THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services Act 1986 immediately.

Copies of this document, which comprises listing particulars dated 3 September 1999 relating to Gaskell PLC, prepared in accordance with the Listing Rules made under section 142 of the Financial Services Act 1986, have been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

If you have sold or otherwise transferred all of your shares in Gaskell PLC you should forward this document, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. **However, such documents should not be distributed, forwarded to or transmitted in, into or from the United States, Canada, Australia or Japan.**

All statements relating to Gaskell PLC's and to Tomkinsons plc's business, financial position and prospects should be viewed in the light of the Year 2000 compliance issues which are set out in Part VIII of these Listing Particulars.

N M Rothschild & Sons Limited, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting exclusively for Gaskell PLC and no one else in connection with the Offer and the other matters referred to herein and will not be responsible to anyone other than Gaskell PLC for providing the protections afforded to its customers or for providing advice in relation to the Offer and the other matters referred to herein.

GASKELL PLC

(Registered in England No. 448624)

Listing Particulars relating to the proposed issue of up to 4,681,544 Offer Shares in connection with the recommended offer by N M Rothschild & Sons Limited on behalf of Gaskell PLC for Tomkinsons plc

Notice of Extraordinary General Meeting

Application has been made to the London Stock Exchange for the Offer Shares to be admitted to the Official List. It is expected that dealings in the Offer Shares will commence on the first day following the day on which the Offer becomes or is declared unconditional in all respects other than as regards the condition relating to such admission of the Offer Shares becoming effective.

Notice of an Extraordinary General Meeting of Gaskell PLC to be held at Walton House, Syke Side Drive, Altham, Accrington, Lancashire BB5 5YE at 10.00 a.m. on 20 September 1999 is set out at the end of this document. A Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be valid, Forms of Proxy must be completed in accordance with the instructions thereon, signed and returned as soon as possible, but in any event so as to be received by the Company's registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TH by no later than 10.00 a.m. on 18 September 1999.

The Offer referred to in this document is not being made, directly or indirectly, in or into and neither this document nor the accompanying documentation are being, and must not be, mailed or otherwise distributed or sent in, into or from the United States, Canada, Australia or Japan or into any other country outside the United Kingdom where the Offer may lead to a breach of any law or regulatory requirements. The Offer Shares and Loan Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under the securities law of any jurisdiction of the United States, nor have steps been taken to enable the Loan Notes to be offered in compliance with applicable securities laws of Japan. No prospectus in relation to the Loan Notes has been lodged with, or registered by, the Australian Securities Commission. Furthermore, the relevant clearances have not been and will not be obtained from the securities commission of any province of Canada. Accordingly, the Offer Shares and Loan Notes may not (subject to certain exceptions) be offered, sold, resold or delivered, directly or indirectly, in, into or from the United States, Canada, Australia or Japan or to, or for the account or benefit of, a "U.S. person", as defined in Regulation S under the United States Securities Act of 1933 (as amended) or a person in, or resident in, Canada, Australia or Japan or any other jurisdiction if such would constitute a violation of the relevant laws, or require registration thereof, in such jurisdiction. **All Gaskell Shareholders or Tomkinsons Shareholders (including, nominees, trustees or custodians) who are overseas persons or would, or otherwise intend to, forward this document and/or its accompanying documentation to overseas persons should seek appropriate advice before taking any action.**

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of the Offer	2 September 1999
Posting of Offer Document and Listing Particulars to Gaskell Shareholders and Tomkinsons Shareholders	3 September 1999
Latest time and date for receipt of Forms of Proxy	10.00 a.m. on 18 September 1999
Extraordinary General Meeting	10.00 a.m. on 20 September 1999
First closing date of the Offer	**3.00 p.m. on 24 September 1999**
Earliest admission of the Offer Shares to the Official List and commencement of dealings	8.00 a.m. on 27 September 1999

The timetable for the admission of the Offer Shares and commencement of dealings depends on the date on which the Offer becomes or is declared unconditional in all respects.

PART I

Letter from the Chairman of Gaskell

GASKELL PLC

(Registered in England and Wales No. 448624)

Directors:
E D Andrew BSc *(Non-executive Chairman)*
R Hopkin MA FCA *(Finance Director and Company Secretary)*
J J E Daw BA *(Managing Director, Gaskell Carpets)*
P Livesey BA *(Managing Director, Gaskell Textiles)*
G Wheeler BSc *(Managing Director, Bamber Carpets)*
A J Chamberlain FCA *(Non-executive)*
G Davenport *(Non-executive)*

Registered Office:
Walton House
Syke Side Drive
Altham
Accrington
Lancashire
BB5 5YE

3 September 1999

To Gaskell Shareholders and, for information only, to holders of Preference Shares and participants in the Gaskell Share Option Scheme

Dear Shareholder

PROPOSED ACQUISITION OF TOMKINSONS PLC
NOTICE OF EXTRAORDINARY GENERAL MEETING

1. Introduction

On 2 September 1999, the boards of Gaskell and Tomkinsons announced the terms of a £12 million recommended offer, to be made by Rothschild on behalf of Gaskell, to acquire the whole of the issued and to be issued share capital of Tomkinsons.

Due to the size of the Acquisition, and the fact that it is a related party transaction, the Offer is conditional, inter alia, on the approval of Gaskell Shareholders. Notice of the Extraordinary General Meeting to be held at 10.00 a.m. on 20 September 1999 setting out, inter alia, the resolution to approve the Offer is set out at the end of this document.

The purpose of this document is to provide you with details of the Acquisition, to explain why your Board considers that the Acquisition is fair and reasonable and in the best interests of Gaskell and its shareholders as a whole and to recommend that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting, as your Directors will in respect of their own beneficial holdings amounting to approximately 6.6 per cent. of the existing issued ordinary share capital of Gaskell.

2. The Offer

On behalf of Gaskell, Rothschild will offer to acquire all of the Tomkinsons Shares, subject to the conditions and on the terms set out in the Offer Document and the Form of Acceptance, on the following basis:

20 Offer Shares and £29 in cash for every 29 Tomkinsons Shares

and so in proportion for any other number of Tomkinsons Shares held. The Offer includes the Mix and Match Election, as detailed in paragraph 3 below, and a Loan Note Alternative for the cash element, as detailed in paragraph 4 below.

The Offer values each Tomkinsons Share at 180p and the whole of the existing issued share capital of Tomkinsons at approximately £11.7 million based on a Closing Price of 116.5p per Gaskell Share on 1 September 1999 (the latest practicable date prior to the announcement of the Offer). The Offer represents a premium of approximately 19 per cent. to the average Closing Price of 150.8p for the 30 business days prior to 8 March 1999 (the date prior to the announcement by the board of Tomkinsons that it was in discussions which may or may not lead to an offer for Tomkinsons) and a premium of 10 per cent. to the Closing Price of 163.5p per Tomkinsons Share on 8 March 1999.

The directors of Tomkinsons have unanimously recommended to Tomkinsons Shareholders that they accept the Offer.

The Offer extends to all Tomkinsons Shares unconditionally allotted or issued and fully paid on the date of this document, together with any further such shares which are unconditionally allotted or issued whilst the Offer remains open for acceptance (or before such earlier time as Gaskell may, subject to the City Code, decide), including any such shares which are so unconditionally allotted or issued pursuant to the exercise of options outstanding under the Tomkinsons Share Option Schemes.

Full acceptance of the Offer, assuming exercise of all options under the Tomkinsons Share Option Schemes which are exercisable upon the Offer becoming unconditional would result in the issue of up to 4,681,544 Offer Shares, representing approximately 19 per cent. of the issued ordinary share capital of Gaskell (as enlarged by the Acquisition and assuming no exercise of options under the Gaskell Share Option Scheme) and the payment of cash consideration of up to £6.8 million (assuming no Tomkinsons Shareholders take up the Loan Note Alternative).

The Tomkinsons Shares will be acquired by Gaskell under the Offer fully paid and free from all liens, equities, charges, encumbrances, rights of pre-emption and other third party rights or interests of any nature whatsoever and together with all rights now or hereafter attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid on or after 2 September 1999.

The Offer Shares to be issued pursuant to the Offer will be issued credited as fully paid and free from all liens, equities, charges, encumbrances and other interests. They will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on or after 2 September 1999, save that they will not rank for the Gaskell interim dividend of 1.4p per Ordinary Share in respect of Gaskell's current financial year which was announced yesterday and which will be paid to Shareholders on 22 October 1999.

If sufficient acceptances are received and/or sufficient Tomkinsons Shares are otherwise acquired, Gaskell intends to apply the provisions of sections 428 to 430F of the Act to acquire compulsorily any outstanding Tomkinsons Shares. If the Offer becomes or is declared unconditional in all respects, Gaskell intends (whether or not it is able to apply the compulsory acquisition procedures referred to above) to seek to procure the making of an application by Tomkinsons to the London Stock Exchange for the cancellation of the listing of the Tomkinsons Shares.

Fractions of Offer Shares will not be allotted or issued to Tomkinsons Shareholders who accept the Offer. Fractional entitlements to Offer Shares will be aggregated and sold in the market and the net proceeds of sale distributed *pro rata* to the holders of Tomkinsons Shares entitled to them. However, individual entitlements to amounts of less than £3 will not be paid to persons accepting the Offer, but will be retained for the benefit of the Enlarged Group.

Gaskell has arranged new debt facilities to provide the cash element of the Offer consideration. Further details are set out in paragraph 11 of Part IX of this document. Further details of the Offer are set out in the Offer Document.

3. The Mix and Match Election

Tomkinsons Shareholders who validly accept the Offer may elect, subject to availability as specified below, to vary the proportions in which they receive Offer Shares and cash in respect of their holdings of Tomkinsons Shares. However, the maximum number of Offer Shares to be issued under the Offer and the maximum amount of cash consideration payable under the Offer will not be varied as a result of elections made under the Mix and Match Election. Accordingly, Gaskell's ability to satisfy elections made under the Mix and Match Election will be dependent upon the extent to which other Tomkinsons Shareholders make offsetting elections. To the extent that the elections cannot be satisfied in full, they will be scaled down on a pro rata basis. To the extent that the elections can be satisfied, Tomkinsons Shareholders will receive Offer Shares instead of cash and vice versa on the basis of a price of 116.5p per Offer Share. As a result, Tomkinsons Shareholders who make elections under the Mix and Match Election will not necessarily know the exact number of Offer Shares or the amount of cash they will receive until settlement of the consideration under the Offer, although an announcement will be made, when the Offer becomes or is declared wholly unconditional, of the approximate extent to which elections under the Mix and Match Election will be satisfied.

The Mix and Match Election will remain open until 3.00 p.m. on 24 September 1999. If the Offer is not then unconditional as to acceptances, Gaskell may extend the Mix and Match Election to a later date. In any event, the Mix and Match Election will not be extended beyond the date at which the Offer is declared unconditional in all respects. If the Mix and Match Election has been closed, Gaskell reserves the right to reintroduce a mix and match facility, subject to the rules of the City Code.

4. The Loan Note Alternative

Tomkinsons Shareholders who validly accept the Offer may elect to receive Loan Notes instead of all or part of the cash consideration to which they would otherwise be entitled under the terms of the Offer on the following basis:

for every £1 of cash consideration	**£1 nominal of Loan Notes**

The Loan Notes will be issued in amounts and integral multiples of £1 nominal value and any fractional entitlement will be disregarded. The Loan Notes will bear interest at the rate of 1 per cent. per annum below LIBOR payable half yearly in arrears on 1 April and 1 October in each year, with the first payment being due on 1 April 2000. They will be repayable at the option of the noteholder on 1 October 2000, or on any subsequent interest payment date, either in full or in multiples of £10,000. Any outstanding Loan Notes will be repaid in full on 1 October 2004. Payment of principal (but not interest) under the Loan Notes will be guaranteed by Barclays Bank PLC.

The Loan Notes will be transferable in integral multiples of £1. No application will be made for the Loan Notes to be listed on or dealt in on any stock exchange. Teather & Greenwood, Gaskell's stockbroker, has advised that, based on market conditions as at 1 September 1999 (the latest practicable date prior to the announcement of the Offer) they estimate that the value of the Loan Notes, if they had been in issue on that date, would have been not less than 98p per £1 of nominal value.

The Loan Note Alternative will remain open for acceptance until 3.00 p.m. on 24 September 1999 (or such later time and/or date to which it may be extended) and is conditional upon the Offer becoming or being declared unconditional in all respects. If the Loan Note Alternative has been closed, Gaskell reserves the right to reintroduce a loan note facility, subject to the rules of the City Code.

Further details of the Loan Notes are set out in Appendix II to the Offer Document.

5. Irrevocable undertakings

Gaskell has received binding irrevocable undertakings to accept the Offer from the directors and certain other shareholders of Tomkinsons in respect of 201,443 Tomkinsons Shares in aggregate, representing approximately 3.1 per cent. of Tomkinsons' issued share capital. The terms of these irrevocable undertakings require acceptance of the Offer even in the event of a competing offer for Tomkinsons from a third party.

Certain other Tomkinsons Shareholders have given binding irrevocable undertakings to accept the Offer in respect of 1,355,576 and 922,907 Tomkinsons Shares, representing approximately 20.9 and 14.3 per cent. respectively of Tomkinsons' issued share capital. These undertakings will cease to be binding in the event that a competing offer is made which values each Tomkinsons Share at 198p or more and 216p or more, respectively.

Certain other Tomkinsons Shareholders have notified Gaskell that it is their intention to accept the Offer in respect of their holdings of Tomkinsons Shares, ammounting to 1,170,000 Tomkinsons Shares, representing 18.1 per cent. in aggregate of Tomkinsons' issued share capital.

In total therefore, Gaskell has received irrevocable undertakings and statements of intention to accept the Offer in respect of 3,649,926 Tomkinsons Shares, representing approximately 56.4 per cent. of Tomkinsons' issued share capital.

6. Information on Gaskell

Gaskell is involved in the manufacture, marketing and distribution of carpets, carpet tiles, underlays and other non-woven textiles. The Group employs over 700 people and operates from a total of seven sites, primarily in the North West of England.

The Group, with almost 100 years of carpet manufacturing experience, supplies a broad range of textile floorcovering products including fibre-bonded, tufted and Axminster ranges. Gaskell's products are predominantly supplied to the contract and commercial markets in the UK and internationally, with certain floorcoverings also sold into the retail market.

For the half year ended 2 July 1999, Gaskell reported a profit before taxation of £1.8 million (1998: £2.3 million) on turnover of £26.0 million (1998: £26.9 million), with earnings per share of 6.2p (1998: 8.0p as restated following the Share Sub-division). The Board has today declared an interim dividend of 1.4p per Ordinary Share (1998: 1.2p as restated following the Share Sub-division) in respect of Gaskell's current financial year. The net assets of the Gaskell Group as at 2 July 1999 were £18.7 million (1998: £16.4 million).

For the year ended 31 December 1998, Gaskell reported a profit before taxation of £5.1 million (1997: £3.7 million) on turnover of £52.6 million (1997: £48.8 million), with earnings per share of 17.6p (1997: 12.9p as restated following the Share Sub-division) and a final dividend of 3.1p per Ordinary Share making 4.3p per Ordinary Share for the full year (1997: 1.5p and 2.1p respectively as restated following the Share Sub-division). As at 31 December 1998 the Gaskell Group had net assets of £17.7 million (1997: £15.0 million).

The financial information on Gaskell set out above has been extracted from the financial information set out in Parts II and IV of this document. Further financial information on the Gaskell Group is included in the comparative table set out in Part IV of this document. Shareholders are advised to read the whole of this document including the comparative table in Part IV, and not rely solely on the summarised information shown above.

7. Information on Tomkinsons

Tomkinsons is involved in the manufacture and distribution of carpets and natural floorcoverings to the residential and commercial markets. Tomkinsons has been established for 130 years and its shares were admitted to the Official List of the London Stock Exchange in 1959.

Tomkinsons operates from three production sites in the UK, employing approximately 470 people. Tomkinsons' principal operations are as follows:-

- *Tomkinsons Carpets* - a manufacturer of Axminster and tufted carpets at Kidderminster, which are distributed mainly to independent specialist carpet retailers;
- *Steeles Carpets* - a distributor of Axminster, Wilton and tufted carpets for supply into contract and export markets;
- *Crucial Trading* - an importer and distributor of natural fibre floorcoverings including jute, sisal, seagrass and coir; and
- *Mid-Wales Yarns* - a spinner of woollen and semi-worsted yarns based in Powys, supplying the majority of Tomkinsons' yarn requirements.

For the six months ended 3 April 1999, Tomkinsons reported a profit before taxation of £855,000 (1998: £962,000) on turnover of £14.4 million (1998: £14.9 million), with earnings per share of 9.2p (1998: 10.3p). Tomkinsons has paid an interim dividend of 3.5p per share (1998: 3.5p) in respect of its current financial year and the net assets of the Tomkinsons Group as at 3 April 1999 were £17.0 million (1998: £16.4 million).

For the 53 weeks ended 3 October 1998, Tomkinsons reported a profit before tax of £2.0 million (1997: £1.7 million) on turnover of £30.5 million (1997: £27.5 million), with earnings per share of 21.4p (1997: 17.8p) and a final dividend of 8.0p per share making 11.5p for the full year (1997: 8.0p and 11.5p respectively). The net assets of the Tomkinsons Group as at that date were £16.6 million (1997: £16.0 million).

The financial information on Tomkinsons set out above has been extracted from the financial information set out in Parts III and V of this document. Further financial information on the Tomkinsons Group is included in the comparative table set out in Part V of this document. Shareholders are advised to read the whole of this document including the comparative table in Part V, and not rely solely on the summarised information shown above.

8. Background to and reasons for the Offer

Gaskell's strategy is to focus on those key market sectors in which it believes it can achieve leadership, to improve the quality of its assets and to generate a continual improvement in shareholder value. The Directors believe that expansion of the Group's product range and the achievement of greater critical mass through the acquisition of another leading company in the UK carpet manufacturing industry will increase its share of certain key existing markets and facilitate the penetration of new sectors and will thus be beneficial to the future development of the Group.

In addition, the Acquisition is consistent with the Board's strategy of developing a high quality business supplying a broad range of floorcoverings into chosen market sectors in which Gaskell is already, in the main, well positioned. The Directors believe that the Acquisition represents a step forward in the pursuit of Gaskell's strategy and will create sustainable value for Gaskell shareholders because:

- Tomkinsons' businesses are complementary to those of Gaskell, both in terms of product ranges and markets served, and represent an extremely good fit;

- Tomkinsons' strength in its chosen residential market for textile floorcoverings will be combined with Gaskell's strong position in the contract and commercial carpet markets;
- the Acquisition will increase the Enlarged Group's profile and presence in the UK floorcoverings marketplace;
- duplications in administration, production and distribution will be rationalised, reducing overhead costs and releasing resources for reinvestment in growing the Enlarged Group;
- additional synergistic benefits will be gained from increased scale, improved buying power, and the Enlarged Group's ability to market a wider portfolio of brands; and
- the acquisition of Tomkinsons will also provide Gaskell with greater scope and strength with which to distribute its products into continental European and other overseas markets.

Accordingly, the Directors believe that Tomkinsons is an extremely good fit with Gaskell and that the Acquisition provides an opportunity for Gaskell to take a significant step forward in the continued expansion of its business, leaving the Enlarged Group better placed to play an active part in any future consolidation of the floorcoverings sector.

The Board expects that, subject to the successful integration of Tomkinsons and the achievement of envisaged cost savings and synergies, the Acquisition will enhance Gaskell's earnings per share, adjusted for the effect of exceptional items, in the first full financial year of ownership.

The foregoing statement should not be interpreted as meaning that the future adjusted earnings per share of the Enlarged Group will necessarily match or exceed the historic published earnings per share of Gaskell.

9. Management and employees

On 18 June 1999, Gaskell announced that Gerard Cahill had advised the Board of his intention to take early retirement and step down as Chief Executive of the Group with effect from 30 June 2000. The Board and Mr Cahill have agreed that, as the Company is now entering into a new stage of its ongoing development, the announcement of the Acquisition represents an appropriate time to bring forward Mr Cahill's retirement and this became effective at the close of business on 1 September 1999. It has been agreed that, upon the Offer being declared unconditional in all respects, Michael Hield, currently Chief Executive of Tomkinsons, will join the board of Gaskell as Chief Executive of the Enlarged Group. At the same time, Lowry Maclean, currently Non-executive Chairman of Tomkinsons, will join the Board of Gaskell as a Non-executive Director. Details of their proposed service agreements with the Company are set out in paragraph 8 of Part IX of this document.

Upon the Offer being declared unconditional in all respects, Gary Stokes, currently Finance Director of Tomkinsons, will become Managing Director of Tomkinsons, which will then be a subsidiary of Gaskell, and Jeremy Lancaster will resign as a director of Tomkinsons.

The board of Gaskell has confirmed that the existing rights of all directors, management and employees of the Tomkinsons Group, including pension rights, will be fully safeguarded.

10. Interim results, current trading and prospects and interim dividend

The unaudited interim results of the Company in respect of the half year ended 2 July 1999 were also announced yesterday. The full text of the announcement is set out in Part II of this document.

For the half year ended 2 July 1999, Gaskell reported a profit before taxation of £1.8 million (1998: £2.3 million) on turnover of £26.0 million (1998: £26.9 million), with earnings per share of 6.2p (1998: 8.0p as restated following the Share Sub-division). The Board has today declared an interim dividend of 1.4p per Ordinary Share (1998: 1.2p as restated following the Share Sub-division). The net assets of the Gaskell Group as at 2 July 1999 were £18.7 million (1998: £16.4 million).

In its interim results for the half year ended 2 July 1999, Gaskell announced that, despite difficult trading conditions encountered during the first six months, the Board was confident that the Group will benefit from an increase in market activity. This increase is expected to arise from a recovery in the UK economy, of which there have been recent signs. These more favourable conditions, together with the Group's recent success in winning substantial new sales contracts and the introduction of new products and equipment, should all help to ensure a satisfactory future for the Group.

For the six months ended 3 April 1999, Tomkinsons reported a decline in sales of 3.8 per cent. compared to the previous year. This performance reflected the difficult market conditions during the period and was consistent with the deterioration in consumer demand being reported by the major home furnishing retailers. Since the interim announcement, and as reported in the trading statement released on 20 August 1999, which is set out in Part III of this document, trading had fallen further behind such that sales for the ten months to 31 July 1999 were 6.6 per cent. lower than last year, albeit on an equivalent number of sales weeks the shortfall was 4.4 per cent.. There has been little evidence of improvement in the retail sector during recent months, though traditionally demand for residential carpets is at its lowest during the summer.

