Satisfied by:			
Loan Notes (notes 15, 16 and 25)			315,344
Share capital issued			100,000
Cash			90,293
			505,637

The revaluation adjustments were required to restate the net assets acquired at their net worth to the Group.

Net cash outflows in respect of the acquisition comprised purely the cash consideration disclosed above.

Lawtex Nursery Products Limited utilised £63,283 of the Group's net operating cash flows, paid £28,527 in respect of net returns on investments and servicing of finance, paid nil in respect of taxation, utilised £17,321 for investing activities and raised financing of £100,000.

Lawtex Nursery Products Limited earned a profit after tax of £75,310 in the period ended 31 December 1996. The entity did not trade prior to the acquisition of these assets and liabilities and therefore no profit or loss account or statement of total gains and losses is disclosed for the period prior to acquisition.

Notes to the Financial Statements

(ii) MEDALLION LIMITED

	Book value £	Revaluation £	Fair value to the Group £
Intangible fixed assets	250,000	(250,000)	–
Stock	236,372	–	236,372
Debtors	120,000	–	120,000
	606,372	(250,000)	356,372
Goodwill			259,808
			616,180
Satisfied by:			
Share capital issued			250,000
Cash			366,180
			616,180

The revaluation adjustment was required to restate the net assets acquired at their net worth to the Group.

Net cash outflows in respect of the acquisition comprised purely the cash consideration disclosed above.

Medallion Limited contributed £457,275 to the Group's net operating cash flows, paid £11,570 in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation, utilised £12,577 for investing activities and raised financing of £100,000.

Medallion Limited earned a profit after tax of £164,163 in the year ended 31 December 1996. The entity did not trade prior to the acquisition of these assets and liabilities and therefore no profit or loss account or statement of total gains and losses is disclosed for the period prior to acquisition.

Notes to the Financial Statements

(iii) OTHER ACQUISITIONS

The Company acquired during the year the entire issued share capital of Roumi Textilhandels GmbH, Lowfare Limited and Lawtex Promotional Umbrellas Limited for a total consideration of £125,570. Aggregate goodwill arising on these transactions and written off to reserves was £74,638.

The entire goodwill of £666,061 arising on the acquisitions during the year has been written off to the profit and loss account.

For those acquisitions identified by the Directors as material and other acquisitions in aggregate, the following analysis of results for the period is given:

	Post acquisition period			
	Medallion Limited	**Lawtex Nursery Products Limited**	**Other acquisitions**	**Total**
	£	**£**	**£**	**£**
Turnover	**1,605,500**	**3,521,730**	**1,331,682**	**6,458,912**
Operating profits (losses)	**251,978**	**332,741**	**(47,236)**	**537,483**

12 STOCKS - GROUP

	31 December 1996	31 December 1995
	£	£
Raw materials	**529,647**	121,289
Work in progress	**182,736**	38,917
Finished goods	**1,801,174**	1,649,818
	2,513,557	1,810,024

Notes to the Financial Statements

13 DEBTORS

	Group		Company	
	31 December 1996	31 December 1995	**31 December 1996**	31 December 1995
Amounts falling due within one year:	**£**	£	**£**	£
Trade debtors	**1,981,216**	1,324,109	-	-
Amounts owed by subsidiary undertakings	-	-	**53,670**	225,859
Other debtors	**174,756**	79,424	**112,432**	70,753
Prepayments and accrued income	**58,590**	32,344	-	1,405
ACT recoverable and other taxes	**28,735**	71,242	-	25,160
	2,243,297	1,507,119	**166,102**	323,177
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	**625,025**	771,901

14 INVESTMENTS

Cost of listed UK investments	-	75,000	-	75,000
Market value of listed UK investments	-	84,000	-	84,000

15 CREDITORS: Amounts falling due within one year

Bank overdrafts	**600,561**	235,117	**15,612**	-
Provision for Loan Notes (see notes 16 and 25)	**167,069**	-	-	-
Obligations under finance leases	**28,112**	-	-	-
Trade creditors	**1,272,306**	1,009,465	-	-
Corporation and other profits taxes	**214,960**	44,719	**16,935**	13,508
Other taxation and social security	**216,458**	270,390	**21,864**	7,099
ACT on proposed dividend	**11,135**	17,473	**11,135**	17,473
Other creditors	**116,596**	15,145	**15**	15,145
Accruals	**482,898**	137,374	**53,872**	11,731
Proposed dividends	**87,840**	69,890	**87,840**	69,890
	3,197,935	1,799,573	**207,273**	134,846

The bank overdrafts of the Group are secured on fixed and floating charges. No charge exists over the overdraft of the Company. Details of loan notes are set out in note 16.