The Board believes that, in spite of the difficult trading conditions recently experienced, the prospects of the Group will be significantly enhanced by the Acquisition, given the strength of the industrial logic behind the deal and the benefits to be gained through synergies and cost savings. The Enlarged Group will be a stronger competitor than either Gaskell or Tomkinsons individually, and better able to exploit opportunities arising as a result of market changes and rationalisation within the industry.

The financial information on Gaskell set out above has been extracted from the financial information set out in Part II of this document. Further financial information on the Gaskell Group is included in the comparative table set out in Part IV this document. Shareholders are advised to read the whole of this document including the comparative table in Part IV, and not rely solely on the summarised information shown above.

The information set out in this document referring to Gaskell's and Tomkinsons' business, financial position and prospects should be viewed in light of the Year 2000 compliance issues set out in Part VIII of this document.

11. Tomkinsons Share Option Schemes

If the Offer becomes or is declared unconditional in all respects, Gaskell intends to make appropriate proposals to participants in the Tomkinsons Share Option Schemes.

12. Further details of the Offer

Acceptance period
The Offer will initially be open for acceptance until 3.00 p.m. on 24 September 1999. It may be extended to a later date but it is not capable of being kept open after midnight on 2 November 1999 unless the Offer has previously become or been declared unconditional as to acceptances, provided that Gaskell has reserved the right, with the permission of the Panel, to extend the Offer to a later time and/or date. If the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days from the date on which it would otherwise have expired.

Listings, settlement and dealings
The existing Gaskell Shares are listed on the London Stock Exchange. Application has been made to the London Stock Exchange for the Offer Shares to be admitted to the Official List. It is expected that the listing will become effective and dealings in the Offer Shares will commence on the London Stock Exchange on the first day following the day on which the Offer becomes or is declared unconditional in all respects (save only for the condition requiring the admission of the Offer Shares to the Official List becoming effective). Dealings will be for normal settlement.

The Offer Shares will not be available to the public in conjunction with the application for listing except by way of valid acceptance of the Offer.

Subject to the Offer becoming or being declared unconditional in all respects, (except in the case of certain overseas Tomkinsons Shareholders) settlement of the consideration to which any Tomkinsons Shareholder is entitled under the Offer will be effected (i) in the case of acceptances received, complete in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within 14 days of such date, or (ii) in the case of acceptances of the Offer received, complete in all respects, after the date on which the Offer becomes or is declared unconditional in all respects but while it remains open for acceptance within 14 days of such receipt, in the following manner:

(i) *Tomkinsons Shares in uncertificated form (that is, in CREST)*
Where an acceptance relates to Tomkinsons Shares in uncertificated form:

the Offer Shares to which the accepting Tomkinsons Shareholder is entitled will be issued to such shareholder in uncertificated form. Gaskell will procure that CRESTCo is instructed to credit the appropriate stock account in CREST of the Tomkinsons Shareholder concerned with such shareholder's entitlement to Offer Shares;

the cash consideration to which the accepting Tomkinsons Shareholder is entitled will be paid through CREST by Gaskell procuring the creation of an assured payment obligation in favour of the accepting Tomkinsons Shareholder's payment bank in respect of the cash consideration due, in accordance with the CREST assured payment arrangements; and

the Loan Notes to which the accepting Tomkinsons Shareholder is entitled by making an election under the Loan Note Alternative will be issued to such shareholder in certificated form. Definitive certificates for the Loan Notes will be despatched by first class post (or such other method as may be approved by the Panel).

Gaskell reserves the right to settle all or any part of the consideration referred to above, for all or any accepting Tomkinsons Shareholder(s), in the manner referred to in paragraph (ii) below, if, for any reason, it wishes to do so.

(ii) Tomkinsons Shares in certificated form
Where an acceptance relates to Tomkinsons Shares in certificated form, the Tomkinsons share certificate will be lodged with IRG plc together with the Form of Acceptance. Such Tomkinsons share certificates will cease to be valid and the Offer Shares and/or certificates in relation to Loan Notes to which the accepting Tomkinsons Shareholder is entitled will be issued in certificated form. Definitive certificates for the Offer Shares and for the Loan Notes and cheques for the cash consideration will be despatched by first-class post (or by such other method as may be approved by the Panel). All such cash payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

If sufficient acceptances are received, Gaskell intends to apply the provision of Sections 428 to 430F inclusive of the Companies Act 1985 to acquire compulsorily any outstanding Tomkinsons Shares. Once this has taken place, the existing certificates for Tomkinsons Shares will cease to be valid and should be destroyed.

Pending the issue of definitive certificates for Offer Shares issued in certificated form, transfers will be certified against the register held by IRG plc. No temporary documents of title in respect of the Offer Shares will be issued.

13. Extraordinary General Meeting

In view of its size, the Acquisition requires the approval of Gaskell Shareholders in general meeting. Accordingly, you will find set out at the end of this document a notice convening an extraordinary general meeting of the Company to be held at Walton House, Syke Side Drive, Altham, Accrington, Lancashire BB5 5YE at 10.00 a.m. on 20 September 1999. A Form of Proxy to be used in connection with the Extraordinary General Meeting is enclosed.

The purpose of the meeting is to seek your approval of the ordinary resolution set out in the Notice of Extraordinary General Meeting. This resolution will be proposed, inter alia:

(i) to approve the Acquisition and the acquisition of shares in Tomkinsons; and

(ii) conditional upon the Offer becoming or being declared unconditional in all respects to increase the Company's authorised share capital from £1,450,000 to £1,875,000 and authorise the Board to allot Ordinary Shares.

Eaglet Investment Trust plc is a substantial shareholder in both Gaskell and Tomkinsons as a result of its discretionary holdings of 3,799,448 Gaskell Shares (representing 19.05 per cent. of Gaskell's issued ordinary share capital) and 1,355,576 Tomkinsons Shares (representing 20.94 per cent. of Tomkinsons' issued share capital). For the purposes of the Listing Rules, Eaglet Investment Trust plc is considered to be a related party of Gaskell. As such, it will abstain, and has undertaken to take all reasonable steps to ensure that its associates will abstain, from voting on the resolution set out in the Notice of Extraordinary General Meeting.

Following the passing of this resolution, the Directors will have authority to allot up to 12,554,428 Ordinary Shares which represents approximately 63 per cent. of the current issued Ordinary Share capital of Gaskell. Assuming full implementation of the Offer, the Directors would have authority to allot up to 7,872,884 Ordinary Shares which would represent approximately 32 per cent. of the then issued Ordinary Share capital. This authority will lapse at the conclusion of the next annual general meeting of the Company or, if earlier, on 19 September 2000.

As at 2 September 1999, 268,000 Ordinary Shares were reserved for the exercise of options pursuant to the Gaskell Share Option Scheme.

Save for the issue of Offer Shares and Ordinary Shares reserved for the exercise of options pursuant to the Gaskell Share Option Scheme, the Directors have no present intention of issuing any of the increased authorised but unissued share capital.

Details of Gaskell's share capital, at present and as it would be upon implementation of the Offer, are set out in paragraph 4 of Part IX of this document.

14. Action to be taken

You will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting you are requested to complete the Form of Proxy and return it to the Registrars of Gaskell, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU in accordance with the instructions thereon so as to arrive no later than 10.00 a.m. on 18 September 1999.

The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person, should you wish to do so.

15. Further information

This document should be read in conjunction with the accompanying Offer Document. Your attention is drawn to the remaining part of this document which contains further information on Gaskell, Tomkinsons and the listing of the Offer Shares.

16. Recommendation

Your Board, which has been so advised by Rothschild, considers that the Acquisition is fair and reasonable, so far as Shareholders are concerned and is in the best interests of the Company and its shareholders as a whole. In providing advice to your Board, Rothschild has taken account of your Board's commercial assessment of the Acquisition.

Your Board therefore unanimously recommends that you vote in favour of the resolution to be proposed at the Extraordinary General Meeting, as your Directors and Edinburgh Fund Managers PLC will in respect of their own beneficial holdings of 3,443,090 Ordinary Shares in aggregate, representing approximately 17.3 per cent. of the existing issued share capital of Gaskell.

Yours faithfully,

E D Andrew
Chairman

PART II

Unaudited consolidated interim results of Gaskell for the half year ended 2 July 1999

The full text of the interim statement for Gaskell for the half year ended 2 July 1999, which was announced on 2 September 1999, is reproduced below without material adjustment:

"Statement by the Chairman, Mr Ted Andrew

The Company has experienced difficult trading conditions in both contract and retail markets during the first six months. This has resulted in a reduction in pre-tax profits from £2.26m to £1.80m. Despite this the Board is optimistic about the future of the Company and is keen to take advantage of any upturn in demand as it arises. It has therefore continued to invest in new products and equipment in an effort to gain additional market share and increase sales.

Turnover growth was again achieved in the office sector, partly reflecting the recent acquisition of several contracts with major end users. In addition, export sales showed signs of a welcome recovery, despite the continued strength of sterling. In contrast, however, a slight slowdown in activity was encountered in the retail and leisure sectors particularly in the first quarter, resulting in an overall decrease in sales of 3% in the first six months to £26.0m. The overall gross margin fell by approximately 1% in the current year due primarily to adverse changes in sales mix. Various cost reduction initiatives continue to be pursued and these are expected to bear fruit in the months ahead. The Group's overhead base expanded primarily as a result of further investment in both people and facilities. As a result of these various factors, operating profit fell from £2.37m to £1.93m. Interest charges increased marginally to £130,000 (1998: £106,000) and, after adjusting for the ordinary share split in late 1998, earnings per share fell in the first half from 8.0p to 6.2p.

The Group incurred a net cash outflow of £0.52m in the period, although the gearing level of 18% is only marginally above that at the start of the financial year. Again strong positive cashflow was generated from operating activities, despite an increase in working capital of £0.54m, primarily to support new product launches. The Group's capital expenditure of approximately £2m included a number of major items of plant and equipment to assist the improvement of manufacturing efficiencies. Total proceeds of £0.47m were generated from the sale of surplus fixed assets, including the Lee Mill, Bacup property, with minimal impact on the profit and loss account.

Subsidiaries' Performance

Gaskell Textiles Limited achieved increased turnover at £12.8m, as a result of sales growth in its UK Tile and Export business. In contrast, the sales of the Automotive, Underlay and Special Products divisions all fell slightly in difficult market conditions. The Tile division benefited from several major contracts, including those with Boots, Lloyds TSB and the Inland Revenue. In addition, its traditional contractor-led business also remained strong, with its product portfolio enhanced by the relaunch of the Fiesta and Primera ranges and the introduction of a 'cushion-back' option, Softbac, for its various tile products. Export sales benefited from the recent development of a number of new accounts and agencies, together with increased exhibition and other marketing activity in this area. Gaskell Textiles has undertaken a number of major capital projects in the first half of 1999 following the extension of its Clayton Park facility. The commissioning of a new calendering machine and an additional felt set were both successfully completed during the period, while the new backing plant is due to be fully installed by October. In June, the Company also finalised the acquisition of an airlaid felt production line, which will result in the launch of the new Airbounce underlay at the Harrogate Show in September. In recognition of its improved quality standards, the Company achieved ISO 9001 and has recently been recommended for registration under the environmental standard ISO 14001.

Gaskell Carpets Limited reported sales of £8.7m, with all divisions performing slightly below the 1998 level. The UK Contract division encountered some deferral of expenditure in the leisure market, partly due to the extensive corporate activity in the brewery sector. However, there are clear signs of a recovery in demand in the traditionally strong final quarter, particularly in view of the Millennium celebrations. The current installation of the new high speed Axminster loom is also expected to increase sales and improve operational efficiencies. Retail turnover has held up relatively well. The recent launch of the new Chelsea House product and the recolouration of the Summer Gardens range should help to give further impetus to this division in the months ahead.

Overall activity levels at **Bamber Carpets Limited** fell due to reductions in both external and intra-group business. Turnover decreased by 9% to £7.5m due to some destocking by fellow Group companies and trading difficulties encountered by certain third party customers. However, the Company continues to benefit from both further cost reduction initiatives, including recent improvements to the latex backing line and the acquisition of a substantial new external customer.

Modulus Flooring Systems Limited has achieved a welcome recovery in 1999 following the problems experienced during the second half of the previous year. The appointment of a new Managing Director and the resultant implementation of a new corporate strategy have helped to restore sales in the period to £2.7m, close to the level achieved during a strong first half of 1998. In addition, there has been a marked improvement in gross margin, due to better discount control and an improved sales mix. The launch of additional new products and new sampling materials should help to enhance the Company's offer in the months ahead.

Dividends
The board has continued its progressive dividend policy, despite the prevailing trading environment, in declaring an interim ordinary dividend of 1.4p (1998 as restated: 1.25p). This dividend, which represents a 12% increase over the previous year, will be payable on 22 October 1999 to shareholders registered at the close of business on 17 September 1999.

Year 2000
The Board has considered the risks associated with the Year 2000 issue. As previously reported, the Group has agreed contracts for the supply of new computer hardware and software to cover all of its key business systems at a capital cost of approximately £800,000. The new systems are expected to bring substantial benefits to the business by providing increased functionality and a fully integrated solution not currently available to the Group. The implementation project is now well underway and is expected to be substantially completed during the third quarter of 1999. The suppliers of this computer equipment have informed the Group that such equipment is Year 2000 compliant. A review of the remaining hardware and software, including that related to design and manufacturing equipment, and of the major customers and suppliers has been undertaken by project teams in each Group company and is close to completion. The costs arising from this review are not expected to be material in relation to the Group's overall results and are being expensed as incurred. There can be no absolute assurance that the steps taken by any company will successfully avoid difficulties associated with the Year 2000 issue. However, the Board believes that it has taken all reasonable steps to protect the Group.

Prospects
Despite the difficult trading conditions encountered, particularly during the first quarter, the Board is confident that the Group will benefit from any increase in market activity which is expected to arise from a recovery in the UK economy, of which there have been recent signs. These more favourable external conditions, together with the Group's recent success in winning substantial new sales contracts and the introduction of new products and equipment, should all help to ensure a satisfactory future for the Group.

CONSOLIDATED PROFIT & LOSS ACCOUNT
for the half year ended 2 July 1999

	Half year ended 2 July 1999 £'000	Half year ended 3 July 1998 £'000	Full year ended 31 December 1998 £'000
Turnover – Continuing operations	26,013	26,898	52,629
Operating Profit – Continuing operations	1,932	2,365	5,271
Interest payable	(130)	(106)	(220)
Profit on ordinary activities before taxation	1,802	2,259	5,051
Tax on profit on ordinary activities	(558)	(700)	(1,576)
Profit on ordinary activities after taxation	1,244	1,559	3,475
Dividends			
Preference – non equity	(4)	(3)	(6)
Ordinary – equity	(279)	(256)	(875)
Amount set aside to reserves	961	1,300	2,594
Basic earnings per ordinary share	6.2p	8.0p	17.6p
Diluted earnings per ordinary share	6.1p	7.8p	17.2p
Dividends per ordinary share	1.4p	1.2p	4.3p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the half year ended 2 July 1999

With the exception of profit for the financial year, there were no recognised gains and losses in the Group.

CONSOLIDATED BALANCE SHEET
as at 2 July 1999

	2 July 1999 £'000	3 July 1998 £'000	31 December 1998 £'000
Fixed assets			
Intangible assets	224	–	229
Tangible assets	14,878	11,861	13,665
	15,102	11,861	13,894
Current assets			
Stocks	12,432	11,335	11,668
Debtors	9,422	8,752	8,804
Cash at bank and in hand	34	1,053	23
	21,888	21,140	20,495
Creditors *(amounts falling due within one year)*			
Bank overdraft	1,094	–	434
Obligations under finance leases and hire purchase contracts	492	454	435
Other creditors	13,754	13,478	12,583
	15,340	13,932	13,452
Net current assets	6,548	7,208	7,043
Total assets less current liabilities	21,650	19,069	20,937
Creditors (amounts falling due after more than one year)			
Bank loan	750	1,000	875
Obligations under finance leases and hire purchase contracts	1,017	670	1,119
Other creditors	476	442	523
	2,243	2,112	2,517
Provisions for liabilities and charges	708	525	683
Net assets	18,699	16,432	17,737
Capital and reserves (including non-equity interests)			
Called up share capital	1,172	1,170	1,172
Share premium account	204	194	203
Revaluation reserve	2,735	2,765	2,765
Profit and loss account	14,588	12,303	13,597
Shareholders' funds	18,699	16,432	17,737

CONSOLIDATED CASH FLOW STATEMENT
for the half year ended 2 July 1999

	Half year ended 2 July 1999 £'000	Half year ended 3 July 1998 £'000	Full year ended 31 December 1998 £'000
Net cash inflow from operating activities	2,188	2,980	5,198
Returns on investments and servicing of finance			
Interest paid	(59)	(46)	(121)
Interest element of finance leases and hire purchase contracts	(62)	(49)	(107)
Dividends paid on non-equity shares	(4)	(3)	(6)
	(125)	(98)	(234)
Taxation	(67)	(105)	(1,304)
Capital expenditure			
Purchase of tangible fixed assets (excluding lease finance and hire purchase assets)	(1,983)	(811)	(2,391)
Sales of tangible fixed assets and assets held for resale	467	8	75
	(1,516)	(803)	(2,316)
Acquisitions			
Purchase of trade and assets	–	–	(275)
Equity dividends paid	(619)	(304)	(553)
Financing			
Issue of ordinary share capital	–	–	167
New loan due after one year	–	1,000	1,000
Repayment of capital element of finance lease and hire purchase rentals	(385)	(298)	(650)
	(385)	702	517
Increase/(decrease) in cash	(524)	2,372	1,033

These interim financial statements, which have been prepared on the basis of the accounting policies set out in the Company's 1998 statutory accounts, do not constitute statutory accounts within the meaning of section 254 of the Companies Act 1985 and are neither audited nor reviewed. The abridged accounts for the year ended 31 December 1998 are an extract from the accounts for that period on which the auditors gave an unqualified report and which have been filed with the Registrar of Companies.

NOTES TO THE FINANCIAL STATEMENTS
for the half year ended 2 July 1999

1. **Reconciliation of operating profit to net cash inflow from operating activities**

	Half year ended 2 July 1999 £'000	Half year ended 3 July 1998 £'000	Full year ended 31 December 1998 £'000
Operating profit	1,932	2,365	5,271
Depreciation/loss/(profit) on sale of fixed assets	794	754	1,511
Increase in stock	(764)	(1,312)	(1,645)
Increase in debtors	(618)	(178)	(269)
Increase in creditors	844	1,351	330
	2,188	2,980	5,198

2. **Taxation on profit on ordinary activities**
Taxation on profit on ordinary activities is based on the estimated effective rate for the year.

3. **Earnings per ordinary share**
Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of £1,240,000 (1998: £1,556,000) by the average number 19,943,168 (1998: as restated — 19,568,832) of ordinary shares in issue during the period.

Diluted earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders of £1,240,000 (1998: £1,556,000) by the average number 20,217,469 (1998: as restated — 19,920,950) of ordinary shares in issue during the period.

4. **Reconciliation of net debt**

	Half year ended 2 July 1999 £'000	Half year ended 3 July 1998 £'000	Full year ended 31 December 1998 £'000
(Decrease)/increase in cash in the period	(524)	2,372	1,033
Decrease in lease financing	385	298	650
Change in net debt resulting from cash flows	(139)	2,670	1,683
New finance leases and hire purchase contracts	(340)	-	(782)
New bank loan	-	(1,000)	(1,000)
Movement in net debt in the period	(479)	1,670	(99)
Net debt brought forward	(2,840)	(2,741)	(2,741)
Net debt carried forward	(3,319)	(1,071)	(2,840)

5. **Reconciliation of movement in shareholders' funds**

	Half year ended 2 July 1999 £'000	Half year ended 3 July 1998 £'000	Full year ended 31 December 1998 £'000
Amount set aside to reserves	961	1,300	2,594
Issue of ordinary share capital	1	156	167
	962	1,456	2,761
Opening shareholders' funds	17,737	14,976	14,976
Closing shareholders' funds	18,699	16,432	17,737"

PART III

Trading statement and unaudited consolidated interim results of Tomkinsons for the six months ended 3 April 1999

Trading statement

The full text of the trading statement issued by Tomkinsons on 20 August 1999 is reproduced below without material adjustment:

"The Company has been in takeover discussions, which have involved more than one party, for some time. The Board is therefore pleased to announce that discussions are at an advanced stage on the terms of a cash and share offer at or around the prevailing share price of 180p, full details of which will be announced and sent to shareholders in the near future.

These discussions have absorbed considerable management time and have proved a distraction from the normal running of the business. The Board recognises the adverse impact that such a prolonged period of uncertainty has had on both morale and performance.

For the six months ended 3 April 1999 the Company reported a decline in sales of 3.8 per cent. compared to the previous year. This performance reflected the difficult market conditions during the period and was consistent with the deterioration in consumer demand being reported by the major home furnishing retailers.

Since the interim announcement, trading has fallen further behind such that sales for the ten months to 31 July were 6.6 per cent. lower than last year, albeit on an equivalent number of sales weeks the shortfall was 4.4 per cent. There has been little evidence of improvement in the retail sector during recent months, though traditionally demand for residential carpets is at its lowest during the summer.

As previously reported, the Company has continued to invest in its product base and the infrastructure to support new marketing initiatives. The benefits of this investment will come through in the months ahead, however, the cost base will have increased in the short term."

Unaudited consolidated interim results

The full text of the interim statement for Tomkinsons for the six months ended 3 April 1999, which was announced on 26 May 1999, is reproduced below without material adjustment:

"Results
Having reported record sales (like-for-like growth of 9 per cent.) in the year to 3 October 1998, I stated at the Annual General Meeting on 18 February 1999 that sales, for the first four months, were in line with the previous year. However, following a relatively buoyant end to the autumn season, sales fell below expectation in January and February, albeit they recovered somewhat in March. Resulting sales for the six months to 3 April 1999 were £14.4 million (1998: £14.9 million), a decline of 4 per cent. As a consequence interim operating profits were £972,000 compared to £1,174,000 in the equivalent period last year, a fall of 17 per cent. Finance charges were £95,000 lower at £117,000 resulting in pre-tax profits of £855,000 (1998: £962,000), a drop of 11 per cent.. Although it is disappointing to report a decline in sales and profits it seems clear that consumer demand for home furnishings and floorcoverings has progressively fallen away over the last twelve months. The consensus is that this decline in demand, as evidenced by the recent results reported by the major home furnishing retailers, is as much as 10 per cent. year-on-year. Given these testing market conditions it would have been impractical for Tomkinsons to sustain its previous rate of growth.

In the face of these difficulties the Company has continued to originate new and innovative products and has recently established partnerships with Sanderson; securing the sole rights to manufacture and distribute Sanderson branded floorcoverings, and Forbo-Nairn; to market an exclusive linoleum offer under the combined Crucial Trading and Marmoleum brands. These new products will be launched to the market in time for the autumn season. Recognising the opportunities for this enlarged brand portfolio the creative and marketing teams have been strengthened.

Takeover discussions
Discussions with regard to a possible offer being made for the entire issued share capital of the Company are continuing. The Board will advise shareholders of developments as soon as practicable.

Pension scheme
In the light of recent changes to pension legislation, including the introduction of the Minimum Funding Requirement "MFR", the Group has reviewed the basis on which it provides pension benefits. As part of this exercise the funding levels of the Staff, Works and Executive final salary schemes were assessed as at 1 January 1999. The results indicated past service MFR deficits of £696,000 and £432,000 in the Staff and Works Schemes respectively, whilst there was, on the same basis, a surplus in the Executive Scheme of £796,000, generating a net shortfall of £332,000.

On the recommendations of independent advisors the Board and the schemes trustees are proposing that the assets and liabilities of the three schemes be transferred into a single, new scheme with effect from 5 July 1999. The provision of pension benefits for future service will thereafter be on the basis of money purchase. Contributions to the new scheme will be increased, at an annual cost of £50,000, to meet the MFR shortfall of the final salary schemes. The introduction of the money purchase scheme will reduce the funding volatility for the Company in future years.

Exceptional charges
During recent months the Board has pursued a number of strategic initiatives including takeover discussions. As a consequence the Company has incurred additional costs, currently estimated at £250,000, which will be charged against profits in the second half.

In accordance with the provisions of SSAP 24 "Accounting for pension costs" and the recommendations of the pension schemes' actuaries the Company has, for a number of years, recorded a prepayment of contributions. Following the transfer of the assets and liabilities of the final salary schemes to the new scheme on 5 July 1999 the prepayment of £612,000, included in debtors at 3 October 1998, will be written off to the profit and loss account. This will be a one-off accounting adjustment and will have no implications for cash flow or trading.

Current trading and prospects
The combination of lower sales and increased costs in the first half has adversely impacted on the profitability of the Group. The extent to which this affects Tomkinsons' performance over the full year, will depend on the prospects for an improving retail sector, as lower interest rates help stimulate consumer demand, and the success of the new product and marketing initiatives. However, I can report that trading in April and early May has been in line with the same period last year.

Dividend
Against the background of what has been a difficult trading environment, but recognising some new opportunities for the future, a maintained interim dividend of 3.5 pence per share will be paid on 2 July 1999 to shareholders on the register at the close of business on 11 June 1999.

Profit and Loss Account
for the six months ended 3 April 1999

	Six months ended 3 April 1999 £'000	Six months ended 28 March 1998 £'000	Year ended 3 October 1998 £'000
Turnover	14,351	14,913	30,456
Operating profit	972	1,174	2,425
Interest payable	(117)	(212)	(412)
Profit before tax	855	962	2,013
Tax on profit on ordinary activities (see note 2)	(261)	(298)	(624)
Profit attributable to ordinary shareholders	594	664	1,389
Dividends	(227)	(227)	(745)
Retained profit	367	437	644
Earnings per ordinary share (see note 1)	9.2p	10.3p	21.4p
Dividend per ordinary share	3.5p	3.5p	11.5p

Balance Sheet
as at 3 April 1999

	As at 3 April 1999 £'000	As at 28 March 1998 *(restated- see note 3)* £'000	As at 3 October 1998 £'000
Fixed assets			
Tangible assets	10,753	11,431	10,912
Working capital			
Stocks	9,532	9,722	8,095
Debtors	6,946	5,049	6,818
Creditors	(5,774)	(4,460)	(6,339)
	10,704	10,311	8,574
Borrowings			
Bank overdrafts less cash	(2,071)	(2,857)	(460)
Bank loans	(2,000)	(2,000)	(2,000)
Finance leases	0	(18)	(7)
	(4,071)	(4,875)	(2,467)
Provisions for liabilities and charges	(406)	(461)	(406)
Shareholders' funds	16,980	16,406	16,613
Gearing	24.0%	29.7%	14.8%

Cash flow statement
for the six months ended 3 April 1999

	Six months ended 3 April 1999 £'000	Six months ended 28 March 1998 £'000	Year ended 3 October 1998 £'000
Cash flow from operating activities			
Operating profit	972	1,174	2,425
Net depreciation	764	858	1,706
Increase in working capital	(2,166)	(2,017)	(516)
	(430)	15	3,615
Returns on investments and servicing of finance			
Net interest paid	(118)	(203)	(400)
Dividends paid	(518)	(518)	(745)
	(636)	(721)	(1,145)
Taxation			
Corporation tax paid	(57)	(57)	(340)
Investing activities			
Payments to acquire tangible fixed assets	(505)	(859)	(1,386)
Proceeds from sale of tangible fixed assets	24	29	71
	(481)	(830)	(1,315)
(Increase)/decrease in net borrowings	(1,604)	(1,593)	815
Net borrowings at beginning of period	(2,467)	(3,282)	(3,282)
Net borrowings at end of period	(4,071)	(4,875)	(2,467)

Notes to the accounts for the six months ended 3 April 1999

1. The calculation of earnings per share is based on earnings of £594,000 (1998: £664,000) and the weighted average of 6,474,040 (1998: 6,474,040) ordinary shares of 25p each in issue during the six months.

2. The tax charge for the half-year is based on the estimated effective rate for the full year.

3. The results for the six months ended 3 April 1999 and 28 March 1998 are unaudited and have been prepared applying the accounting policies disclosed in the Group's 1998 annual report and accounts. These policies have been applied consistently throughout the half-year and prior half-year.

4. As disclosed in the Group's 1998 annual report and accounts the accounting policy in respect of the treatment of product launch costs was changed such that these costs are charged directly to the profit and loss account in the year of launch. Previously these costs were carried forward as deferred expenditure and amortised over a period between two and three years. To reflect this change in accounting policy the results for the prior year have been restated on to a consistent basis.

   The cumulative effect of the change in accounting policy on retained profits at 27 September 1997 amounted to a reduction of £461,000. Debtors and deferred tax provisions at 28 March 1998 have been reduced by £623,000 and £162,000 respectively. There has been no impact on the reported profit and loss account for the six months ended 28 March 1998.

5. The results for the year ended 3 October 1998 are extracted from the full accounts for that year, which have been delivered to the Registrar of Companies and on which the report of the Auditors was unqualified."

PART IV

Financial information relating to the Gaskell Group

Set out below is the financial information relating to the Gaskell Group. This information does not constitute statutory information within the meaning of section 254 of the Companies Act 1985. It has been extracted without material adjustment from the audited financial statements of Gaskell PLC for the years ended 31 December 1996, 31 December 1997 and 31 December 1998. The financial statements for these periods have been delivered to the Registrar of Companies in England and Wales and were audited by Price Waterhouse in 1996 and 1997 and by PricewaterhouseCoopers in 1998. The reports were unqualified and did not require a statement under section 237(2) or (4) of the Act.

Consolidated profit and loss accounts
for the years ended 31 December 1996, 1997 and 1998

	Notes	**1998** **£'000**	**1997** **£'000**	**1996** **£'000**
Turnover – continuing operations	2	52,629	48,783	43,716
Cost of sales		(34,019)	(32,420)	(31,073)
Gross profit		18,610	16,363	12,643
Distribution costs		(8,716)	(7,479)	(7,025)
Administrative expenses		(4,623)	(4,862)	(4,024)
Operating profit – continuing operations	3	5,271	4,022	1,594
Interest payable	4	(220)	(367)	(387)
Profit on ordinary activities before taxation		5,051	3,655	1,207
Taxation on profit on ordinary activities	5	(1,576)	(1,144)	(404)
Profit for the financial year		3,475	2,511	803
Dividends (including non-equity interests)	9	(881)	(419)	(239)
Amount set aside to reserves	21	2,594	2,092	564
Basic earnings per share	11	17.6p	12.9p	4.1p
Diluted earnings per share	11	17.2p	12.4p	4.0p

Consolidated balance sheets
as at 31 December 1996, 1997 and 1998

	Notes	1998 £'000	1997 £'000	1996 £'000
Fixed assets				
Intangible assets	12	229	–	–
Tangible assets	13	13,665	11,804	9,976
		13,894	11,804	9,976
Current assets				
Stocks	14	11,668	10,023	8,315
Debtors (amounts falling due within one year)	15	8,804	8,574	7,775
Debtors (amounts falling due after more than one year)	15	–	–	39
Cash at bank and in hand	17	23	80	53
		20,495	18,677	16,182
Creditors (amounts falling due within one year)	16	(13,452)	(13,560)	(12,527)
Net current assets		7,043	5,117	3,655
Total assets less current liabilities		20,937	16,921	13,631
Creditors (amounts falling due after more than one year)	16	(2,517)	(1,362)	(1,047)
Provisions for liabilities and charges	19	(683)	(583)	(835)
		17,737	14,976	11,749
Capital and reserves (including non equity interests)				
Called up share capital	20	1,172	1,147	1,147
Share premium account	21	203	61	61
Revaluation reserve	21	2,765	2,784	1,679
Profit and loss account	21	13,597	10,984	8,862
Shareholders' funds (including non equity interests)	22	17,737	14,976	11,749

Consolidated cash flow statements
for the years ended 31 December 1996, 1997 and 1998

	Notes	1998 £'000	1997 £'000	1996 £'000
Net cash inflow from operating activities	3b	5,198	4,266	2,642
Return on investments and servicing of finance				
Interest paid		(121)	(221)	(246)
Interest element of finance leases and hire purchase contracts		(107)	(142)	(136)
Dividends paid on non equity shares		(6)	(6)	(6)
		(234)	(369)	(388)
Taxation		(1,304)	(336)	(113)
Capital expenditure				
Purchase of tangible fixed assets (excluding finance lease assets and hire purchase assets)		(2,391)	(1,589)	(1,218)
Sale of tangible fixed assets and assets held for sale		75	59	48
		(2,316)	(1,530)	(1,170)
Acquisitions				
Purchase of trade and assets	12	(275)	–	–
Equity dividends paid		(553)	(272)	(224)
Financing				
Issue of ordinary share capital		167	–	–
Repayment of capital element of finance leases and hire purchase rentals	17	(650)	(532)	(420)
New medium term loan		1,000	–	–
		517	(532)	(420)
Increase in cash	17	1,033	1,227	327

Statement of total recognised gains and losses
for the years ended 31 December 1996, 1997 and 1998

	1998 £'000	1997 £'000	1996 £'000
Profit for the financial year	3,475	2,511	803
Unrealised surplus on revaluation of properties	–	1,135	–
Total gains recognised since last annual report	3,475	3,646	803

Note of historical cost profits and losses
for the years ended 31 December 1996, 1997 and 1998

	1998 £'000	1997 £'000	1996 £'000
Profit on ordinary activities before taxation	5,051	3,655	1,207
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	19	30	44
Historical cost profit on ordinary activities before taxation	5,070	3,685	1,251
Historical cost profit for the year retained after taxation and dividends	2,613	2,122	608

Notes to the accounts

1. Statement of accounting policies

Basis of accounting:
The accounts are prepared under the historical cost convention modified to include the revaluation of land and buildings and are prepared in accordance with applicable accounting standards.

Consolidation of Group undertakings:
The accounts are prepared in compliance with the Companies Act 1985. The Group accounts consolidate the accounts of the holding company and its subsidiaries made up to 31 December. The net assets of companies acquired are included in the consolidated accounts at their fair value to the Group. In addition, adjustments are made where accounting policies of acquired companies would otherwise be inconsistent with those of the Group. Where the total costs of acquisition differ from the fair value attributable to the net assets acquired, the goodwill or capital reserve on acquisition has prior to the 1998 financial period been taken directly to reserves in the year of acquisition. In 1998 the Group adopted FRS 10 such that goodwill acquired during the year is capitalised and amortised over 20 years, a period which is estimated to be the useful life of the asset. As allowed by the transitional provisions of FRS 10, the Group has not applied the new accounting policy to goodwill already written off against reserves in previous years.

Tangible fixed assets and depreciation:
Tangible fixed assets are stated at original cost or professional valuation. Depreciation is provided in equal annual instalments at rates designed to write off the net cost or revalued amount over the estimated useful life of the asset. The principal rates in use are:

Land and buildings	2.5%
Motor vehicles	20–25%
Computer equipment	20%
Plant and machinery	10%

Investments:
Investments are included at cost.

Stocks:
Stocks are stated at the lower of cost and net realisable value. Cost in the case of work in progress and finished goods includes appropriate manufacturing overheads.

Taxation:
Corporation tax is provided on the assessable profits of the Group at the appropriate rates in force. Provision is made for deferred taxation where it is considered that a liability is likely to arise in the foreseeable future, including full recognition of the deferred tax asset relating to pension cost accruals.

Foreign currencies:
Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the year end. Profits and losses on exchange arising in the normal course of trading are dealt with in the profit and loss account.

Leasing and hire purchase commitments:
Assets obtained under finance leases or hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the obligations is charged to the profit and loss account over the period of the lease or contract and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease rentals are charged to the profit and loss account as incurred.

Pensions:
Pension contributions to The Gaskell Pension Scheme are based upon independent actuarial advice. 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 Group. Contributions to The Gaskell Money Purchase Pension Scheme are based on the National Insurance contracted-out rebate only.

Research and development:
Research and development expenditure is written off to the profit and loss account as incurred.

2. Turnover

Turnover, which originates entirely in the United Kingdom, represents the amount receivable (excluding value added tax) for goods sold to third parties.
The geographical analysis of turnover by destination is:

	1998 £'000	1997 £'000	1996 £'000
United Kingdom	50,106	45,954	41,237
Eire	511	603	520
Italy	163	483	118
France	235	261	308
Scandinavia	180	181	307
Germany	275	171	220
Rest of Europe	525	455	592
North America	361	323	245
Middle East and Other	230	278	80
Far East and Australia	43	74	89
	52,629	48,783	43,716

In the opinion of the Directors the Group is engaged in only one class of business and no analysis of turnover, profits and net assets is appropriate.

3. Operating Profit

	1998 £'000	1997 £'000	1996 £'000
(a) Operating profit is stated after charging:			
Staff costs (note 7)	14,106	12,737	10,848
Depreciation: owned assets	1,100	1,130	1,018
finance leased assets	413	356	300
Amortisation of goodwill	1	–	–
Operating lease rentals: plant and machinery	531	462	451
others	313	271	295
Research and development costs	1,066	1,038	839
Auditors remuneration – Group	55	55	51
– Company	7	5	5

Fees payable in 1998 to PricewaterhouseCoopers in the UK for non-audit services were £69,000 (1997: £31,000; 1996: £45,000).

	1998 £'000	1997 £'000	1996 £'000
(b) Reconciliation of operating profit to net cash inflow from operating activities:			
Operating profit	5,271	4,022	1,594
Depreciation/amortisation and loss/(profit) on sale of fixed assets	1,511	1,479	1,368
(Increase) in stock	(1,645)	(1,708)	(418)
(Increase) in debtors	(269)	(760)	(753)
Increase in creditors	330	1,233	851
	5,198	4,266	2,642

8. Directors' remuneration

The aggregate amount of emoluments paid to or receivable by Directors was £462,000 (1997 – £335,000; 1996 – £300,000).
The aggregated gain on the exercise of share options by Directors was £145,000 (1997 – Nil; 1996 – Nil).
No amounts were paid to or received by Directors under long term incentive schemes during the year (1997 – Nil; 1996 – Nil).
Retirement benefits are accruing to six Directors (1997 – four: 1996 – four) under a defined benefit scheme.

1998 Directors' remuneration

	Salary/fees	Bonuses	Other benefits	Total
	£'000	£'000	£'000	£'000
E D Andrew	63	10	1	74
G Cahill	101	13	7	121
A J Chamberlain	12	–	–	12
G Davenport	12	–	–	12
J J E Daw	78	8	5	91
R Hopkin	88	11	10	109
P Livesey	18	2	2	22
G Wheeler	17	2	2	21

1997 Directors' remuneration

	Salary/fees	Bonuses	Other benefits	Total
	£'000	£'000	£'000	£'000
E D Andrew	42	16	1	59
G Cahill	65	20	6	91
A J Chamberlain	10	–	–	10
G Davenport	11	–	–	11
J J E Daw	55	12	9	76
R Hopkin	62	16	10	88

1996 Directors' remuneration

	Salary/fees	Bonuses	Other benefits	Total
	£'000	£'000	£'000	£'000
E D Andrew	41	7	1	49
G Cahill	61	8	6	75
A J Chamberlain	10	–	–	10
J J E Daw	50	7	5	62
G Davenport	3	–	–	3
R Hopkin	60	7	9	76
A Pollock	22	–	3	25

In addition, Mr A Pollock was paid £30,000 as compensation for loss of office

The highest paid Director had an accrued pension entitlement of £45,000 (1997 – £35,000; 1996 – £2,000) at the end of the year. All of the Directors have notified the Company that they have waived all claims, without time limit, to the Directors' remuneration of £300 per annum provided by the Articles of Association.

3. Operating Profit

	1998 £'000	1997 £'000	1996 £'000
(a) Operating profit is stated after charging:			
Staff costs (note 7)	14,106	12,737	10,848
Depreciation: owned assets	1,100	1,130	1,018
finance leased assets	413	356	300
Amortisation of goodwill	1	–	–
Operating lease rentals: plant and machinery	531	462	451
others	313	271	295
Research and development costs	1,066	1,038	839
Auditors remuneration – Group	55	55	51
– Company	7	5	5

Fees payable in 1998 to PricewaterhouseCoopers in the UK for non-audit services were £69,000 (1997: £31,000; 1996: £45,000).

	1998 £'000	1997 £'000	1996 £'000
(b) Reconciliation of operating profit to net cash inflow from operating activities:			
Operating profit	5,271	4,022	1,594
Depreciation/amortisation and loss/(profit) on sale of fixed assets	1,511	1,479	1,368
(Increase) in stock	(1,645)	(1,708)	(418)
(Increase) in debtors	(269)	(760)	(753)
Increase in creditors	330	1,233	851
	5,198	4,266	2,642

4. Interest payable

	1998 £'000	1997 £'000	1996 £'000
Bank loan and overdraft	114	229	254
Interest payable under finance leases and hire purchase contracts	106	138	133
	220	367	387

5. Taxation on profit on ordinary activities

	1998 £'000	1997 £'000	1996 £'000
Taxation on the profit for the year:			
UK corporation tax at 31% (1997 – 31.5%; 1996 – 33%)			
– current year	1,605	1,442	336
– prior years	(129)	(46)	–
Deferred taxation			
– current year	11	(222)	70
– prior years	89	(30)	(2)
	1,576	1,144	404

6. Profit for the financial year

Gaskell PLC has not presented its own profit and loss account as permited by Section 230(1) of the Companies Act 1985. The loss for the financial year dealt with in the accounts of the holding company is £100,000 (1997 – profit £461,000; 1996 – profit £242,000). With the exception of the loss/profits stated for each of the financial years, there were no other recognised gains and losses in the Company, nor was there a difference between the historical cost profits and losses and those noted above.

7. Staff costs

	1998 £'000	1997 £'000	1996 £'000
Employee costs (including directors)			
Wages and salaries	12,601	11,445	9,749
Social security costs	1,061	957	860
Other pension costs	444	335	239
	14,106	12,737	10,848

	Number	Number	Number
The average number of persons employed by the Group during the year was:	741	715	656

8. Directors' remuneration

The aggregate amount of emoluments paid to or receivable by Directors was £462,000 (1997 – £335,000; 1996 – £300,000).
The aggregated gain on the exercise of share options by Directors was £145,000 (1997 – Nil; 1996 – Nil).
No amounts were paid to or received by Directors under long term incentive schemes during the year (1997 – Nil; 1996 – Nil).
Retirement benefits are accruing to six Directors (1997 – four: 1996 – four) under a defined benefit scheme.

1998 Directors' remuneration

	Salary/fees	Bonuses	Other benefits	Total
	£'000	£'000	£'000	£'000
E D Andrew	63	10	1	74
G Cahill	101	13	7	121
A J Chamberlain	12	–	–	12
G Davenport	12	–	–	12
J J E Daw	78	8	5	91
R Hopkin	88	11	10	109
P Livesey	18	2	2	22
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	Salary/fees	Bonuses	Other benefits	Total
	£'000	£'000	£'000	£'000
E D Andrew	42	16	1	59
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G Davenport	11	–	–	11
J J E Daw	55	12	9	76
R Hopkin	62	16	10	88

1996 Directors' remuneration

	Salary/fees	Bonuses	Other benefits	Total
	£'000	£'000	£'000	£'000
E D Andrew	41	7	1	49
G Cahill	61	8	6	75
A J Chamberlain	10	–	–	10
J J E Daw	50	7	5	62
G Davenport	3	–	–	3
R Hopkin	60	7	9	76
A Pollock	22	–	3	25

In addition, Mr A Pollock was paid £30,000 as compensation for loss of office

The highest paid Director had an accrued pension entitlement of £45,000 (1997 – £35,000; 1996 – £2,000) at the end of the year. All of the Directors have notified the Company that they have waived all claims, without time limit, to the Directors' remuneration of £300 per annum provided by the Articles of Association.

9. Dividends

	1998 £'000	1997 £'000	1996 £'000
Non-equity:			
On cumulative preference shares	6	6	6
Equity:			
On ordinary shares –			
Interim of 1.2p per share (1997 as restated – 0.6p; 1996 as restated – 0.4p)	257	117	78
Final of 3.1p per share (1997 as restated – 1.5p; 1996 as restated – 0.8p)	618	296	155
	881	419	239

10. Obligations under operating leases

The Group had the following commitments to make payments under non-cancellable operating leases in the next year.