16 CREDITORS: Amounts falling due after more than one year

Provision for Loan Notes (see note 25)	**235,201**	-	-	-
Other loan	**9,000**	9,000	-	-
Obligations under finance leases	**1,188**	-	-	-
	245,389	9,000	-	-

The Loan Notes have not been issued but represent a potential but disputed liability in consideration for the acquisition of Lawtex Promotional Umbrellas Limited and Lawtex Nursery Products Limited. The Group is continuing to accrue interest at 7% per annum on these notes. If issued, the notes would be repayable in equal instalments over 3 years commencing 3 April 1997.

The other loan does not attract interest and is repayable on receipt of one year's notice.

No security has been given in relation to the Loan Notes (see note 25) or other loan. Finance lease liabilities are secured on the assets to which they relate.

All finance lease obligations are repayable in less than 5 years.

Notes to the Financial Statements

17 PROVISIONS FOR LIABILITIES AND CHARGES - GROUP

Deferred tax	£
1 January 1996	69,000
Transfer from profit and loss account	(52,367)
Movement in ACT recoverable	29,136
31 December 1996	**45,769**

- COMPANY

Deferred tax	£
1 January 1996	65,307
Transfer from profit and loss account	(60,262)
Movement in ACT recoverable	29,136
31 December 1996	**34,181**

18 DEFERRED TAXATION - GROUP

Deferred tax provided, and the total potential tax liability including the amount for which provision has been made, is as follows:

	Provided and Potential	
	31 December 1996	31 December 1995
	£	£
Accelerated capital allowances	**12,877**	1,538
Other timing differences	**33,000**	96,598
ACT available for offset	**–**	(29,136)
	45,877	69,000
- COMPANY		
Accelerated capital allowances	**1,181**	(2,263)
Other timing differences	**33,000**	96,706
ACT available for offset	**–**	(29,136)
	34,181	65,307

19 CALLED UP SHARE CAPITAL

	31 December 1996	31 December 1995
(1) Authorised	**Number**	Number
10p Ordinary shares	**12,000,000**	11,000,000

(2) Allotted and fully paid

10p Ordinary Shares	**Number**	£
1 January 1996	**9,640,000**	964,000
Allotted during the year	**1,000,000**	100,000
Cancelled during the year	**(160,000)**	(16,000)
31 December 1996	**10,480,000**	1,048,000

On 4 January 1996 160,000 Ordinary Shares, representing 1.5% of the Issued Share Capital, were purchased by the Company at an average price of 30.1 pence per share. The shares were subsequently cancelled. On 20 May 1996 the Company issued 500,000 shares at 30 pence per share as part of the consideration for the Lawtex Companies. On 13 June 1996 the Company issued 500,000 shares at 50 pence per share as part of the consideration for the acquisition of Medallion Limited. On 17 February 1997, the Company allotted for cash 500,000 shares at 58 pence per share.

Notes to the Financial Statements

19 CALLED UP SHARE CAPITAL (Continued)

Share options

At 31 December 1996 there were in existence options over 950,000 Ordinary shares of 10 pence each which were granted under the terms of an Inland Revenue Approved Employee Share Option Scheme. The exercise price of the options is 29 pence per share in respect of 250,000 shares and 53 pence per share in respect of 700,000 shares. The earliest dates for exercise were 6 March 1995 in respect of 250,000 shares and 2 February 1997 in respect of 700,000 shares.