	1998 £'000	1997 £'000	1996 £'000
Plant, Machinery and Vehicles			
Leases which expire within 1 year	61	95	32
Leases which expire within 2 to 5 years	347	347	577
Leases which expire in over 5 years	2	1	–
	410	443	609
Land and Buildings			
Leases which expire within 1 year	–	–	47
Leases which expire within 2 to 5 years	–	–	27
Leases which expire in over 5 years	340	276	213
	340	276	287
Total	750	719	896

11. Earnings per ordinary share

	1998 £'000	1997 £'000	1996 £'000
Earnings attributable to parent company shareholders	3,475	2,511	803
Less preference dividend	(6)	(6)	(6)
	3,469	2,505	797
Basic earnings per ordinary share based on 19,747,550 average ordinary shares in issue and outstanding (as restated: 1997 – 19,434,572; 1996 – 19,434,572)	17.6p	12.9p	4.1p
Diluted earnings per ordinary share based on 20,218,572 average ordinary shares in issue and outstanding (as restated: 1997 – 20,218,572; 1996 – 20,004,572)	17.2p	12.4p	4.0p

The difference between the average number of ordinary shares used in the calculations of basic and diluted earnings per share comprised 278,000 share options (1997 – 784,000; 1996 – 570,000) outstanding at the year end.

12. Intangible fixed assets

	1998 £'000	1997 £'000	1996 £'000
Goodwill			
Additions at cost during year	230	–	–
Amortisation	(1)	–	–
Net book value at 31 December	229	–	–

The goodwill arose on the acquisition of certain assets, mainly plant and machinery, and the trade of the Silentlay Felts underlay business on 19 November 1998. The consideration was £275,000 and the book value of assets was £45,000.

13. Tangible fixed assets

	Land and Buildings			Plant	
		Long	Short	and	
	Freehold	Leasehold	Leasehold	Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 December 1995	4,807	1	58	12,656	17,522
Additions	96	–	–	1,585	1,681
Disposals	–	–	–	(457)	(457)
Transfer to current assets	(357)	(1)	–	–	(358)
At 31 December 1996	4,546	–	58	13,784	18,388
Additions	135	198	–	1,899	2,232
Disposals	(1)	–	(47)	(335)	(383)
Transfer	–	–	(11)	11	–
Surplus on revaluation	357	–	–	–	357
At 31 December 1997	5,037	198	–	15,359	20,594
Additions	964	–	–	2,477	3,441
Disposals	–	–	–	(380)	(380)
At 31 December 1998	6,001	198	–	17,456	23,655
Depreciation					
At 31 December 1995	632	–	42	6,841	7,515
Charge for year	113	–	8	1,197	1,318
Disposals	–	–	–	(359)	(359)
Transfer to current assets	(62)	–	–	–	(62)
At 31 December 1996	683	–	50	7,679	8,412
Charge for year	108	1	–	1,377	1,486
Disposals	–	–	(47)	(283)	(330)
Transfer	–	–	(3)	3	–
Surplus on revaluation	(778)	–	–	–	(778)
At 31 December 1997	13	1	–	8,776	8,790
Charge for year	111	5	–	1,397	1,513
Disposals	–	–	–	(313)	(313)
At 31 December 1998	124	6	–	9,860	9,990
Net book value 31 December 1996	3,863	–	8	6,105	9,976
Net book value 31 December 1997	5,024	197	–	6,583	11,804
Net book value 31 December 1998	5,877	192	–	7,596	13,665

The freehold land and buildings were professionally valued on the basis of open market value for the existing use as at 31 December 1997.

If stated under historical cost principles the comparable amounts for land and buildings would be:

	1998 £'000	1997 £'000	1996 £'000
Cost	4,513	3,607	3,274
Accumulated depreciation	(995)	(948)	(868)
	3,518	2,659	2,406

The Group had capital commitments contracted for of £1,840,000 (1997 – £217,000; 1996 – £678,000) at the year end. The net book value of plant and equipment includes an amount of £2,001,000 (1997 – £2,297,000; 1996 – £2,005,000) comprising cost of £2,869,000 (1997 – £3,402,000; 1996 – £2,752,000) and accumulated depreciation of £868,000 (1997 – £1,105,000; 1996 – £747,000) in respect of assets held under finance leases or hire purchase contracts.

14. Stocks

	1998 £'000	1997 £'000	1996 £'000
Raw materials and consumables	1,612	1,325	1,454
Work in progress	751	777	660
Finished goods and goods for resale	9,305	7,921	6,201
	11,668	10,023	8,315

The replacement cost of stocks does not differ materially from the balance sheet valuation.

15. Debtors

	1998 £'000	1997 £'000	1996 £'000
Trade debtors	7,902	7,817	6,834
Other debtors	96	37	50
Assets held for sale	235	246	296
Prepayments and accrued income	513	377	538
Taxation recoverable	58	97	96
	8,804	8,574	7,814

Included in debtors in 1996 is an amount of £39,000 falling due after one year, relating to taxation recoverable.

The assets held for sale comprise a property and machinery stated at open market valuations of £220,000 (1997 – £246,000; 1996 – £296,000) and £15,000 (1997 – £Nil; 1996 – £Nil) respectively. If stated under historical cost principles the comparable amounts would be £20,000 (1997 – £20,000; 1996 – £20,000) and £15,000 (1997 – £Nil; 1996 – £Nil) respectively.

16. Creditors

	1998 £'000	1997 £'000	1996 £'000
Amounts falling due within one year:			
Bank loans and overdrafts	434	1,399	2,599
Obligations under finance lease and hire purchase contracts (note 18)	435	565	452
Trade creditors	6,829	6,595	6,328
Corporation tax	1,708	1,575	514
Other taxes and social security	1,026	920	787
Other creditors	302	308	247
Accruals and deferred income	1,965	1,788	1,216
Accrued pension costs	135	114	229
Dividend	618	296	155
	13,452	13,560	12,527
Amounts falling due after one year:			
Bank loan	875	–	–
Obligations under finance leases and hire purchase contracts (note 18)	1,119	857	964
Accrued pension costs	523	505	83
	2,517	1,362	1,047

The bank overdraft and loan are secured by fixed and floating charges over Group assets.

The bank loan carries interest at 7.48% and is repayable in instalments as follows:

	£'000	£'000	£'000
Within one year	125	–	–
Within one to two years	250	–	–
Within two to five years	625	–	–
	1,000	–	–

17. Reconciliation and analysis of net debt

	1998 £'000	1997 £'000	1996 £'000
(a) Reconciliation of net debt:			
Increase in cash in the period	1,033	1,227	327
Decrease in lease financing	650	532	420
Change in net debt resulting from cash flows	1,683	1,759	747
New finance lease and hire purchase contracts	(782)	(538)	(613)
New bank loan	(1,000)	–	–
Movement in net debt in period	(99)	1,221	134
Net debt at 1 January	(2,741)	(3,962)	(4,096)
Net debt at 31 December	(2,840)	(2,741)	(3,962)

(b) Analysis of net debt:

	At 1 January 1996 £'000	Cash flow £'000	Other non cash £'000	At 31 Dec 1996 £'000
Cash at bank and in hand	52	1	–	53
Bank overdraft	(2,925)	326	–	(2,599)
	(2,873)	327	–	(2,546)
Finance lease and hire purchase contracts	(1,223)	420	(613)	(1,416)
	(4,096)	747	(613)	(3,962)

	At 1 January 1997 £'000	Cash flow £'000	Other non cash £'000	At 31 Dec 1997 £'000
Cash at bank and in hand	53	27	–	80
Bank overdraft	(2,599)	1,200	–	(1,399)
	(2,546)	1,227	–	(1,319)
Finance lease and hire purchase contracts	(1,416)	532	(538)	(1,422)
	(3,962)	1,759	(538)	(2,741)

	At 1 January 1998 £'000	Cash flow £'000	Other non cash £'000	At 31 Dec 1998 £'000
Cash at bank and in hand	80	(57)	–	23
Bank overdraft	(1,399)	1,090	–	(309)
	(1,319)	1,033	–	(286)
Finance lease and hire purchase contracts	(1,422)	650	(782)	(1,554)
Bank loan due within 1 year	–	(125)	–	(125)
Bank loan due after 1 year	–	(875)	–	(875)
	(2,741)	683	(782)	(2,840)

18. Obligations under finance leases and hire purchase contracts

Obligations under finance leases and hire purchase contracts are due to be repaid over the following periods:

	1998 £'000	1997 £'000	1996 £'000
Within 1 year	655	641	561
Between 1 and 5 years	1,147	967	1,063
	1,802	1,608	1,624
Less finance charges allocated to future periods	(248)	(186)	(208)
	1,554	1,422	1,416

19. Provisions for liabilities and charges

	1998 £'000	1997 £'000	1996 £'000
Provided			
Deferred taxation comprises:			
Accelerated capital allowances	1,047	944	969
Short term timing differences	(399)	(396)	(169)
Capital gains	35	35	35
	683	583	835

	1998 £'000	1997 £'000	1996 £'000
Not provided			
Deferred taxation comprises:			
Accelerated capital allowances	–	–	–
Short term timing differences	–	–	–
Capital gains	220	220	220
Trading losses	–	–	(1)
	220	220	219
At 1 January	583	835	767
Provided/(released) in the year	100	(252)	68
At 31 December	683	583	835

There is no potential liability to capital gains tax in respect of the revalued properties.

20. Called up share capital

	1998 £'000	1997 £'000	1996 £'000
Authorised:			
250,000 3.5% (4.4% including tax credit) cumulative preference shares of £1 each (non-equity)	250	250	250
24,000,000 ordinary shares of 5p each (equity)	1,200	1,200	1,200
	1,450	1,450	1,450
Allotted and fully paid:			
175,000 3.5% (4.4% including tax credit) cumulative preference shares of £1 each (non-equity)	175	175	175
19,940,572 ordinary shares of 5p each (equity)	997	972	972
	1,172	1,147	1,147

A subdivision of each of the Company's existing 20p ordinary shares into 4 new ordinary shares of 5p each was approved by shareholders on 1 October 1998 and dealings in the new shares commenced on 5 October 1998.

On 1 May 1995 options to subscribe for up to 620,000 ordinary shares of 5p each were granted to five Directors and eleven senior employees under the Executive Share Option Scheme ("the Scheme"). Subsequently, options over 82,000 (1997 – 82,000; 1996 – 50,000) of these ordinary shares lapsed and, of the balance, options over 506,000 shares were exercised during 1998 with a nominal value of £25,000 and consideration received of £167,000. The balance of the options is exercisable at £0.33p at any time prior to 1 May 2005. On 7 April 1997 further options to subscribe for up to 246,000 ordinary shares of 5p each were granted to three Directors and five senior employees under the Scheme. The options are exercisable at £0.42p at any time between 8 April 2000 and 7 April 2007.

The preference shares, which comprise the only non-equity interest in shareholders' funds, have the following rights attached thereto:

Dividend rights
Fixed cumulative dividend at the rate of 3.5% per annum (4.4% including tax credit) payable half yearly in arrears on 30 June and 31 December.

Redemption of shares
The shares have no redemption entitlement.

Winding-up
On a winding-up the shares have priority before all other classes of share to receive repayment of capital plus all arrears of dividend.

Voting rights
The holders have no voting rights unless the dividend is in arrears for six months or more or a resolution is proposed which modifies the rights attached to the preference shares or for the winding-up of the Company.

21. Reserves (equity)

	1998 £'000	1997 £'000	1996 £'000
Share premium account			
At 1 January	61	61	61
Issue of shares under share option scheme	142	–	–
At 31 December	203	61	61
Revaluation reserve			
At 1 January	2,784	1,679	1,723
Transfer of depreciation on revalued amounts	(19)	(30)	(44)
Revaluation in period	–	1,135	–
At 31 December	2,765	2,784	1,679
Profit and loss account			
At 1 January	10,984	8,862	8,254
Transfer from revaluation reserve	19	30	44
Retained surplus for the financial year	2,594	2,092	564
At 31 December	13,597	10,984	8,862

Cumulative goodwill in respect of acquisitions written off immediately to the profit and loss account amounts to £1,548,000 (1997 – £1,548,000; 1996 – £1,548,000).

Goodwill has been eliminated as a matter of accounting policy and would be charged to the profit and loss account on the subsequent disposal of the businesses to which it relates.

22. Reconciliation of movement in shareholders' funds

	1998 £'000	1997 £'000	1996 £'000
Profit for the financial year	3,475	2,511	803
Dividends	(881)	(419)	(239)
Issue of shares under share option scheme	167	–	–
Revaluation in period	–	1,135	–
	2,761	3,227	564
Opening shareholders' funds	14,976	11,749	11,185
Closing shareholders' funds	17,737	14,976	11,749

23. Pensions

(i) The Gaskell Pension Scheme

The Group operates a pension scheme providing defined benefits based on final pensionable salary. The assets of the Scheme are held separately from those of the Group, being invested by Legal & General Investment Management Limited and Mercury Asset Management plc. 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 Group. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method, across the Group as a whole. The most recent valuation was undertaken with an effective date of 1 January 1997. 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. For the purpose of calculating the pension costs it was assumed that the investment returns will, on average, exceed salary increases by 2% per annum and that present and future pensions will increase at the rate provided under the rules of the plan. The actuarial valuation showed that the market value of the Scheme's assets was £11,322,000 at 1 January 1996 and the actuarial value of these assets, projected forward to 1 January 1997, adjusted for cash flows, represented 110% of the benefits that had accrued to members, after allowing for expected future increases in earnings. In view of these and based on actuarial advice, the employing companies within the Group ceased making contributions during the year ended 31 December 1997 and then recommenced contributions at the rate of 10.5% of pensionable payroll with effect from 1 January 1998. The contributions of employees remained at 5% of pensionable salaries.

The pension charge for the period was £433,000 (1997 – £307,000; 1996 – £215,000). This included an allowance of £151,000 (1997 – £139,000; 1996 – £130,000) in respect of amortisation of experience surpluses that are being recognised over 17 years, the average remaining service lives of employees. The balance sheet includes a provision of £658,000 (1997 – £619,000; 1996 – £312,000) in respect of accrued pension costs of which £135,000 (1997 – £114,000; 1996 – £229,000) is due in less than one year.

(ii) The Gaskell Money Purchase Pension Scheme

The Group offers a money purchase pension scheme for weekly paid employees. This is a defined contribution pension scheme based on the National Insurance contracted-out rebate. The Group meets certain administration costs of the scheme which in 1998 totalled £4,000. The balance outstanding at the end of the year was £2,000.

24. Contingent liabilities

The Company has provided unlimited guarantees over the borrowings of subsidiary undertakings which at 31 December 1998 amounted to £3,501,000 (1997 – £2,361,000; 1996 – £4,038,000).

25. Related party transactions

A sum of £7,021 (1997 – £7,492; 1996 – £8,302) in respect of the provision of administrative services was paid during the year to Andrew Industries Limited of which the Chairman, Mr E D Andrew, is a shareholder and director. The balance outstanding at the end of the year was £1,900 (1997 – Nil; 1996 – Nil).

PART V

Financial information relating to the Tomkinsons Group

Set out below is the financial information relating to the Tomkinsons Group. This information does not constitute statutory information within the meaning of section 254 of the Act. It has been extracted without material adjustment, save for the restatement set out below, from the audited financial statements of Tomkinsons plc for the years ending 28 September 1996, 27 September 1997 and 3 October 1998.

The consolidated profit and loss accounts, balance sheets and cash flow statements as originally published for 1996 and 1997 have been restated to take account of a change in development cost accounting as explained in notes 4 and 5 (c). The financial statements for these periods have been delivered to the Registrar of Companies in England and Wales and were audited by KPMG Audit Plc. The reports were unqualified and did not require a statement under section 237 (2) or (4) of the Act.

1. Consolidated profit and loss accounts

	Notes	**53 weeks 1998 £'000**	**52 weeks 1997 (restated) £'000**	**52 weeks 1996 (restated) £'000**
Turnover	*6*	30,456	27,528	26,261
Cost of sales		(18,185)	(15,914)	(15,394)
Gross profit		12,271	11,614	10,867
Distribution costs		(7,358)	(6,831)	(6,695)
Administrative expenses		(2,488)	(2,807)	(2,464)
Operating profit		2,425	1,976	1,708
Net interest payable and similar charges	*8*	(412)	(254)	(251)
Profit on ordinary activities before taxation		2,013	1,722	1,457
Tax on profit on ordinary activities	*11*	(624)	(567)	(476)
Profit for the financial year		1,389	1,155	981
Dividends	*12*	(745)	(745)	(743)
Retained profit for the financial year	*21*	644	410	238
Earnings per share	*13*	21.4p	17.8p	15.2p

2. Consolidated balance sheets

	Notes	3 Oct 1998 £'000	27 Sept 1997 £'000	28 Sept 1996 £'000
Fixed assets				
Tangible assets	*14*	10,912	11,485	11,290
Current assets				
Stocks	*15*	8,095	8,368	7,213
Debtors	*16*	6,818	5,438	4,863
Cash at bank and in hand		39	15	20
		14,952	13,821	12,096
Creditors: Amounts falling due within one year				
Bank overdrafts		(499)	(1,268)	(776)
Others		(6,252)	(5,480)	(4,800)
	17	(6,751)	(6,748)	(5,576)
Net current assets		8,201	7,073	6,520
Total assets less current liabilities		19,113	18,558	17,810
Creditors: Amounts falling due after one year				
Bank loans		(2,000)	(2,000)	(2,000)
Others		(94)	(128)	(155)
	17	(2,094)	(2,128)	(2,155)
Provisions for liabilities and charges	*18*	(406)	(461)	(116)
Net assets		16,613	15,969	15,539
Capital and reserves				
Called up share capital	*20*	1,619	1,619	1,616
Share premium account	*21*	231	231	214
Revaluation reserve		2,309	2,309	2,309
Profit and loss account	*21*	12,454	11,810	11,400
Equity shareholders' funds		16,613	15,969	15,539

3. Consolidated cash flow statements

	Notes	3 Oct 1998 £'000	27 Sept 1997 £'000	28 Sept 1996 £'000
Net cash inflow from continuing operating activities	25	3,615	2,187	1,860
Returns on investments and servicing of finance	26	(400)	(252)	(246)
Taxation paid		(340)	(116)	(510)
Capital expenditure	26	(1,315)	(1,569)	(986)
Acquisition - purchase of business	27	–	–	(1,936)
Equity dividends paid		(745)	(744)	(727)
Cash inflow/(outflow) before financing		815	(494)	(2,545)
Financing	26	(22)	(3)	1,999
Increase/(decrease) in cash in the year	28	793	(497)	(546)

4. Statements of total recognised gains and losses

	1998 53 weeks £'000
Profit for the financial year - being the total recognised gains and losses relating to the year	1,389
Prior year adjustment	(461)
Total gains and losses recognised since last annual report	928

In 1997 and 1996, Tomkinsons has recognised no gains or losses other than the profit for the financial year.

Prior year adjustment

As explained in 5 (c) below, in 1998 Tomkinsons changed its accounting policy in respect of product launch costs and has restated the accounts for the previous two years accordingly. The effect on the results for the 52 weeks ended 27 September 1997 has been to increase distribution costs and reduce operating profit by £43,000; decrease the taxation charge by £3,000 and decrease the retained profit for the financial year by £40,000. The effect on the results for the 52 weeks ended 28 September 1996 has been to decrease distribution costs and increase operating profit by £67,000, increase the taxation charge by £21,000 and increase the retained profit for the financial year by £46,000.

The cumulative effect of the change in policy on the retained profits at 28 September 1996 amounted to a reduction of £421,000. Debtors and deferred tax provisions at 27 September 1997 have been reduced by £623,000 and £162,000 respectively. At 28 September 1996 debtors and deferred tax provisions have been reduced by £638,000 and £238,000 respectively and the corporation tax creditor increased by £21,000.

The effect of the change in policy on the results for the 53 weeks ended 3 October 1998 has been to increase profit before tax by £174,000 (1997: reduce by £43,000; 1996: increase by £67,000).

Notes to the accounts

5. Principal accounting policies

(a) Basis of preparation

The accounts have been drawn up under the historical cost convention as modified by the revaluation of properties, and in accordance with applicable Accounting Standards.

(b) Consolidated accounts

The consolidated accounts incorporate the accounts of Tomkinsons and all its subsidiaries. The financial year ends of all companies within the Tomkinsons Group were 3 October 1998, 27 September 1997 and 28 September 1996. Unless otherwise stated the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired during the year are included in the Tomkinsons Group profit and loss account from the effective date of acquisition. Goodwill, representing the excess of the fair value of the consideration given over the fair value of the identifiable net assets of subsidiary undertakings acquired, is written against reserves on acquisition.

(c) Product launch costs

Expenditure to support product launches sampling and promotional material, are charged directly to the profit and loss account in the year of launch. Previously these costs were carried forward as deferred expenditure and amortised over a period of between two and three years. As product life cycles become shorter it is felt a more prudent approach is to write off the cost in full in the year in which new products are launched. To reflect this change in accounting policy the results for prior years have been restated on to a consistent basis.

Costs incurred in respect of products not yet launched are held within work in progress in stocks and are written off in the year of launch.

(d) Turnover

Turnover represents the amount (excluding sales taxes) derived from the provision of goods and services to third party customers.

(e) Depreciation of fixed assets

Depreciation is provided to write off the cost or valuation less estimated residual value of tangible fixed assets on a straight line basis over their estimated lives, as follows:

Freehold land - not depreciated

Freehold buildings - over 40 years

Leasehold buildings - over period of lease

Machinery, plant & equipment - over 5 to 10 years

No depreciation is charged in the year of purchase with the exception of motor vehicles and display equipment.

(f) Stocks

Stocks are valued at the lower of cost and net realisable value, including, where appropriate, production overheads.

(g) Deferred taxation

Provision is made, using the liability method, in respect of the taxation effect of timing differences only to the extent that it is probable that liabilities will crystallise in the foreseeable future.

(h) Repairs and renewals

Expenditure on repairs and renewals is all written off in the year in which it is incurred, with the exception of major refurbishment to plant and machinery which is capitalised and depreciated in the normal manner.

(i) Pensions
Certain of the employees of the Tomkinsons Group are members of the Tomkinsons plc Pension Plans, which provide defined benefits additional to the State Pension Scheme. For these Plans contributions are charged to the profit and loss account in accordance with the recommendations of qualified actuaries so as to spread the cost of the pension over the employees' expected working lives with the Tomkinsons Group.

(j) Leases
Where plant and machinery is acquired under finance leases or hire purchase arrangements which give rights approximating to ownership, the fair value of such assets is included in tangible fixed assets. Depreciation is provided at the rates set out above. The capital element of the future obligation to the finance companies is treated as a liability and the interest element is charged to the profit and loss account over the period of the finance lease or hire purchase agreement. Costs in respect of operating leases are charged in arriving at the profit on ordinary activities on a straight line basis over the life of the lease.

(k) Government grants
Capital based government grants are included in accruals and deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

6. Segmental analysis

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Geographical analysis of turnover by destination			
United Kingdom	28,177	24,483	23,261
E.U.	985	1,223	1,729
North America	872	964	843
Other areas	422	858	428
	30,456	27,528	26,261

Tomkinsons is engaged in only one class of business and operates principally within the United Kingdom.

7. Employee costs

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Wages and salaries	7,818	7,475	7,153
Social security costs	612	585	558
Other pension costs (See note 24)	616	512	537
	9,046	8,572	8,248

The average number of persons employed by the Tomkinsons Group, during the year, analysed by category, was as follows:

	53 weeks 1998 Number	52 weeks 1997 Number	52 weeks 1996 Number
Production	323	318	318
Management, administration, sales and marketing	174	184	176
	497	502	494

8. Net interest payable and similar charges

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Interest payable and similar charges:			
On bank loans and overdrafts	410	251	283
On finance leases	2	3	5
	412	254	288
Interest receivable	–	–	(37)
	412	254	251

9. Profit on ordinary activities before taxation

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):			
Depreciation	1,730	1,584	1,389
Audit fees	31	34	39
Auditor's remuneration for other services	53	29	107
Amortisation of Government grant	(18)	(18)	(36)
Operating lease rentals - plant and machinery	163	128	138
- property	50	73	123

The auditor's remuneration for other services represents the amounts charged by an associate of KPMG Audit Plc. Included in the 1996 charge of £107,000 is an amount of £89,000 which has been charged against reserves as part of the goodwill arising on acquisition of Crucial Trading Limited.

10. Directors' emoluments

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Total emoluments paid	309	351	326
Gains on the exercise of share options	28	–	–
Emoluments paid to the highest paid director were as follows:			
Aggregate emoluments (excluding gains on the exercise of share options)	110	106	86
Gains on the exercise of share options	6	–	–
Company pension contributions	29	26	27

1998 Directors' remuneration

	Basic salary & fees £'000	Benefits £'000	Annual bonus £'000	Total £'000
Executive				
MA Hield	83	6	21	110
GM Stokes	69	9	17	95
RG Pugh-Cook (to 30 June 1998)	40	6	3	49
FR Wilson (to 31 January 1998)	19	3	–	22
Non executive				
LD Maclean	20	–	–	20
J Lancaster	13	–	–	13
	244	24	41	309

1997 Directors' remuneration

	Basic salary & fees £'000	Benefits £'000	Annual bonus £'000	Total £'000
Executive				
MA Hield	80	6	20	106
GM Stokes (since 1 March 1997)	40	4	12	56
RG Pugh-Cook	52	7	16	75
FR Wilson	57	5	19	81
Non executive				
LD Maclean	20	–	–	20
J Lancaster	13	–	–	13
	262	22	67	351

1996 Directors' remuneration

	Basic salary & fees £'000	Benefits £'000	Annual bonus £'000	Total £'000
Executive				
MA Hield	64	6	16	86
B Tromans (to 30 September 1996)	61	9	16	86
RG Pugh-Cook	42	7	10	59
FR Wilson	46	5	11	62
Non executive				
LD Maclean	20	–	–	20
J Lancaster	13	–	–	13
	246	27	53	326

Benefits principally comprise car benefits, private medical insurance and mobile telephones.

11. Taxation

The taxation charge on the profit for the year is as follows:

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
In respect of the current year:			
UK corporation tax at a rate of 31% (1997: 32%, 1996: 33%)	754	460	414
Deferred tax	(110)	107	70
	644	567	484
In respect of prior years:			
Corporation tax	(75)	–	(8)
Deferred tax	55	–	–
	624	567	476

12. Dividends

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
On ordinary shares:			
Interim paid of 3.5p (1997: 3.5p, 1996: 3.5p per share)	227	227	226
Final proposed of 8.0p (1997: 8.0p, 1996: 8.0p per share)	518	518	517
	745	745	743

13. Earnings per ordinary share

The calculation of earnings per share is based on earnings of £1,389,000 (1997: £1,155,000, 1996: £981,000) and the weighted average of 6,474,040 (1997: 6,471,673, 1996: 6,451,919) ordinary shares of 25p in issue during the year. The effect on the calculation of diluting for option shares is not material.

14. Tangible fixed assets

	Freehold land and buildings £'000	Short leasehold buildings £'000	Machinery plant and equipment £'000	Total £'000
The Group				
Cost or valuation				
At 30 September 1995	6,154	32	17,042	23,228
Additions	51	–	1,260	1,311
Subsidiary acquired	287	116	104	507
Disposals	(287)	(40)	(323)	(650)
At 28 September 1996	6,205	108	18,083	24,396
Additions	53	–	1,789	1,842
Disposals	–	–	(273)	(273)
At 27 September 1997	6,258	108	19,599	25,965
Additions	113	–	1,091	1,204
Disposals	–	(9)	(155)	(164)
At 3 October 1998	6,371	99	20,535	27,005
At cost	665	108	18,083	18,856
At open market valuation in 1989	5,540	–	–	5,540
At 28 September 1996	6,205	108	18,083	24,396
At cost	718	108	19,599	20,425
At open market valuation in 1989	5,540	–	–	5,540
At 27 September 1997	6,258	108	19,599	25,965
At cost	831	99	20,535	21,465
At open market valuation in 1989	5,540	–	–	5,540
At 3 October 1998	6,371	99	20,535	27,005
Depreciation				
At 30 September 1995	611	32	11,374	11,917
Charge for year	111	9	1,269	1.389
Disposals	–	–	(300)	(300)
At 28 September 1996	722	41	12,343	13,106
Charge for year	113	7	1,464	1,584
Disposals	–	–	(210)	(210)
At 27 September 1997	835	48	13,597	14,480
Charge for year	108	8	1,614	1,730
Disposals	–	(6)	(111)	(117)
At 3 October 1998	943	50	15,100	16,093
Net book value				
At 28 September 1996	5,483	67	5,740	11,290
At 27 September 1997	5,423	60	6,002	11,485
At 3 October 1998	5,428	49	5,435	10,912

Included in machinery, plant and equipment above are assets held within the Tomkinsons Group under finance leases. These amount to £8,000 net book value at the year end (1997: £35,000; 1996: £53,000) after depreciation charged of £27,000 for the year (1997: £18,000; 1996: £17,000).
The gross value of freehold land held by the Tomkinsons Group, which is not subject to depreciation, amounts to £1,910,000.

Historical cost of land and buildings

Land and buildings, determined according to the historical cost accounting rules would be:

	1998 £'000	1997 £'000	1996 £'000
Cost	4,787	4,674	4,621
Depreciation	(1,477)	(1,367)	(1,260)
Net book value	3,310	3,307	3,361

Capital commitments

At 3 October 1998, Tomkinsons Group capital expenditure of £142,000 (1997: £354,000; 1996: £276,000) had been contracted for but not provided.

15. Stocks

	1998 £'000	1997 £'000	1996 £'000
Raw materials	1,623	1,589	1,528
Work in progress	1,215	1,029	922
Finished goods	5,257	5,750	4,763
	8,095	8,368	7,213

16. Debtors

	1998 £'000	1997 (restated) £'000	1996 (restated) £'000
Amounts falling due within one year:			
Trade debtors	5,580	4,309	3,944
Other debtors	188	142	49
Corporation tax recoverable	–	168	68
Advance corporation tax recoverable	–	–	52
Prepayments and accrued income	438	233	214
	6,206	4,852	4,327
Amounts falling due after more than one year			
Pensions prepayment	612	586	536
	6,818	5,438	4,863

17. Creditors

	1998 £'000	1997 £'000	1996 £'000
Amounts falling due within one year			
Bank overdrafts	499	1,268	776
Finance leases	3	9	23
Trade creditors	2,901	2,517	2,171
Corporation tax	569	398	243
Advance corporation tax	186	186	129
Social security and other taxation	1,080	675	626
Other creditors	140	227	214
Accruals and deferred income	855	950	877
Proposed dividend	518	518	517
	6,751	6,748	5,576
Amounts falling due after more than one year			
Bank loans	2,000	2,000	2,000
Finance leases (payable within five years)	4	20	29
Accruals and deferred income	90	108	126
	2,094	2,128	2,155

The bank loan is repayable on 17 October 1999.

Amounts due in respect of the finance leases are secured on the assets to which they relate.

18. Provisions for liabilities and charges - deferred taxation

The amounts provided for deferred taxation and the amounts not provided calculated under the liability method are as follows:

	Amounts provided			Amounts not provided		
	1998 £'000	1997 £'000 (restated)	1996 £'000 (restated)	1998 £'000	1997 £'000	1996 £'000
Accelerated capital allowances	402	463	232	730	709	870
Short term and other timing differences	133	127	13	-	-	-
	535	590	245	730	709	870
Advance corporation tax recoverable	(129)	(129)	(129)	-	-	-
	406	461	116	730	709	870

Group provisions	
At 30 September 1995 (restated)	279
Credited to the profit and loss account	(163)
At 28 September 1996 (restated)	116
Charged to the profit and loss account	345
At 27 September 1997 (restated)	461
Credited to the profit and loss account	(55)
At 3 October 1998	406

19. Obligations under operating leases

Operating leases which expire:

	Land and buildings 1998 £'000	Other 1998 £'000	Land and buildings 1997 £'000	Other 1997 £'000	Land and buildings 1996 £'000	Other 1996 £'000
Within one year	7	27	8	11	30	11
In second to fifth year inclusive	–	189	8	166	8	122
Over five years	40	–	52	–	87	–
	47	216	68	177	125	133

20. Called up share capital

	£	Number
Authorised ordinary shares of 25p each: 1998, 1997 and 1996	2,000,000	8,000,000
Allotted, called up and fully paid ordinary shares of 25p each:		
At 3 October 1998 and 27 September 1997	1,618,510	6,474,040
At 28 September 1996	1,615,608	6,462,430

During 1997 10,000 executive share options were exercised for a consideration of £17,000 and 1,610 savings related share options were exercised for a consideration of £2,603.

Under the Employees Savings Related Share Option Scheme 1993 there were, at 3 October 1998, options outstanding in respect of 240,308 ordinary shares of 25p each. Options may be exercised as follows:

	No of shares	Option price p/share
1999	5,730	212.0
2000	1,035	246.4
2000	93,128	165.6
2001	108,149	153.6
2002	21,148	165.6
2003	11,118	153.6
	240,308	

Under the Executive Share Option Scheme 1985, there were, at 3 October 1998, options outstanding in respect of 54,300 ordinary shares of 25p each. Options may be exercised as follows:

	No of shares	Option price p/share
Between the years 1993 and 2000	10,950	180.0
	43,350	188.0
	54,300	

Under the Executive Share Option Scheme 1995 there were, at 3 October 1998, options outstanding in respect of 127,000 ordinary shares of 25p each. Options may be exercised as follows:

	No of shares	Option price p/share
Between the years:		
1998 and 2005	108,000	170.0
2000 and 2007	19,000	152.0
	127,000	

21 Reserves

Share premium account	£'000
At 30 September 1995	201
Premium on shares issued	13
At 28 September 1996	214
Premium on shares issued	17
At 3 October 1998 and 27 September 1997	231

Profit and loss account	1998 £'000	1997 £'000	1996 £'000
Brought forward			
As previously reported	12,271	11,821	11,629
Prior year adjustment	(461)	(421)	(467)
As restated	11,810	11,400	11,162
Retained profit for the financial year	644	410	238
Carried forward	12,454	11,810	11,400

The cumulative amount of goodwill resulting from acquisitions of subsidiary undertakings since 1985 which has been written off against reserves is £1,400,000 (1997: £1,400,000; 1996: £1,400,000).

22. Reconciliation of movement in group shareholders' funds

	1998 £'000	1997 (restated) £'000	1996 (restated) £'000
Profit for the financial year	1,389	1,155	981
Dividends	(745)	(745)	(743)
Retained profit for the financial year	644	410	238
Shares issued	–	20	63
Goodwill arising on acquisition net of merger relief	–	–	(1,147)
Net increase/(decrease) in shareholders' funds for the year	644	430	(846)
Shareholders' funds at beginning of year			
As previously reported	15,969	15,960	16,852
Prior year adjustment	–	(421)	(467)
As restated	15,969	15,539	16,385
Shareholders' funds at end of year	16,613	15,969	15,539

23. **Contingent liabilities**

Tomkinsons has given guarantees in respect of any amounts which may be due to its bankers by its subsidiaries. At 3 October 1998 this amounted to £3,923,000 (1997: £1,268,000; 1996: £2,776,000).

24. **Pension commitments**

The Tomkinsons Group operates three defined benefit pension schemes. The three schemes are the Tomkinsons Staff, Works and Executive Pension Plans. The assets of these Plans are held in separate trustee administered funds. The Staff and Works Plans were valued by independent actuaries as at 1 January 1996, and the Executive Plan as at 1 January 1997, using the projected unit and attained age methods. The principal actuarial assumptions adopted in the valuations were that the long term annual rate of return on investments would be between 1½% and 2% more than the average annual increase in pensionable salaries, and the annual increase in pensions in payment would average 3%.

The combined market value of the assets of the Staff and Works Plan as at the date of valuation was £13,141,000. The combined actuarial surplus was £729,000 representing a funding level of 106%.

The market value of assets of the Executive Plan at the valuation date was £3,209,000. The actuarial surplus was £536,000 representing a funding level of 120%.

The Tomkinsons Group is making contributions to the Staff, Works and Executive Plans in accordance with the actuary's recommendations.

In accordance with SSAP24, the actuaries to the above pension Plans have calculated the pension cost using the methods and assumptions stated above except that for the purpose of SSAP24 the actuaries have assumed that the long term annual rate of return on investments would be between 2% and 2½% more than the average annual increase in pensionable salaries. Net pension costs, after allowing for a credit of £26,000 (1997: £50,000; 1996: £51,000) in respect of the spreading of the actuarial surpluses of the Pension Plans, were £616,000 (1997: £512,000; 1996: £537,000).

25. **Reconciliation of operating profit to net cash inflow from operating activities**

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Operating profit	2,425	1,976	1,708
Depreciation charges	1,730	1,584	1,389
(Loss)/profit on sale of fixed assets	(24)	(27)	25
Decrease/(increase) in stocks	273	(1,155)	(416)
Decrease/(increase) in debtors	(1,548)	(469)	(114)
Increase/(decrease) in creditors	759	278	(732)
Net cash inflow from operating activities	*3,615*	*2,187*	*1,860*

26. Analysis of cash flows for headings netted in the cash flow statement

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Returns on investments and servicing of finance			
Bank interest received	–	–	37
Bank interest paid	(398)	(249)	(278)
Finance lease interest paid	(2)	(3)	(5)
	(400)	(252)	(246)
Capital expenditure			
Payments to acquire tangible fixed assets	(1,386)	(1,659)	(1,311)
Receipts from sales of tangible fixed assets	71	90	325
	(1,315)	(1,569)	(986)
Financing			
New bank loan	–	–	2,000
Issue of ordinary share capital	–	20	16
Capital element of finance lease payments	(22)	(23)	(17)
	(22)	(3)	1,999

27. Acquisition of subsidiary undertaking

The acquisition of Crucial Trading Limited was approved by the shareholders on 13 October 1995 and the results were consolidated from that date. The table below sets out the assets acquired; the fair value adjustments primarily relate to accounting policy adjustments to write down stock, debtor and deferred tax balances.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Tangible fixed assets	507	–	507
Stock	1,035	(32)	1,003
Debtors	665	(54)	611
Borrowings	(617)	–	(617)
Creditors	(1,318)	(10)	(1,328)
Deferred tax asset	72	(29)	43
	344	(125)	219

	£'000
Fair value of net assets acquired	219
Goodwill	1,400
Consideration	1,619
Satisfied by:	
Cash consideration including acquisition costs	1,319
Issue of shares	300
	1,619
Net cash outflow	
Cash consideration	1,319
Overdrafts of acquired subsidiary undertaking	617
Net cash outflow	1,936

28. Reconciliation of net cash flow to movement in net debt

	53 weeks 1998 £'000	52 weeks 1997 £'000	52 weeks 1996 £'000
Increase/(decrease) in cash in the year	793	(497)	(546)
Cash used to meet finance lease commitments	22	23	17
Bank loan	–	–	(2,000)
Change in net debt	815	(474)	(2,529)
Net debt at beginning of year	(3,282)	(2,808)	(279)
Net debt at end of year	(2,467)	(3,282)	(2,808)

29. Analysis of changes in net debt

	At 30 September 1995 £'000	Cash flows £'000	At 28 September 1996 £'000	Cash flows £'000	At 27 September 1997 £'000	Cash flows £'000	At 3 October 1998 £'000
Cash in hand, at bank	–	20	20	(5)	15	24	39
Overdrafts	(210)	(566)	(776)	(492)	(1,268)	769	(499)
		(546)		(497)		793	
Finance leases	(69)	17	(52)	23	(29)	22	(7)
Bank loan	–	(2,000)	(2,000)	–	(2,000)	–	(2,000)
		(1,983)		23		22	
	(279)	(2,529)	(2,808)	(474)	(3,282)	815	(2,467)

PART VI

Pro forma statement of combined net assets, working capital and indebtedness of the Enlarged Group

1. **Pro forma statement of combined net assets**

The following unaudited pro forma statement of combined net assets has been prepared to provide an indication of the combined net assets of the Enlarged Group following the Acquisition as if it had taken place on 2 July 1999. It has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the Enlarged Group's financial position. PricewaterhouseCoopers have reported on this statement in their letter contained below.

		Adjustments		
	Gaskell as at 2 July 1999 (Note 1) £'000	*Tomkinsons as at 3 April 1999 (Note 2) £'000*	*Other adjustments (Note 3) £'000*	*Proforma Enlarged Group £'000*
Fixed assets				
Intangible assets				
Goodwill	224	–	–	224
Negative goodwill	–	–	(3,470)	(3,470)
Net goodwill	224	–	(3,470)	(3,246)
Tangible assets	14,878	10,753	(472)	25,159
	15,102	10,753	(3,942)	21,913
Current assets				
Stocks	12,432	9,532	(351)	21,613
Debtors	9,422	6,946	–	16,368
Cash at bank and in hand	34	–	–	34
	21,888	16,478	(351)	38,015
Creditors: (amounts falling due within one year)				
Bank loans and overdrafts	(1,094)	(2,071)	(7,774)	(10,939)
Other	(14,246)	(5,689)	266	(19,669)
Net current assets	6,548	8,718	(7,859)	7,407
Total assets less current liabilities	21,650	19,471	(11,801)	29,320
Creditors: (amounts falling due after one year)				
Bank loans	(750)	(2,000)	–	(2,750)
Other	(1,493)	(85)	–	(1,578)
Provision for liabilities and charges	(708)	(406)	–	(1,114)
Net assets	18,699	16,980	(11,801)	23,878

Basis of preparation:

1 The unaudited interim balance sheet of Gaskell as at 2 July 1999 has been extracted from the unaudited interim results of Gaskell for the half year ended 2 July 1999 set out in Part II of this document.

2 The balance sheet of Tomkinsons has been extracted from the financial information set out in Part III of this document, save that the balance sheet format has been amended (to reflect the periods under which creditors fall due such that the format is consistent with Tomkinsons' balance sheets as set out in Part VII of this document) as follows:

	Creditors: Due within one year £'000	*Creditors: Due after one year £'000*	*Total as set out in Part III of this document £'000*
Borrowings			
Bank overdrafts less cash	(2,071)	–	(2,071)
Bank loans	–	(2,000)	(2,000)
	(2,071)	(2,000)	(4,071)
Creditors	(5,689)	(85)	(5,774)
	(7,760)	(2,085)	(9,845)

3 The other adjustments reflect:

(a) the total estimated cash consideration of £6,474,000 plus estimated expenses for the Acquisition amounting to £1,300,000;

(b) amendments to the balance sheet of Tomkinsons to bring it in line with Gaskell's accounting policies. Further details of the differences in accounting policies are given in Part VII of this document. The accounting policy adjustments as at 3 April 1999 comprise:

	£'000
Write-off of net cost of display stands included in fixed assets	(472)
Write-off of costs carried forward in stocks relating to product support material and product launch costs	(351)
Adjustment to tax liabilities to reflect the above adjustment	266
	(557)

(c) calculated negative goodwill arising on the Acquisition of £3,470,000. The calculated negative goodwill is the difference between the net assets of Tomkinsons, determined using the accounting policies of Gaskell, of £16,423,000 and the consideration payable of £12,953,000. The net assets of Tomkinsons have been calculated as the net assets of Tomkinsons extracted from the financial information set out in Part III of this document of £16,980,000, less the total adjustments of £557,000 shown above to bring the accounting policies of Tomkinsons in line with those of Gaskell. The consideration has been calculated based on the offer price of 180p per Tomkinsons Share plus the estimated expenses of the Acquisition amounting to £1,300,000.

4 No adjustments have been made:

(i) to reflect the trading of Gaskell or Tomkinsons since 2 July 1999 and 3 April 1999 respectively;

(ii) to incorporate any adjustments which may be needed to reflect the fair values to Gaskell of the assets and liabilities of Tomkinsons;

(iii) in respect of elections under the Mix and Match Election or the Loan Note Alternative.

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The Directors
N M Rothschild & Sons Limited
82 King Street
Manchester
M2 4WQ

3 September 1999

Dear Sirs

Gaskell PLC ("the Company")

We report on the unaudited pro forma statement of combined net assets set out in Part VI of the Company's listing particulars dated 3 September 1999. The pro forma statement of combined net assets has been prepared, for illustrative purposes only, to provide information about how the proposed acquisition of Tomkinsons plc might have affected the unaudited consolidated balance sheet of the Company as at 2 July 1999.

Responsibilities

It is the responsibility solely of the Directors and the Proposed Directors of the Company to prepare the unaudited pro forma statement of combined net assets in accordance with paragraph 12.29 of the Listing Rules of the London Stock Exchange.

It is our responsibility to form an opinion, as required by the Listing Rules of the London Stock Exchange, on the pro forma statement of combined net assets and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma statement of combined net assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

The unaudited pro forma statement of combined net assets is based on the unaudited financial statements of Gaskell PLC and Tomkinsons plc as set out in Parts II and III of the Listing Particulars respectively.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 'Reporting on pro forma financial information pursuant to the Listing Rules' issued by the Auditing Practices Board. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma statement of combined net assets with the Directors and the Proposed Directors of the Company.

Opinion

In our opinion:

(a) the unaudited pro forma statement of combined net assets has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma statement of combined net assets as disclosed pursuant to paragraph 12.29 of the Listing Rules of the London Stock Exchange.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

2. **Working capital statement**

The Company is of the opinion that, having regard to the existing bank and other facilities available, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this document.