20 RESERVES

- GROUP	Share premium account	Other reserves (non distributable)	Capital redemption reserve	Profit and loss account
	£	£	£	£
1 January 1996	736,011	40,291	11,000	958,234
Transfer of reserves	–	(9,574)	–	9,574
Premium on share capital issued	300,000	–	–	–
Retained profit for the year	–	–	–	429,657
Share capital cancelled	–	–	16,000	(48,100)
Foreign exchange translation adjustment	–	(7,133)	–	(307,917)
Goodwill written off	–	–	–	(666,061)
31 December 1996	**1,036,011**	**23,584**	**27,000**	**375,387**

Other reserves of **£23,584** (1995: £40,291) are required by statute in relation to the subsidiary undertaking in Switzerland. **£27,000** (1995: £11,000) represents a capital redemption reserve in respect of 270,000 shares purchased by the Company and subsequently cancelled.

Foreign exchange translation adjustments include **£98,537** (1995: Nil) arising on retranslation of a foreign currency loan between the Company and one of its subsidiary undertakings.

As at 31 December 1996, cumulative goodwill written off on acquisition to reserves amounted to **£666,061** (1995: £nil).

- COMPANY	Share premium account	Capital redemption reserve	Profit and loss account
	£	£	£
1 January 1996	736,011	11,000	228,473
Share capital cancelled	–	16,000	(48,100)
Retained loss for the year	–	–	(8,213)
Premium on share capital issued	300,000	–	–
31 December 1996	**1,036,011**	**27,000**	**172,160**

Notes to the Financial Statements

21 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW (OUTFLOW) FROM OPERATING ACTIVITIES

	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £
Operating profit	842,268	432,767
Share of results of associated undertaking	(3,429)	(1,216)
Depreciation	76,414	50,521
Amortisation of goodwill	26,153	27,877
(Increase) in stocks	(192,910)	(419,195)
(Increase) in debtors	(310,339)	(130,616)
Increase (decrease) in creditors	74,367	(335,670)
Profit on sale of fixed assets	(2,860)	(27,983)
Net inflow (outflow) from operating activities	**509,664**	(403,515)

22 CASH AND CASH EQUIVALENTS

	31 December 1996 £	31 December 1995 £
Balance of cash and cash equivalents		
Cash at bank and in hand	583,039	701,969
Bank overdraft	(600,561)	(235,117)
	(17,522)	466,852
Change in the balance of cash and cash equivalents		
1 January 1996 (1 November 1994)	466,852	941,634
Net cash (outflow) for the year	(424,093)	(573,451)
Effect of foreign exchange rate movements	(60,281)	98,669
31 December	(17,522)	466,852

23 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including premium) £	Loans and finance lease obligations £
1 January 1996	1,700,011	9,000
Share capital cancelled	(16,000)	-
Share capital issued	400,000	-
Inception of finance lease agreements	-	1,188
Loan Notes provided as consideration for acquisitions	-	235,201
31 December 1996	**2,084,011**	**245,389**

Notes to the Financial Statements

24 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £
Profit after taxation for the year	**560,877**	294,090
Dividends	**(131,220)**	(107,671)
Retained profit for the year	**429,657**	186,419
Share capital issued	**400,000**	-
Share capital cancelled	**(48,100)**	(34,000)
Goodwill written off	**(666,061)**	-
Other recognised gains and losses relating to the year (net)	**(315,050)**	94,203
Movement in the year	**(199,554)**	246,622
Opening shareholders' funds	**2,709,536**	2,462,914
Closing shareholders' funds	**2,509,982**	2,709,536

25 GUARANTEES AND FINANCIAL COMMITMENTS

i) Contingent liabilities

At 31 December 1996, the Company had guaranteed the liabilities of its German and Swiss subsidiary undertakings to their respective bankers in amounts of **DM 732,076** (1995: DM 2,300,000) and **DM nil** (1995: DM 250,000) respectively.

At 31 December 1996, the Company had guaranteed the liabilities of one of its UK subsidiary undertakings to its bankers in the amount of **£280,154** (1995: £10,000).