3. **Indebtedness statement**

At the close of business on 23 July 1999, the Enlarged Group had outstanding the following indebtedness:

	Gaskell Group £'000	Tomkinsons Group £'000	Enlarged Group £'000
Secured bank overdrafts	1,215	-	1,215
Secured term loans	1,009	-	1,009
Unsecured bank overdrafts	-	2,274	2,274
Unsecured term loans	-	2,000	2,000
Secured hire purchase commitments and finance lease obligations	1,703	-	1,703
	3,927	4,274	8,201

The Enlarged Group had outstanding letters of credit and indemnities amounting to £84,000 and forward contracts for the purchase of foreign currencies amounting to £66,000 at the close of business on 23 July 1999.

Save as aforesaid, and apart from intra-group liabilities and guarantees, at the close of business on 23 July 1999, no member of the Gaskell Group or the Tomkinsons Group (together "the Enlarged Group") had any loan capital outstanding or created but unissued, or term loans, any other borrowing or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or any acceptance credits, hire purchase commitments or obligations under finance leases or material contingent liabilities.

At the close of business on 23 July 1999, the Gaskell Group had cash balances of £268,000 and the Tomkinsons Group had cash balances of £20,000, making cash balances of £288,000 for the Enlarged Group.

PART VII

Reconciliation of differences in accounting policies

The principal accounting policies of Tomkinsons are set out in Part V of this document. The table below is a reconciliation between the consolidated profit and loss accounts for the three years ended 28 September 1996, 27 September 1997 and 3 October 1998 and the consolidated balance sheets at the end of each of those periods (as set out in the comparative table on Tomkinsons in Part V) and the same consolidated profit and loss accounts and balance sheets according to Gaskell's accounting policies. The purpose of this reconciliation is to present these consolidated profit and loss accounts and balance sheets on a basis consistent in all material respects with the accounting policies adopted by Gaskell. There would be no material change to the cash flow statements of Tomkinsons for the three years ended 3 October 1998 arising from differences in accounting policies.

	52 weeks ended 28 September 1996		
	Tomkinsons (Note 1) £'000	*Adjustments (Notes 2, 3 and 4) £'000*	*Tomkinsons restated (Note 5) £'000*
Turnover	26,261	–	26,261
Cost of sales	(15,394)	–	(15,394)
Gross profit	10,867	–	10,867
Distribution costs	(6,695)	(125)	(6,820)
Administrative expenses	(2,464)	–	(2,464)
Operating profit	1,708	(125)	1,583
Net interest payable and similar charges	(251)	–	(251)
Profit on ordinary activities before taxation	1,457	(125)	1,332
Tax on profit on ordinary activities	(476)	41	(435)
Profit for the financial year	981	(84)	897
Dividends	(743)	–	(743)
Retained profit for the financial year	238	(84)	154

	52 weeks ended 27 September 1997		
	Tomkinsons (Note 1) £'000	*Adjustments (Notes 2, 3 and 4) £'000*	*Tomkinsons restated (Note 5) £'000*
Turnover	27,528	–	27,528
Cost of sales	(15,914)	–	(15,914)
Gross profit	11,614	–	11,614
Distribution costs	(6,831)	58	(6,773)
Administrative expenses	(2,807)	–	(2,807)
Operating profit	1,976	58	2,034
Net interest payable and similar charges	(254)	–	(254)
Profit on ordinary activities before taxation	1,722	58	1,780
Tax on profit on ordinary activities	(567)	(19)	(586)
Profit for the financial year	1,155	39	1,194
Dividends	(745)	–	(745)
Retained profit for the financial year	410	39	449

	53 weeks ended 3 October 1998		
	Tomkinsons (Note 1) £'000	*Adjustments (Notes 2, 3 and 4) £'000*	*Tomkinsons restated (Note 5) £'000*
Turnover	30,456	–	30,456
Cost of sales	(18,185)	–	(18,185)
Gross profit	12,271	–	12,271
Distribution costs	(7,358)	(96)	(7,454)
Administrative expenses	(2,488)	–	(2,488)
Operating profit	2,425	(96)	2,329
Net interest payable and similar charges	(412)	–	(412)
Profit on ordinary activities before taxation	2,013	(96)	1,917
Tax on profit on ordinary activities	(624)	29	(595)
Profit for the financial year	1,389	(67)	1,322
Dividends	(745)	–	(745)
Retained profit for the financial year	644	(67)	577

	At 28 September 1996		
	Tomkinsons (Note 1) £'000	*Adjustments (Notes 2, 3 and 4) £'000*	*Tomkinsons restated (Note 5) £'000*
Fixed assets			
Tangible assets	11,290	(638)	10,652
Current assets			
Stocks	7,213	(122)	7,091
Debtors	4,863	–	4,863
Cash at bank and in hand	20	–	20
	12,096	(122)	11,974
Creditors: amounts falling due within one year			
Bank overdrafts	(776)	–	(776)
Other	(4,800)	248	(4,552)
	(5,576)	248	(5,328)
Net current assets	6,520	126	6,646
Total assets less current liabilities	17,810	(512)	17,298
Creditors: amounts falling due after one year			
Bank loans	(2,000)	–	(2,000)
Others	(155)	–	(155)
Provision for liabilities and charges	(116)	–	(116)
Net assets	15,539	(512)	15,027
Capital and reserves			
Called up share capital	1,616	–	1,616
Share premium account	214	–	214
Revaluation reserve	2,309	–	2,309
Profit and loss account	11,400	(512)	10,888
Equity shareholders' funds	15,539	(512)	15,027

	Tomkinsons (Note 1) £'000	At 27 September 1997 Adjustments (Notes 2, 3 and 4) £'000	Tomkinsons restated (Note 5) £'000
Fixed assets			
Tangible assets	11,485	(422)	11,063
Current assets			
Stocks	8,368	(280)	8,088
Debtors	5,438	–	5,438
Cash at bank and in hand	15	–	15
	13,821	(280)	13,541
Creditors: amounts falling due within one year			
Bank overdrafts	(1,268)	–	(1,268)
Other	(5,480)	229	(5,251)
	(6,748)	229	(6,519)
Net current assets	7,073	(51)	7,022
Total assets less current liabilities	18,558	(473)	18,085
Creditors: amounts falling due after one year			
Bank loans	(2,000)	–	(2,000)
Others	(128)	–	(128)
Provision for liabilities and charges	(461)	–	(461)
Net assets	15,969	(473)	15,496
Capital and reserves			
Called up share capital	1,619	–	1,619
Share premium account	231	–	231
Revaluation reserve	2,309	–	2,309
Profit and loss account	11,810	(473)	11,337
Equity shareholders' funds	15,969	(473)	15,496

	Tomkinsons (Note 1) £'000	At 3 October 1998 Adjustments (Notes 2, 3 and 4) £'000	Tomkinsons restated (Note 5) £'000
Fixed assets			
Tangible assets	10,912	(552)	10,360
Current assets			
Stocks	8,095	(246)	7,849
Debtors	6,818	–	6,818
Cash at bank and in hand	39	–	39
	14,952	(246)	14,706
Creditors: amounts falling due within one year			
Bank loans	(499)	–	(499)
Other	(6,252)	258	(5,994)
	(6,751)	258	(6,473)
Net current assets	8,201	12	8,213
Total assets less current liabilities	19,113	(540)	18,573
Creditors: amounts falling due after one year			
Bank loans	(2,000)	–	(2,000)
Others	(94)	–	(94)
Provision for liabilities and charges	(406)	–	(406)
Net assets	16,613	(540)	16,073
Capital and reserves			
Called up share capital	1,619	–	1,619
Share premium account	231	–	231
Revaluation reserve	2,309	–	2,309
Profit and loss account	12,454	(540)	11,914
Equity shareholders' funds	16,613	(540)	16,073

Notes

1 Based on Tomkinsons' audited consolidated profit and loss accounts and balance sheets under Tomkinsons' accounting policies as set out in Part V of this document.

2 It is Tomkinsons' current accounting policy to hold costs incurred in respect of product support material and products not yet launched within work in progress in stock and they are written-off in full in the period of issue or product launch. The adjustment restates Tomkinsons' balance sheet to reflect the write-off of such costs to the profit and loss account as they are incurred in accordance with Gaskell's accounting policy. The adjustments are:

	(Charge)/credit to profit and loss account	*Stocks*
	£'000	*£'000*
1996	102	(122)
1997	(158)	(280)
1998	34	(246)

3 It is Tomkinsons' current accounting policy to capitalise the cost of display stands provided to retail customers (net of contributions received from customers). Depreciation is provided to write-off the net cost of display stands over a period of five years. The adjustment re-states Tomkinsons' balance sheet to reflect the write-off of the net cost of display stands as incurred in accordance with Gaskell's accounting policy. The adjustments are:

	(Charge)/credit to profit and loss account	*Tangible fixed assets*
	£'000	*£'000*
1996	(227)	(638)
1997	216	(422)
1998	(130)	(552)

4 Tax has been adjusted at the effective rate of tax for each period to reflect the adjustments set out in note 2 and note 3. The adjustments are:

	(Charge)/credit to profit and loss account	*Other creditors*
	£'000	*£'000*
1996	41	248
1997	(19)	229
1998	29	258

5 As restated to comply with Gaskell's accounting policies.

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3 September 1999

Gaskell PLC ("the Company")

We report on unaudited restatements, under the accounting policies as applied in the financial statements of the Company ("the Restatements"), of the consolidated profit and loss accounts of Tomkinsons plc ("Tomkinsons") for each of the three years ended 28 September 1996, 27 September 1997 and 3 October 1998 and of its consolidated balance sheets at 28 September 1996, 27 September 1997 and 3 October 1998 prepared under the accounting policies as applied in the financial statements of Tomkinsons. The Restatements are set out in Part VII of the listing particulars dated 3 September 1999 issued by the Company. There would be no material change to the cash flow statements of Tomkinsons for each of the three years ended 28 September 1996, 27 September 1997 and 3 October 1998.

Responsibility

It is the responsibility solely of the Directors and the Proposed Directors of the Company to prepare the Restatements in accordance with paragraph 12.11 of the Listing Rules of the London Stock Exchange ("the Listing Rules"). It is our responsibility to form an opinion, as required by the Listing Rules, on the Restatements and to report our opinion to you.

The Restatements incorporate significant adjustments to the historical consolidated financial statements of Tomkinsons. The historical consolidated financial statements of Tomkinsons for each of the three years ended 28 September 1996, 27 September 1997 and 3 October 1998 were the responsibility of the directors of Tomkinsons and were audited by KPMG Audit Plc who gave unqualified reports thereon. We do not accept any responsibility for any of the historical consolidated financial statements of Tomkinsons.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work, which involved no independent examination of any historical underlying financial information, consisted primarily of making enquiries of management of Tomkinsons and its auditors to establish the accounting policies which were applied in the preparation of the historical underlying financial information.

We have considered the evidence supporting the Restatements and discussed the Restatements with the Directors and the Proposed Directors of the Company.

Opinion

In our opinion the adjustments made are those appropriate for the purpose of presenting the consolidated profit and loss accounts of Tomkinsons for each of the three years ended 28 September 1996, 27 September 1997 and 3 October 1998 and of its consolidated balance sheets at 28 September 1996, 27 September 1997 and 3 October 1998 on the basis consistent in all material respects with the accounting policies of the Company, and the Restatements have been properly compiled on the basis stated.

Yours faithfully

PricewaterhouseCoopers
Chartered Accountants

PART VIII

Year 2000 compliance

Gaskell

The Board has considered the risks associated with the Year 2000 issue. The Group has agreed contracts for the supply of new computer hardware and software to cover all of its key business systems at a capital cost of approximately £800,000. The new systems are expected to bring substantial benefits to the business by providing increased functionality and a fully integrated solution not currently available to the Group. The implementation project is now well underway and is expected to be substantially completed during the third quarter of 1999. The suppliers of this computer equipment have informed the Group that such equipment is Year 2000 compliant, however, the new systems have not been fully tested as they are still being installed. Tests carried out to date have not revealed any material Year 2000 problems though further tests will be carried out when the systems have been fully installed.

A review of the remaining hardware and software, including that related to design and manufacturing equipment, and of the major customers and suppliers has been undertaken by project teams in each Group company and is close to completion. The costs arising from this review are not expected to be material in relation to the Group's overall results and are being expensed as incurred.

No external review of Gaskell's Year 2000 compliance has been undertaken for the purpose of this document but the Directors of Gaskell believe that they are taking all reasonable steps to minimise the risk of Year 2000 related failures disrupting Gaskell's business. However, there can be no certainty that Gaskell has taken or will be able to take all necessary steps to ensure Year 2000 compliance or that, if problems occur, they will not have a material adverse effect on Gaskell's operations and financial position.

Tomkinsons

Tomkinsons continues to implement the changes to business critical systems required to ensure that they will all be Year 2000 compliant by 31 December 1999. No significant problems have arisen to date and the work is now substantially complete. On the outstanding projects, appropriate resources have been allocated and regular reports on progress are made to the Audit Committee of Tomkinsons. The costs associated with adopting corrective measures which are believed to be necessary are estimated to be not material and are/will be absorbed within normal operations.

Given the complexity of the problem, it is not possible for any organisation to be absolutely confident of full Year 2000 compliance. However, Tomkinsons has taken all reasonable steps to ensure that the necessary work is completed on time and has obtained assurances from its principal suppliers where relevant.

No external review of Tomkinsons' Year 2000 compliance has been carried out for the purpose of this document, but the board of Tomkinsons believes an acceptable state of readiness will be achieved.

The Enlarged Group

The Directors and Proposed Directors have considered the potential issues that Year 2000 may have on the information technology systems operating within the Enlarged Group going forward. The systems at both Gaskell and Tomkinsons are currently being reviewed in the light of Year 2000 issues, and it is proposed that the Enlarged Group will utilise the existing systems of both Gaskell and Tomkinsons. On this basis the Directors and Proposed Directors are confident that such systems should not encounter any unforeseen Year 2000 problems which may adversely affect the performance of the Enlarged Group. Likewise, it is not expected that any further costs involved in ensuring that all relevant systems are Year 2000 compliant should have a material adverse effect on the Enlarged Group's operations or financial position.

PART IX

Additional information

1. Responsibility

The directors of Gaskell and the Proposed Directors, whose names are set out in paragraphs 2(a) and 2(b) below, accept responsibility for the information contained in this document other than that relating to Tomkinsons, the directors of Tomkinsons and their immediate families and persons connected with them. To the best of the knowledge and belief of the directors of Gaskell and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors of Tomkinsons, whose names are set out in paragraph 2(f) below, accept responsibility for the information contained in this document relating to Tomkinsons, the directors of Tomkinsons and their immediate families and persons connected with them. To the best of the knowledge and belief of the directors of Tomkinsons (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

(a) The Directors of Gaskell and their functions are as follows:

Edward Duxbury Andrew	*Non-executive Chairman*
Richard Hopkin	*Finance Director and Company Secretary*
Peter Livesey	*Managing Director, Gaskell Textiles*
Jeremy James Eric Daw	*Managing Director, Gaskell Carpets*
Gerald Wheeler	*Managing Director, Bamber Carpets*
Alan John Chamberlain	*Non-executive*
Geoffrey Davenport	*Non-executive*

The business address of all the Directors is Walton House, Syke Side Drive, Altham, Accrington, Lancashire BB5 5YE.

(b) Subject to the Offer being declared unconditional in all respects, the Proposed Directors will join the board of Gaskell. The Proposed Directors and their proposed functions will be:

Michael Alfred Hield	*Chief Executive*
Lowry Druce Maclean	*Non-executive*

The business address of the Proposed Directors is Duke Place, Kidderminster, Worcestershire DY10 2JR.

(c) Save for Richard Hopkin, the executive Directors are required to devote the whole of their working time to the Company. Richard Hopkin spends approximately one day per month engaged in his capacity as a director and secretary of WMH (No. 100) PLC and certain of its subsidiaries. Details of the Non-executive Directors and the principal activities performed by them outside the Group, but which are significant with respect to the Group, are as follows:

(i) Edward Andrew is chairman of, and a major shareholder in, Andrew Industries Limited;

(ii) Alan Chamberlain is a non-executive director of Chime Communications Plc; and

(iii) Geoffrey Davenport is non-executive chairman of Archer Woodnutt Limited.

(d) The Directors and the Proposed Directors are currently, or have, within the five years preceding the date of this document, been directors of the following companies other than Gaskell, Tomkinsons and their respective subsidiary undertakings:

Edward Duxbury Andrew
Current directorships: Andrew Industries Limited; Humber Fabrics Limited; Tyne Tees Filtration Limited.

Richard Hopkin
Current directorships: WMH (No. 100) PLC; SE1 Limited; Denaquay Limited.
Past directorships: Magnet Limited.

Alan John Chamberlain
Current directorships: Chime Communications plc; Choicedate Limited; Saker Management Limited.
Past directorships: SWP Group plc; Crescent of Cambridge Limited; Ellerman Investments Limited; Fullflow Systems Limited; Hawkstone Park Leisure Limited; IMP Lighting Limited; Overseas Branches Limited; Purpose Built Limited; The European Limited; Trentport (London) Limited.

Geoffrey Davenport
Current directorships: Archer Woodnutt Limited.
Past directorships: Punchcraft Limited; Lencaster Glass Fibres Limited; Boulting Group plc.

Michael Alfred Hield
Current directorships: The British Carpet Manufacturers' Association Limited; European Carpet Association.
Past directorships: Carpet Council.

Lowry Druce Maclean
Current directorships: Wesleyan Assurance Society; The Medical Sickness Annuity and Life Assurance Society Limited; Birmingham Contemporary Music Group; John Smedley Limited; Birmingham Chamber of Commerce and Industry;
Past directorships: The British Carpet Manufacturers' Association Limited.

(e) No Director or Proposed Director has any unspent convictions in relation to indictable offences; has had a bankruptcy order made against him or has entered into an individual voluntary arrangement; has been a director of a company that has been placed in receivership, compulsory liquidation, creditors' voluntary arrangement or any composition or arrangement with its creditors generally or any class thereof at a time when he was, or within twelve months of his ceasing to be, a director; has been a partner of a partnership that has been placed in compulsory liquidation or administration or has been the object of a partnership voluntary arrangement at a time when he was, or within twelve months of his ceasing to be, a partner, has had, or has been a partner in a partnership which has had, any asset which has been the subject of a receivership (in the case of such a partnership at a time when he was, or within twelve months of his ceasing to be, a partner in that partnership); or has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies). No Director or Proposed Director has ever been disqualified by a court from acting as a director of a company or from acting in the management or affairs of any company.

(f) The directors of Tomkinsons and their functions are as follows:

Lowry Druce Maclean	*Non-executive Chairman*
Michael Alfred Hield	*Chief Executive*
Gary Martin Stokes	*Finance Director*
Jeremy Lancaster	*Non-executive*

The business address of all the directors of Tomkinsons is Duke Place, Kidderminster, Worcestershire DY10 2JR which is the registered office and principal place of business of Tomkinsons.

3. Incorporation and company activities

(a) The Company was incorporated and registered in England on 26 January 1948 as Gaskell & Co. (Floorcoverings) Limited, a private company with limited liability under the Companies Acts 1929 and 1947, with registered number 448624. The Company changed its name to Gaskell & Co. (Bacup) Limited on 31 March 1952 and to Gaskell Broadloom Limited on 10 March 1980. On 10 March 1982, the Company was re-registered as a public limited company under the name of Gaskell Broadloom p.l.c. and on 1 June 1989 changed its name to Gaskell PLC. The Company currently operates under the Companies Act 1985.

(b) The registered office and principal place of business of the Company is at Walton House, Syke Side Drive, Altham, Accrington, Lancashire BB5 5YE.

(c) The Company's principal objects are set out in clause 4 of its memorandum of association and include carrying on the business of felt manufacturers and merchants and acquiring and holding shares or other securities in other companies.

4. Share capital

(a) The authorised and issued share capital of the Company as at 2 September 1999 (being the latest practicable date prior to the publication of this document) was as follows:

	Nominal amount £	*Number*
Authorised:		
Ordinary Shares	1,200,000	24,000,000
Preference Shares	250,000	250,000
Issued and fully paid:		
Ordinary Shares	997,529	19,945,572
Preference Shares	175,000	175,000

(b) The authorised and issued share capital of the Company, assuming that the Offer becomes unconditional and is accepted in full and assuming also that all options under the Tomkinsons Share Option Schemes which will thereby be exercisable are exercised in full, will be as follows:

	Nominal amount £	*Number*
Authorised:		
Ordinary Shares	1,625,000	32,500,000
Preference Shares	250,000	250,000
Issued and fully paid:		
Ordinary Shares	1,231,356	24,627,116
Preference Shares	175,000	175,000

(c) The following changes to the issued share capital of the Company or its subsidiaries have taken place during the three years preceding the date of this document:

(i) On 18 September 1996 Bamber Carpets Limited allotted and issued 2,138,015 ordinary shares of £1 each to Gaskell following the capitalisation of a loan made to it by Gaskell.

(ii) By an ordinary resolution passed on 1 October 1998, each of the 6,000,000 ordinary shares of 20p each then comprised in the authorised share capital of the Company, both issued and unissued, was sub-divided into four Ordinary Shares;

(iii) Between 1 May and 31 December 1998 a total of 506,000 Ordinary Shares were allotted on the exercise of options granted under the Gaskell Share Option Scheme; and

(iv) On 29 March 1999 5,000 Ordinary Shares were allotted on the exercise of options granted under the Gaskell Share Option Scheme.

(d) At the Extraordinary General Meeting of the Company convened for 20 September 1999, a resolution will be proposed, conditional upon the Offer becoming unconditional in all respects, to increase the authorised share capital of the Company from £1,450,000 to £1,875,000 by the creation of 8,500,000 Ordinary Shares and to authorise the Directors to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £627,721.40. Such authority would expire at the end of the next annual general meeting of the Company or on 19 September 2000, whichever is the earlier. Unless approval of Shareholders at a general meeting is obtained, shares to be alloted for cash must first be offered to existing Ordinary Shareholders on a pro rata basis.

(e) As at 2 September 1999 (being the latest practicable date prior to the publication of this document) there were outstanding options under the Gaskell Share Option Scheme over a total of 268,000 Ordinary Shares representing approximately 1.34 per cent. of the existing issued Ordinary Share capital of the Company. Details of the options outstanding under the Gaskell Share Option Scheme, all of which were granted for no consideration, are as follows:

Date of grant	*Exercise price per Ordinary Share*	*Number of Ordinary Shares under option*
1 May 1995	33p	22,000
7 April 1997	42p	246,000

Options are normally exercisable between the third and tenth anniversaries of their date of grant.