The Group is involved in litigation with the vendors of the Lawtex Companies. The vendors are seeking the issue of the Loan Notes provided in these financial statements (notes 15 and 16) and the right to rescind the contracts. The Company has received legal advice that the vendors cannot rescind. The Group is claiming for breaches of warranty an amount in excess of the Loan Notes. Any Loan Notes which may be issued would be guaranteed by the Company.

ii) Commitments

As at 31 December 1996 neither the Company nor the Group had entered into any contractual capital commitments (1995 - nil).

At 31 December 1996, subsidiary undertakings had entered into forward exchange contracts in the normal course of business amounting to **£1,709,650** (1995 £643,915).

Notes to the Financial Statements

26 OPERATING LEASES

At 31 December 1996 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	31 December 1996	31 December 1995
	£	£
Expiry date:		
Within one year	–	2,625
Between two and five years	**60,241**	–
In over five years	**119,457**	126,238
	179,698	128,863

27 DIRECTORS

(1) Remuneration

Name of Director	Fees	Salary	Bonus	Taxable Benefits	Total Year ended 31 December 1996	Total Fourteen months ended 31 December 1995
	£	£	£	£	£	£
Executive:						
S. J. Wootliff	–	106,090	–	15,151	**121,241**	135,189
D. Thompson	–	38,192	5,000	8,933	**52,125**	51,953
Non-Executive:						
J. Hanford	5,000	–	–	–	**5,000**	5,833
R. G. Henton	10,000	–	–	–	**10,000**	11,667
Aggregate emoluments	15,000	144,282	5,000	24,084	**188,366**	204,642

Aggregate emoluments include pension contributions of **£nil** (1995 – £nil) for the Chairman and highest paid Director.

Notes to the Financial Statements

27 DIRECTORS (Continued)

(2) Emoluments

The emoluments excluding pension contributions of Directors of the Company were:

	Year ended 31 December 1996 £	Fourteen months ended 31 December 1995 £
Fees	**15,000**	17,500
Other emoluments (incuding benefits-in-kind)	**173,366**	187,142
	188,366	204,642

(3) Bandings

Emoluments disclosed above include amounts paid to:

Chairman and highest paid director		
Other emoluments	**121,141**	135,189

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

	Number	Number
£0 – £5,000	1	–
£5,001 – £10,000	1	1
£10,001 – £15,000	–	1
£50,001 – £55,000	1	1

(4) Share Options

The Directors had the following options to acquire Ordinary Shares:

Director	Number of options At 1 Jan and 31 Dec 1996	Exercise price	Date from which exercisable	Expiry date
S. J. Wootliff	100,000	29p	6.3.1995	5.3.2002
	400,000	53p	2.2.1997	1.2.2004
	500,000			
D. Thompson	100,000	29p	6.3.1995	5.3.2002
	150,000	53p	2.2.1997	1.2.2004
	250,000			

No options were exercised or further options granted in the year.

The market price of the shares at 31 December 1996 was 56.5 pence and the range during the year was 30 pence to 64.5 pence. There are no specific performance criteria associated with exercise of these options.

Notes to the Financial Statements

28 RELATED PARTY INFORMATION

During the year **DM 323,319 (£124,505)** (1995 - £162,986) was paid to Domino Services Limited, a company registered in the Isle of Man, of which **DM 128,760 (£48,828)** (1995 - £67,666) was in respect of the services of M. J. Wootliff. M. J. Wootliff is a shareholder and director of Domino Services Limited, and is the son of S. J. Wootliff, the Chairman of Caldwell Investments PLC.

29 EMPLOYEES

(1) Number of employees

The average number of persons (including Directors) employed by the Company during the year was:

	Year ended 31 December 1996 Number	Fourteen months ended 31 December 1995 Number
Office and management	**23**	16
Selling and distribution	**17**	4
Production	**85**	21
	125	41

(2) Employment costs	**£**	£
Wages and salaries	**1,486,767**	698,592
Social security costs	**154,569**	90,997
Pension costs	**15,528**	8,249
	1,656,864	797,838

30 POST BALANCE SHEET EVENTS

Since 31 December 1996 the Company has allotted for cash 500,000 ordinary shares at a price of 58 pence per share. It has also invested FF500,000 representing 50% of the equity of a joint venture in France, Medallion SA, to import and distribute underwear there.