(f) Save as disclosed in this paragraph 4:

(i) there has been no alteration of the authorised or issued share capital of Gaskell;

(ii) there has been no material alteration of the authorised or issued share capital of any of the subsidiaries of Gaskell;

(iii) no discounts or other special terms have been granted by Gaskell or any of its subsidiaries in connection with the issue or sale of any share or loan capital; and

(iv) no share capital of any member of the Group is under option or is agreed conditionally or unconditionally to be put under option.

5. Summary of the provisions of the Articles of Association as to rights attaching to shares

The Articles of Association of the Company ("the Articles") contain, inter alia, provisions to the following effect:

(a) Voting

Subject to any terms as to voting upon which any shares may be issued, or may for the time being be held, on a show of hands every member who is present in person has one vote. On a poll every member present in person or by proxy has twenty votes for each Preference Share of which he is the holder and one vote for every Ordinary Share of which he is the holder.

The holders of the Preference Shares shall not be entitled to receive notice of, or attend or vote in person or by proxy at any general meeting of the Company in respect of their holdings of Preference Shares, unless the fixed cumulative preferential dividend thereon is more than six months in arrears as at the date of the notice convening the meeting and remains unpaid, or a resolution is to be proposed at the meeting modifying, varying or abrogating any of the special rights or privileges attached to such shares or for the winding-up of the Company.

(b) Variation of Rights

All or any of the rights, privileges or conditions for the time being attached or belonging to any class of shares forming part of the capital for the time being of the Company may be modified, varied or abrogated in any manner with the sanction of an extraordinary resolution passed at a separate meeting of the members of the class. To any such separate meeting all the provisions of the Articles as to general meetings shall mutatis mutandis apply, except that the necessary quorum shall be members of the class holding or representing by proxy one-third of the capital paid up on the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those members of the class who are present shall be a quorum), and that every holder of shares of the class in question shall be entitled on a poll to one vote for every such share held by him. The rights, privileges or conditions for the time being attached or belonging to any class of shares shall not, unless otherwise expressly provided by the terms of issue of such shares, be deemed to be modified, varied or abrogated by the creation or issue of further shares ranking pari passu therewith.

(c) Changes to capital

The Company may from time to time in general meeting:

(i) consolidate and divide its share capital into shares of larger amount than its existing shares; or

(ii) cancel any shares not taken or agreed to be taken by any person; or

(iii) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights, or be subject to any such restrictions, as compared with the others, as the Company has power to attach to unissued or new shares.

The Company may from time to time by special resolution reduce its share capital and any capital redemption reserve fund in any manner authorised and with and subject to any incident prescribed or allowed by applicable legislation.

(d) Dividends

The profits of the Company which it shall be determined to distribute by way of dividend in respect of any financial year or other financial period of the Company shall be applied first in payment of a fixed cumulative preferential dividend at the rate of five per cent. per annum on the amounts paid up on the Preference Shares, payable half-yearly on 30th June and 31 December in each year. Subject thereto the balance of the said profits shall be distributed among the holders of the Ordinary Shares according to the amounts paid up on the Ordinary Shares held by them respectively.

Subject to any preferential or other special rights for the time being attached to any special class of shares, the profits of the Company which it shall from time to time be determined to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company in proportion to the amounts paid up thereon respectively otherwise than in advance of calls. All dividends shall be apportioned and paid pro rata according to the amounts for the time being paid upon the shares during the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such shares shall rank for dividend accordingly.

The Company in general meeting may from time to time declare dividends, but no such dividend shall (except as expressly authorised by the Act) be payable otherwise than out of the profits of the Company. No higher dividend shall be paid than is recommended by the directors.

The Articles do not specify any period after which entitlement to claim dividends will lapse.

(e) Return of Capital

In the event of the winding up of the Company, the surplus assets distributable among the members shall be applied first in repayment of the capital paid up on the Preference Shares, together with a sum equivalent to any arrears of the fixed cumulative preferential dividend thereon calculated down to the date of repayment of capital and to be payable irrespective of whether the same has been earned or declared or not, and any balance of such surplus assets shall be distributed among the holders of the Ordinary Shares according to the amounts paid up on the Ordinary Shares held by them respectively.

(f) Transfer of Shares

Subject to the restrictions of the Articles, any member may transfer all or any of his shares, but every transfer must be in writing and in the usual common form or in such other form as the directors may approve.

The instrument of transfer of a share shall be executed by or on behalf of the transferor and the transferee, provided that the directors may dispense with the execution of the instrument of transfer by or on behalf of the transferee in any case or cases in which they think fit in their discretion to do so. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The directors may, in their discretion and without assigning any reason therefor, refuse to register the transfer of any share (not being a fully paid share) to any person whom they shall not approve as transferee. The directors may also refuse to register any transfer of a share on which the Company has a lien.

(g) Directors

A director shall not vote in respect of any contract or arrangement in which he is interested otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company and if he shall do so his vote shall not be counted nor shall he be counted in the quorum present at the meeting but (in the absence of some other material interest than is indicated below) neither of these prohibitions shall apply to:

(i) any arrangement for giving any director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or

(ii) to any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security; or

(iii) any contract by a director to underwrite shares or debentures of the Company; or

(iv) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this article to be a material interest in all circumstances); or

(v) any proposal concerning the adoption modification or operation of any scheme for enabling employees including full time executive directors of the Company and/or any subsidiary to acquire shares of the Company or any arrangement for the benefit of employees of the Company or any of its subsidiaries under which the director benefits in a similar manner to employees and which does not accord to any director as such any privilege or advantage not generally accorded to the employees to whom such scheme relates (including without prejudice to the generality of the foregoing the Gaskell Share Incentive Scheme);

and these prohibitions may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract arrangement or transaction, by the Company in general meeting.

A Director shall not vote or be counted in the quorum on any resolution concerning his own appointment.

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary companies (if any) with a view to securing (so far as regards any subsidiaries as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all monies borrowed by the Group and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an ordinary resolution of the Company and also such consent or sanction on the part of the holders of the existing Preference Shares as is required for a variation of the special rights attached to such shares, exceed an amount equal to the adjusted share capital and consolidated reserves, as defined in the Articles.

6. Directors', Proposed Directors' and other interests

(a) As at 2 September 1999 (being the latest practicable date prior to the publication of this document), the interests of each of the Directors and the Proposed Directors and those of their immediate families in the share capital of the Company which (a) have been notified to the Company pursuant to section 324 or section 328 of the Act or (b) are or would be required to be entered in the register maintained under the provisions of section 325 of the Act or (c) are the interests of a person connected with a Director or a Proposed Director (within the meaning of section 346 of the Act), in so far as the latter are known to, or could with reasonable diligence be ascertained by that Director or Proposed Director, which would be required to be disclosed under (a) or (b) if the connected person were a Director, are set out below:

Director	*Number of Ordinary Shares*	*Percentage of existing Gaskell Ordinary Share Capital*	*Percentage of Gaskell Ordinary Share Capital following implementation of the Offer*
E D Andrew	4,491,200	22.52%	18.40%
R Hopkin	49,200	0.25%	0.20%
P Livesey	14,490	0.07%	0.06%
J J E Daw	32,800	0.16%	0.13%
G Wheeler	18,000	0.09%	0.07%
A J Chamberlain	–	–	–
G Davenport	20,000	0.10%	0.08%
M A Hield	–	–	–
L D Maclean	–	–	–

Notes:

(i) It has been assumed that the Offer is accepted in full and that none of the outstanding options exercisable under either the Gaskell Share Option Scheme or the Tomkinsons Share Option Schemes are exercised.

(ii) Of the total interest of E D Andrew in 4,491,200 Ordinary Shares, 1,188,600 (representing 5.96 per cent. of Gaskell's issued ordinary share capital) were beneficial interests in Ordinary Shares and 3,302,600 (representing 16.56 per cent. of Gaskell's issued ordinary share capital) were non-beneficial interests in Ordinary Shares.

(iii) In addition, E D Andrew holds 31,081 Preference Shares representing 17.76 per cent. of the issued Preference Share capital of Gaskell.

(iv) The above figures do not take into account any Ordinary Shares that may be issued to Proposed Directors pursuant to the Offer.

(b) Under the Gaskell Share Option Scheme, options over Ordinary Shares have been granted to the executive Directors as set out below:

Director	*Exercise period*	*Number of Ordinary Shares*	*Option Price per Ordinary Share (p)*
R Hopkin	8.4.2000 to 7.4.2007	20,000	42
J J E Daw	8.4.2000 to 7.4.2007	20,000	42
P Livesey	8.4.2000 to 7.4.2007	61,000	42
G Wheeler	8.4.2000 to 7.4.2007	29,000	42

(c) The aggregate remuneration of the Directors (inclusive of pension contributions and benefits in kind) in respect of the financial year ended 31 December 1998 was approximately £462,000. Save for the effect of the appointment of the Proposed Directors, (further details of which are given in paragraph 8(c) on page 85), the total emoluments receivable by the Directors will not be varied as a result of the Offer.

(d) The Company is aware that, excluding directors, the following persons are interested in three per cent. or more of the issued share capital of the Company as at 2 September 1999 (being the latest practicable date prior to the publication of this document):

Name	*Number of Ordinary Shares*	*Percentage of existing Gaskell Ordinary Share capital*	*Percentage of Gaskell Ordinary Share capital following implementation of the Offer*
Eaglet Investment Trust plc	3,799,448	19.05%	15.56%
Edinburgh Fund Managers Group plc	2,120,000	10.63%	8.68%
Scottish Widows	675,000	3.38%	2.77%
N R Puri and associates	644,000	3.23%	2.64%

Note:
It has been assumed that the Offer is accepted in full and that none of the outstanding options exercisable under either the Gaskell Share Option Scheme or the Tomkinsons Share Option Schemes are exercised.

In addition to its discretionary holding of 3,799,448 Gaskell Shares (representing 19.05 per cent. of Gaskell's issued ordinary share capital) Eaglet Investment Trust plc is also a substantial shareholder of Tomkinsons as a result of its discretionary holding of 1,355,576 Tomkinsons Shares (representing 20.94 per cent. of Tomkinsons' issued share capital). For the purposes of the Listing Rules, Eaglet Investment Trust plc is considered to be a related party of Gaskell. As such, it will abstain, and has undertaken to take all reasonable steps to ensure that its associates will abstain, from voting on the resolution set out in the Notice of Extraordinary General Meeting.

The above figures do not take into account any Ordinary Shares that may be issued pursuant to the Offer (where such shareholders are also shareholders in Tomkinsons) because the level of take up is not yet known. Save as disclosed above, the Directors are not aware of any person who, directly or indirectly, is interested in three per cent. or more of the Company's issued Ordinary Share capital in circumstances where such interest is disclosable under the Act or of any person who, directly or indirectly, jointly or severally, exercises, or could exercise, control over the Company.

(e) No loans are outstanding by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for the benefit of any of the Directors.

(f) None of the Directors or Proposed Directors has or has had any interests, direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the financial year ended 31 December 1998 or the current financial period or which was effected by the Company or any of its subsidiaries during any financial period and remains in any respect outstanding or unperformed.

7. The Gaskell Executive Share Option Scheme

The Gaskell Share Option Scheme (**"the Scheme"**) was adopted at the annual general meeting of the Company on 11 May 1989 and is approved by the Inland Revenue under the Income and Corporation Taxes Act 1988. The Scheme expired on 10 May 1999 and no further options may be granted thereunder. The principal features of the Scheme insofar as they are applicable to unexercised options are outlined below:

(a) Eligibility

The Scheme is confined to full time employees (including directors) of any company within the Group to which the Board has determined that the Scheme should be extended. For this purpose, a full time employee is one who works for 20 hours or more per week and a full time director is one who works for 25 hours or more per week in respect of his employment by the Company and/or any company under the control of the Company or any associated company.

(b) *Subscription Price*

Options may only be granted at a subscription price determined by the Board, being not less than the higher of:

(i) the nominal value of a share; and

(ii) an amount equal to the middle market quotation of a share on the dealing day last preceding the relevant date of grant as derived from the Stock Exchange Daily Official List.

(c) *Adjustments*

The number and/or nominal value and/or class of shares subject to an option and/or the relevant subscription price may be adjusted by the Board in the event of any capitalisation or rights issue or any consolidation, sub-division or reduction of the Company's capital, except that, in the case of a capitalisation, the Company's auditors must confirm in writing that such adjustment is fair and reasonable in their opinion.

(d) *Exercise of Option*

Subject to paragraph (f) below an option may be exercised following the expiry of three years from the date on which it was granted. The Board may impose conditions on the right to exercise an option at the time when the option is granted.

(e) *Period of Exercise of Option*

An option may not be exercised after ten years from its date of grant.

(f) *Exercise of Options in Particular Circumstances*

Options may be exercised within one year after the death of an optionholder. When an optionholder ceases to be employed within the Group, then if the cessation is as a result of injury, disability, redundancy or retirement, options may be exercised within 12 months of the cessation of employment or three and a half years from the date of grant of the option, whichever is the later. If the cessation is for any other reason, the Board may permit exercise of a relevant option within the same time period.

The Scheme also contains provisions for options to become exercisable on a change of control of the Company or if any person becomes bound or entitled to acquire shares in the Company under the compulsory acquisition provisions of the Act or if the Court sanctions a compromise or arrangement for the reconstruction or amalgamation of the Company or if a resolution is passed for its voluntary winding-up. Alternatively, on a change of control of the Company or if any person becomes bound to acquire ordinary shares in the Company under the compulsory acquisition provisions of the Act options can, with the agreement of the acquiring company, be exchanged for options over shares in the acquiring company.

(g) *Issue of Ordinary Shares on Exercise of Options*

All shares in the Company allocated pursuant to the Scheme rank *pari passu* in all respects with other shares for the time being in issue save as regards any rights attaching to such shares by reference to a record date prior to the date of allotment.

(h) *Amendments*

The Board may at any time amend the provisions of the Scheme, provided that such amendment will not have effect until approved by the Inland Revenue. No amendment to the provisions of the Scheme referred to in this summary which are to the advantage of the participants in the Scheme may be made without the prior approval by ordinary resolution of the members of the Company in general meeting, unless such an amendment is necessary or desirable to obtain or maintain Inland Revenue approval. No amendment to the disadvantage of participants in the Scheme may be made unless all such participants consent to such amendment.

8. Service agreements

(a) The following Directors have entered into service agreements with Gaskell as summarised below:

(i) Edward Duxbury Andrew entered into a service agreement with the Company on 1 June 1998. The agreement will terminate on Mr Andrew attaining the age of 65, and is terminable prior to such date by either party on two years' notice. The current annual salary payable to Mr Andrew pursuant to the agreement is £65,000. Other benefits received by him under the agreement include a profit commission at the rate of 0.2 per cent. of the Group's annual pre-tax profits, membership of the Gaskell Pension Scheme, private medical expenses insurance, disability insurance, an expenses-paid motor car and reimbursement of reasonable business expenses.

(ii) Richard Hopkin entered into a service agreement with the Company on 1 June 1998. The agreement will terminate on Mr Hopkin attaining the age of 65, and is terminable prior to such date by either party on two years' notice. The current annual salary payable to Mr Hopkin pursuant to the agreement is £93,500. Other benefits received by him under the agreement include a profit commission at the rate of 0.2 per cent. of the Group's annual pre-tax profits, membership of the Gaskell Pension Scheme, private medical expenses insurance, disability insurance, an expenses-paid motor car and reimbursement of reasonable business expenses.

(iii) Jeremy James Eric Daw entered into a service agreement with Gaskell Carpets Limited on 1 June 1998. The agreement will terminate on Mr Daw attaining the age of 65, and is terminable prior to such date by either party on two years' notice. The current annual salary payable to Mr Daw pursuant to the agreement is £82,500. Other benefits received by him under the agreement include a profit commission at the rate of 0.125 per cent. of the Group's annual pre-tax profits and 0.15 per cent. of the annual pre-tax profits of Gaskell Carpets Limited, membership of the Gaskell Pension Scheme, private medical expenses insurance, disability insurance, an expenses-paid motor car and reimbursement of reasonable business expenses.

(iv) Gerald Wheeler entered into a service agreement with Bamber Carpets Limited on 1 June 1998. The agreement will terminate on Mr Wheeler attaining the age of 65, and is terminable prior to such date by either party on two years' notice. The current annual salary payable to Mr Wheeler pursuant to the agreement is £77,500. Other benefits received by him under the agreement include a profit commission at the rate of 0.15 per cent. of the Group's annual pre-tax profits and 0.10 per cent. of the annual pre-tax profits of Bamber Carpets Limited, membership of the Gaskell Pension Scheme, private medical expenses insurance, disability insurance, an expenses-paid motor car and reimbursement of reasonable business expenses.

(v) Peter Livesey entered into a service agreement with Gaskell Textiles Limited 1 June 1998. The agreement will terminate on Mr Livesey attaining the age of 65, and is terminable prior to such date by either party on two years' notice. The current annual salary payable to Mr Livesey pursuant to the agreement is £77,500. Other benefits received by him under the agreement include a profit commission at the rate of 0.125 per cent. of the Group's annual pre-tax profits and 0.15 per cent. of the annual pre-tax profits of Gaskell Textiles Limited, membership of the Gaskell Pension Scheme, private medical expenses insurance, disability insurance, an expenses-paid motor car and reimbursement of reasonable business expenses.

(vi) Alan John Chamberlain serves as a non-executive director of the Company under an agreement dated 9 January 1999. The appointment is until 8 January 2000, but can be terminated before that date on three months' notice by either party. The current annual fee payable to Mr Chamberlain is £13,200.

(vii) Geoffrey Davenport serves as a non-executive director of the Company under an agreement dated 9 January 1999. The appointment is until 8 January 2000, but can be terminated before that date on three months' notice by either party. The current annual fee payable to Mr Davenport is £13,200.

(b) Each of the executive Directors is eligible to receive remuneration under the Gaskell Long Term Incentive Plan provided he is or has been a director or an employee of a member of the Group in the period beginning on 1 January 1999 and ending on the last day of the third financial period of the Group ending after such date ("the Performance Period"). An award may be made to any such individual pursuant to the Plan following the attainment by the Group of performance conditions. The performance conditions cover three periods, each commencing on 1 January 1999 and ending on the last day respectively of the first, second and third financial periods of the Company ending after 1 January 1999. Payment of an award will be made within four months following the end of the Performance Period. Each performance condition is linked to the growth in the Company's earnings per share exceeding gross inflation by more than 2 per cent. in respect of the period commencing on 1 January 1999 and ending on the last day of the first financial period of the Company following that date, 2.04 per cent. in respect of the period commencing on 1 January 1999 and ending on the last day of the second financial period of the Company following that date and 2.08 per cent. in respect of the period commencing on 1 January 1999 and ending on the last day of the Performance Period. Any such excess growth arising from a particular period will be multiplied by 10 per cent. of an individual's basic salary to ascertain the award for that individual. There is a cap on each award payable pursuant to the Plan of one third of an individual's basic salary at the relevant date.

(c) The following Proposed Directors have agreed that upon the Offer becoming unconditional in all respects, they will enter into service agreements with the Company as follows:

(i) Michael Hield will enter into a service agreement with the Company which will terminate on Mr Hield attaining the age of 65, and be terminable prior to such date by either party on two years' notice. The annual salary payable to Mr Hield pursuant to the agreement will be £117,000. Other benefits receivable by him under the agreement include a profit commission at the rate of 0.25 per cent. of the Group's annual pre-tax profits, pension scheme membership, private medical expenses insurance, disability insurance, an expenses-paid motor car and reimbursement of reasonable business expenses.

(ii) Lowry Maclean will serve as a non-executive director of the Company. The appointment is for an initial period of one year, but can be terminated earlier on three months' notice by either party. The current annual fee payable to Mr Maclean will be £25,000.

(d) None of the service agreements disclosed in this paragraph 8 provides for pre-determined compensation on early termination which exceeds the salary and benefits in kind that would be payable for the length of the notice period stated in each service agreement.

(e) Save as disclosed above, there are no arrangements between any member of the Enlarged Group and any of the Directors or Proposed Directors which would be necessary to enable an estimate of the possible liability of the Company upon early termination of the relevant service agreement to be made.

9. Principal establishments

The Group's principal establishments are:

Occupier and location	*Description*	*Approximate Area (Sq. feet)*	*Tenure*
Gaskell Textiles Limited Clayton Park Clayton-Le-Moors Accrington Lancs BB5 5GT	Industrial buildings	202,000	Short Lease (12 Years)
Gaskell Textiles Limited Rhoden Mill Roegreave Road Oswaldtwistle Lancs BB5 3QQ	Industrial buildings	131,000	Freehold
Gaskell Carpets Limited Wheatfield Mill Rishton Blackburn Lancs BB1 4NU	Industrial buildings	105,000	Freehold
Gaskell Carpets Limited Carleton New Mills Carleton Skipton North Yorks BD23 3DX	Industrial buildings	112,000	Freehold
Bamber Carpets Limited Unit 92 Dawson Place Walton Summit Centre Bamber Bridge Preston Lancs PR5 8AL	Industrial buildings	51,000	Freehold
Bamber Carpets Limited Unit 241 Seedlee Road Walton Summit Centre Bamber Bridge Preston Lancs PR5 8AL	Industrial buildings	47,000	Freehold
Modulus Flooring Systems Limited 1 Mount Mews Hurst Mount High Street Hampton Middlesex TW12 2SH	Offices	2,000	Long Lease (999 Years)

10. Principal subsidiary undertakings and associated undertakings

Gaskell is the holding company of the Group and its principal subsidiaries are listed below. All such subsidiary companies are wholly owned by Gaskell and are private companies. All of these are incorporated in England and have their registered office at Walton House, Syke Side Drive, Altham, Accrington, Lancashire BB5 5YE.

Subsidiary	*Country of Incorporation*	*Per cent of voting rights and shares held*	*Nature of business*
Bamber Carpets Limited	England	100	Manufacturer of carpet tiles and tufted carpets.
Gaskell Carpets Limited	England	100	Manufacturer and distributor of tufted and Axminster carpets; carpet yarn spinner.
Gaskell Textiles Limited	England	100	Manufacturer and distributor of carpet tiles, carpet underlays, automotive upholstery, sports surfaces and other non-woven products.
Modulus Flooring Systems Limited	England	100	Sale and distribution of carpet and carpet tiles.

All of the above subsidiary undertakings are included in the financial information set out in Part IV of this document.

11. Material contracts

(a) The Gaskell Group

The only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any members of the Group within the two years immediately preceding 8 March 1999, being the business day prior to the announcement by the board of Tomkinsons that it was in talks which may or may not lead to an offer for Tomkinsons, which are or may be material are as follows:

(i) the Facilities Agreement, pursuant to which the Banks (as defined in the Facilities Agreement) have agreed to make available to Gaskell and certain of its subsidiaries thereunder:

(A) an acquisition term loan facility of £9,000,000 with a final repayment date of 30 June 2005 at an interest rate of 1.5 per cent. per annum (subject to reduction upon achievement of certain targets) above LIBOR for the purposes of financing the consideration payable by Gaskell under the Offer, paying the costs and expenses incurred in connection with the Offer, refinancing existing borrowings, guaranteeing payments of principal to be made under the Loan Notes, and paying the costs of implementing the synergy of the Gaskell Group and the Tomkinsons Group; and

(B) a revolving credit facility of up to £2,500,000 for general working capital purposes, the commitment date for which expires on 29 June 2006 or, if earlier, on the date of full and final repayment of the acquisition term loan facility referred to above at the same interest rate as the above facility.

The Facilities Agreement is conditional on, *inter-alia,* valid acceptances of the Offer being received in respect of Tomkinsons Shares which,when aggregated with any Tomkinsons Shares acquired or agreed to be acquired by Gaskell or any person acting in concert with Gaskell for the purpose of the Offer will represent not less than 75 per cent. of the issued Tomkinsons Shares. Furthermore, Gaskell has agreed not to waive, revise, vary or amend any conditions of the Offer unless otherwise agreed by the Agent (as defined in the Facilities Agreement). The Facilities Agreement additionally contains provisions for Tomkinsons and its subsidiaries to accede to the Facilities Agreement and to utilise the revolving credit facility and to become a borrower thereunder.

The above facilities are to be secured initially by a debenture in favour of the Security Trustee (as defined in the Facilities Agreement) for the Banks by which Gaskell and certain of its subsidiaries will charge all of their undertaking and assets as security for all of the obligations and liabilities owed by Gaskell and such subsidiaries to the Banks, and the debenture contains a composite guarantee pursuant to which Gaskell and such subsidiaries guarantee to the Security Trustee for the Banks the obligations of each other to the Banks.

Following Gaskell acquiring control of Tomkinsons and upon accession to the Facilities Agreement, Tomkinsons and certain of its subsidiaries will be required to provide a debenture in similar terms for the purpose of charging assets by way of security for their borrowings under the revolving credit facility referred to above. Tomkinsons and certain of its subsidiaries will also subsequently accede to the debenture granted by Gaskell and certain of its subsidiaries referred to above for the purpose of charging their assets by way of security for borrowings under all of the above facilities, subject to certain conditions being satisfied including Tomkinsons' conversion to a private company and compliance with the financial assistance procedures in sections 155 to 158 of the Act.

(ii) an agreement dated 19 November 1998 made between A.B.F. Limited and Gaskell Textiles Limited ("GTL") whereby GTL purchased the "Silentlay Felts" business of A.B.F. Limited and the assets (other than debtors) of that business. The consideration for such purchase was the payment in cash of £275,000, plus stock at valuation. Such agreement contains certain warranties, indemnities and restrictive covenants given by A.B.F. Limited in favour of GTL. The maximum liability of A.B.F. Limited under such warranties and indemnities is limited to the amount of the consideration payable under the agreement.

(iii) an agreement dated 30 June 1999 made between William S. Graham Limited and GTL whereby GTL purchased the airlaid felts business of William S. Graham Limited and certain assets of that business comprising plant and equipment, records and marketing information and goodwill. The consideration for the purchase was the payment of £250,000 in cash. The agreement contains certain warranties, indemnities and restrictive covenants given by William S. Graham Limited in favour of GTL. The maximum liability of William S. Graham Limited under such warranties and indemnities is limited to the amount of the consideration payable under the agreement.

(b) The Tomkinsons Group

The only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by Tomkinsons or any member of the Tomkinsons Group within the two years immediately preceding 8 March 1999, being the business day prior to the announcement by the board of Tomkinsons that it was in talks which may or may not lead to an offer for Tomkinsons, which are or may be material, are as follows:

(i) An overdraft facility letter dated 9 July 1999 under which gross overdraft borrowings shall not at any time exceed £9,000,000 and net borrowings shall not at any time exceed £5,000,000 available until 30 September 1999 repayable on demand and secured by the unlimited all monies guarantee dated 29 March 1982 and an omnibus letter of set off and a negative pledge dated 16 October 1995.

(ii) A brand licence agreement dated 1 April 1999 between (1) Arthur Sanderson & Sons Limited ("Sanderson") and (2) Tomkinsons plc ("Licensee") where Sanderson grants an exclusive licence to the Licensee to manufacture the Licensed Ranges (as defined and being the ranges pre - fixed with the "Sanderson" Trade Mark) and to market and sell the same in the Territory (as defined and being the United Kingdom and any other countries as Sanderson may approve from time to time). The Licensee shall pay to Sanderson a royalty of 3 per cent. of net sales of the Licensed Ranges on the dates specified in the Licence.

(iii) A sale & purchase letter dated 10 February 1999 between (1) Tomkinsons and (2) Thomson Shepherd Carpets Limited (in administrative receivership) whereby for a consideration of £190,000, Tomkinsons purchased some of the assets of Thomson Shepherd Carpets Limited (being the stock and the goodwill) from the Vendor.

12. Taxation

The following statements are intended as a general guide only to the position under current United Kingdom taxation legislation and Inland Revenue practice as at the date of this document. They relate only to certain limited aspects of the taxation treatment of the holders of Ordinary Shares who hold their Ordinary Shares as an investment. They take account of changes in legislation proposed in this year's Finance Bill.

Any person who is in any doubt about his own tax position, or is subject to tax in a jurisdiction other than the United Kingdom, should consult an appropriate independent professional adviser.

(a) Dividends on Ordinary Shares

No tax will be withheld from dividend payments by the Company nor will the Company have to account to the United Kingdom Inland Revenue for advance corporation tax when it pays a dividend.

An individual shareholder who is resident in the United Kingdom for tax purposes will be entitled to a tax credit in respect of any dividend received from the Company and will be taxable on the aggregate of the net dividend and the tax credit (the "gross dividend"). The value of the tax credit is currently one ninth of the net dividend (or ten per cent of the gross dividend). The gross dividend is treated as the top slice of such individual's income. A United Kingdom resident individual shareholder who is not liable to income tax in respect of the gross dividend will not be able to reclaim payment of the tax credit from the Inland Revenue. In the case of a United Kingdom resident individual shareholder who is not liable to income tax at a rate greater than the basic rate, the tax credit will discharge his tax liability in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from the Inland Revenue. In the case of a United Kingdom tax resident individual shareholder who is liable to income tax at the higher rate on dividends (currently 32.5 per cent.), the tax credit will be set against his tax liability in respect of the gross dividend and accordingly, he will have to pay additional tax at a rate of 22.5 per cent. of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate income tax.

Subject to certain exceptions, a shareholder which is a company resident for tax purposes in the United Kingdom is not taxable on a dividend paid by the Company and received by that shareholder.

United Kingdom pension funds are no longer entitled to reclaim the tax credit on dividends paid by the Company.

Subject to a transitional phasing out, UK charities will not be eligible for a payment from the Inland Revenue of the amount of the tax credit attaching to dividends paid by the Company.

A non-United Kingdom tax resident shareholder is not generally entitled to the benefit of payment of the tax credit from the Inland Revenue in respect of any dividend received. An entitlement to the payment of the tax credit may, however, be available in whole or in part if there is an appropriate provision granting the entitlement under any applicable double tax treaty between the United Kingdom and the country in which the holder is resident for tax purposes. However, the amount payable under any such double tax treaty (if anything) will generally be less than one per cent of the dividend to which it relates.

A shareholder who is not resident in the United Kingdom (for tax purposes) should consult his own tax adviser concerning his liabilities on dividends received, his entitlement to reclaim any part of the tax credit and, if he is so entitled, the procedure for doing so. A shareholder resident outside the United Kingdom may also be subject to foreign taxation on dividend income under local law.

(b) *Chargeable gains*

A disposal of Ordinary Shares by a Shareholder who was either resident or, in the case of an individual, ordinarily resident in the UK, or who was not UK-resident but carries on a trade, profession or vocation in the UK through a branch or agency to which the Ordinary Shares are attributable, may give rise to a liability to taxation for such Shareholder subject to any reliefs and allowances (including taper relief or indexation allowance, as appropriate) which may then be available.

(c) *Stamp duty and stamp duty reserve tax ("SDRT")*

These comments are intended as a guide to the general position and do not relate to persons such as market intermediaries and persons connected with depositary arrangements or clearance services to whom special rules apply.

Stamp duty will generally be payable on a transfer on a sale of Ordinary Shares at the rate of 0.5 per cent. of the amount or value of the consideration given (such duty being rounded up to the nearest 50p in the case of instruments executed prior to 1 October 1999 and to the nearest £5 in the case of instruments executed on or after 1 October 1999). A charge to SDRT at the rate of 0.5 per cent. of the consideration arises, in the case of an unconditional agreement to transfer shares on the date of the agreement, and in the case of a conditional agreement on the date the agreement becomes unconditional. The liability to pay stamp duty or SDRT must generally be satisfied by the purchaser or transferee of the shares. However, where an instrument of transfer is executed in pursuance of the agreement which transfers the shares and is duly stamped before the expiry of a period of six years beginning with the date of that agreement, a claim can, in accordance with the enactments relating to SDRT, be made to cancel or obtain a repayment of the SDRT liability.

13. Litigation

(a) *The Gaskell Group*

Neither Gaskell nor any other member of the Gaskell Group is involved or has been involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the Group's financial position and, so far as the Director are aware, no such proceedings are pending or threatened.

(b) *The Tomkinsons Group*

Neither Tomkinsons nor any other member of the Tomkinsons Group is involved or has been involved in any legal or arbitration proceedings which may have or have had during the twelve months preceding the date of this document a significant effect on the financial position of the Tomkinsons Group and, so far as the directors of Tomkinsons are aware, no such proceedings are pending or threatened.

14. General

(a) The total expenses payable by Gaskell in connection with the Offer are expected to amount to approximately £1,300,000 (exclusive of any applicable VAT).

(b) (i) Save as disclosed in paragraph 10 of Part I of this document, there has been no significant change in the financial or trading position of Gaskell since 2 July 1999, the date to which the published interim financial statements for the half year ended 2 July 1999 have been prepared as set out in Part II.

(ii) Save as disclosed in Part III of this document, there has been no significant change in the financial or trading position of Tomkinsons since 26 May 1999, the date to which the published interim financial statements for the six months ended 3 April 1999 have been prepared as set out in Part III.

(c) The issue price of the Offer Shares (of 116.5p) represents a premium of 111.5p over the nominal value of each Ordinary Share.

(d) N M Rothschild & Sons Limited is a merchant bank, is regulated by The Securities and Futures Authority Limited and its registered office is at New Court, St Swithin's Lane, London EC4P 4DU.

(e) For the purposes of section 240 of the Act, the financial information set out in this document relating to Gaskell does not constitute statutory accounts. Full audited accounts of Gaskell in respect of the financial periods ended 31 December 1996, 1997 and 1998 (each of which received an unqualified audit opinion and did not contain a statement under either section 237(2) or (3) of the Act) have been delivered to the Register of Companies in England and Wales.

The auditors of the Company and its subsidiaries for the years ended 31 December 1996 and 31 December 1997 were Price Waterhouse, Chartered Accountants and Registered Auditors and for the year ended 31 December 1998 were PricewaterhouseCoopers, Chartered Accountants and Registered Auditors, in each case of 101 Barbirolli Square, Lower Mosley Street, Manchester, M2 3PW.

(f) The Ordinary Shares are in registered form, are capable of being held in uncertificated form and are listed only on the London Stock Exchange.

(g) N M Rothschild & Sons Limited has given and has not withdrawn its written consent to the issue of this document with reference herein to its name in the form and context in which it appears.

(h) Teather & Greenwood Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of reference to its name in the form and context in which it appears.

(i) PricewaterhouseCoopers have given and have not withdrawn their written consent to the inclusion in this document of their letters set out in Parts VI and VII and of reference thereto and to their name in the form and context in which they are included and have authorised the contents of their letters for the purposes of section 152(1)(e) of the Financial Services Act 1986.

(j) The Company's registrars are IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU and the Company's receiving agent is New Issues Department, IRG plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH.

(k) The Offer Shares have not been sold, nor are they available in whole or in part, to the public in conjunction with the application for listing, save under the terms of the Offer.

15. Market quotations

(a) The market value of Ordinary Shares on the first business day of each month from April 1999 to September 1999 and on 2 September 1999 (the latest practicable date prior to the publication of this document), as derived from the Closing Prices are as follows:

	p
1 April 1999	120.5
4 May 1999	123.5
1 June 1999	112.0
1 July 1999	111.5
2 August 1999	109.0
1 September 1999	116.5
2 September 1999	109.5

(b) The average Closing Price of a Tomkinsons Share in the 30 business days to 8 March 1999 of 150.8p is derived from Datastream.

16. Documents available for inspection

Copies of the following documents may be inspected at the offices of Addleshaw Booth & Co, 60 Cannon Street, London EC4N 6NP during usual business hours on any weekday (Saturdays and public holidays expected) while the Offer remains open for acceptance:

(a) the Memorandum and Articles of Association of Gaskell and of Tomkinsons;

(b) the audited consolidated accounts of Gaskell for the two financial periods ended 31st December 1998 and the interim results of Gaskell for the six months ended 2 July 1999;

(c) the audited consolidated accounts of Tomkinsons for the two financial periods ended 3rd October 1998 and the unaudited interim results of Tomkinsons for the six months ended 3rd April 1999;

(d) the letters from PricewaterhouseCoopers set out in Parts VI and VII of this document;

(e) the material contracts referred to in paragraph 11 above;

(f) the written consents referred to in paragraph 14 above;

(g) the service agreements of the Directors and Proposed Directors referred to in paragraph 8 above;

(h) the rules of the Gaskell Share Option Scheme, the Gaskell Long Term Incentive Plan and the Tomkinsons Share Option Schemes;

(i) the Offer Document, the Form of Acceptance and this document;

(j) the Loan Note Instrument and the Loan Note Guarantee and the valuation of the Loan Notes referred to in paragraph 4 of the letter from N M Rothschild & Sons Limited in the Offer Document; and

(k) the irrevocable undertakings given by the directors of Tomkinsons and certain other Tomkinsons Shareholders.

3 September 1999

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

"Acquisition"	the proposed acquisition by Gaskell of Tomkinsons, pursuant to acceptances of the Offer or otherwise
"Act"	the Companies Act 1985 (as amended)
"Alternatives"	the Mix and Match Election and the Loan Note Alternative
"Board" or "Directors"	the board of directors of Gaskell
"certificated" or "in certificated form"	not in uncertificated form (that is, not in CREST)
"City Code"	the City Code on Takeovers and Mergers
"Closing Price"	the closing middle market price of a Tomkinsons Share or Gaskell Share, as the case may be, as derived from the Official List
"CREST"	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the operator (as defined in the Regulations)
"CRESTCo"	CRESTCo Limited, a company incorporated under the laws of England and Wales
"CREST member"	a person who has been admitted by CRESTCo as a system-member (as defined in the Regulations)
"CREST participant"	a person who is, in relation to CREST, a system-participant (as defined in the Regulations)
"CREST sponsor"	a CREST participant admitted to CREST as a CREST sponsor
"CREST sponsored member"	a CREST member admitted to CREST as a CREST sponsored member under the sponsorship of a CREST sponsor
"EGM" or "Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at Walton House, Syke Side Drive, Altham, Accrington, Lancashire BB5 5YE on 20 September 1999, notice of which is set out in this document, including any adjournment thereof
"Enlarged Group"	the Gaskell Group as enlarged by the completion of the Acquisition
"Escrow Agent"	IRG plc in its capacity as escrow agent as defined in the CREST manual dated May 1996

"Facilities Agreement"	the facilities agreement dated 2 September 1999 between Gaskell (1), the companies named in Part I of schedule 3 thereto (2), the banks named in schedule 2 thereto (the "Banks") (3) and Barclays Bank PLC as "Agent" and "Security Trustee" (4)
"Form of Acceptance"	the form of acceptance, authority and election relating to the Offer
"Form of Proxy"	the proxy form for use at the EGM
"Gaskell" or "Company"	Gaskell PLC
"Gaskell Group" or "Group"	Gaskell and its subsidiary undertakings
"Gaskell Shareholders" or "Shareholders"	holders of Ordinary Shares
"Gaskell Share Option Scheme"	the Gaskell Executive Share Option Scheme
"LIBOR"	London Inter-Bank Offered Rate expressed at a rate per annum for six month sterling deposits of £1,000,000
"Listing" or "Admission"	the admission to the Official List of the Offer Shares in accordance with the Listing Rules
"Listing Particulars"	this document
"Listing Rules"	the listing rules of the London Stock Exchange, made under section 142 of the Financial Services Act 1986
"Loan Note Alternative"	the right of eligible Tomkinsons Shareholders who validly accept the Offer to elect to receive Loan Notes in lieu of all or part of the cash to which they would otherwise be entitled pursuant to the Offer (including under the Mix and Match Election)
"Loan Note Instrument"	the instrument pursuant to which the Loan Notes will be constituted
"Loan Notes"	variable rate guaranteed unsecured loan notes of Gaskell, particulars of which are set out in Appendix II to the Offer Document
"London Stock Exchange"	London Stock Exchange Limited
"member account ID"	the identification code or number attached to a member account in CREST
"Mix and Match Election"	the facility whereby holders of Tomkinsons Shares who validly accept the Offer may elect to vary the proportion, subject to availability, of Offer Shares and cash and/or Loan Notes receivable by them under the Offer

"Offer"	the offer being made by Rothschild on behalf of Gaskell to acquire all of the Tomkinsons Shares, subject to the terms and conditions specified in the Offer Document and to the further terms specified in the Form of Acceptance, and, where the context so requires, any subsequent revision, variation, extension or renewal thereof
"Offer Document"	the document dated 3 September 1999 containing the formal offer to Tomkinsons Shareholders
"Offer Shares"	the new Ordinary Shares to be issued, credited as fully paid, pursuant to or in connection with the Offer
"Official List"	the daily official list of the London Stock Exchange
"Ordinary Shares" or "Gaskell Shares"	ordinary shares of 5p each in the capital of Gaskell
"Panel"	the Panel on Takeovers and Mergers
"participant ID"	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
"Preference Shares"	5 per cent. cumulative preference shares of £1 each in the capital of Gaskell
"Proposed Directors"	Michael Alfred Hield and Lowry Druce Maclean
"Receiving Agent"	IRG plc
"Regulations"	the Uncertificated Securities Regulations 1995 (SI 1995 No. 95/3272)
"Rothschild"	N M Rothschild & Sons Limited
"Share Sub-division"	the sub-division of each of Gaskell's 6,000,000 authorised ordinary shares of 20p each into four Ordinary Shares, pursuant to an ordinary resolution of Gaskell passed on 1 October 1998
"Teather & Greenwood"	Teather & Greenwood Limited
"TFE instruction"	a transfer from Escrow instruction (as defined by the CREST manual issued by CRESTCo)
"Tomkinsons"	Tomkinsons plc
"Tomkinsons Group"	Tomkinsons and its subsidiary undertakings
"Tomkinsons Share Option Schemes"	the Tomkinsons plc Executive Share Option Scheme 1985, the Tomkinsons plc 1995 Executive Share Option Scheme and the Tomkinsons plc Employees Savings Related Share Option Schemes 1983 and 1993
"Tomkinsons Shareholders"	holders of Tomkinsons Shares

"Tomkinsons Shares"	the existing unconditionally allotted or issued ordinary shares of 25p each in the capital of Tomkinsons on the date of the Offer and any further such shares which are unconditionally allotted or issued while the Offer remains open for acceptance (or before such earlier time(s) not being earlier than the time at which the Offer becomes or is declared unconditional as to acceptances, as Gaskell may, subject to the City Code, decide), including such shares so unconditionally allotted or issued pursuant to the exercise of options outstanding under any of the Tomkinsons Share Option Schemes
"TTE instruction"	a transfer to Escrow instruction (as defined by the CREST manual issued by CRESTCo)
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"US" or "United States"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas within its jurisdiction
"uncertificated" or "in uncertificated form"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST

Notice of Extraordinary General Meeting

GASKELL PLC

NOTICE is hereby given that an Extraordinary General Meeting of Gaskell PLC will be held at Walton House, Syke Side Drive, Altham, Accrington, Lancashire BB5 5YE at 10.00 a.m. on 20 September 1999 for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Ordinary Resolution:

Ordinary Resolution

THAT:

(a) the proposed acquisition by the Company of the entire issued and to be issued ordinary share capital of Tomkinsons plc ("**Tomkinsons**") on the terms and subject to the conditions stated in the offer document dated 3 September 1999 ("**Offer Document**") issued by N M Rothschild & Sons Limited on behalf of the Company, a copy of which is produced to the meeting and signed by the Chairman for the purpose of identification, or on the terms of any amended, revised, extended, additional or other offer or offers made with the consent of the Panel, or on the terms of any proposals, in any such case as the Directors or any duly authorised committee thereof may consider appropriate, be and is hereby approved and the Directors (or any such committee) be and are hereby authorised, subject to the consent of the Panel, to waive, amend, vary, revise, extend or renew any of the terms or conditions of the Offer (as defined in the Offer Document) as originally made or as subsequently waived, amended, varied, revised, extended or renewed and to approve any additional or other offer or offers or proposals, and the performance or (as the case may be) grant by the Company and/or any of its subsidiaries and/or subsidiary or associated undertakings of all acts, agreements, arrangements and indemnities which the Directors (or any such committee) may consider necessary or desirable for the purpose of or in connection with the Offer (as defined in the Offer Document and including any amendment, revision, variation, extension or renewal thereof) or the acquisition of shares or other securities of Tomkinsons including, without limitation, making and implementing proposals to participants in the Tomkinsons Share Option Schemes (as defined in the Offer Document) and any other schemes similar to any such schemes established by Tomkinsons, on such terms and conditions as they may consider appropriate, be and is hereby approved;

(b) the purchase by the Company and/or any of its subsidiaries and/or associated undertakings of any share capital or other securities of Tomkinsons on and subject to such terms and conditions as may be approved by the Directors (or any duly authorised committee thereof) be and is hereby approved; and

(c) subject to and conditional upon the Offer (as defined in the Offer Document and including any amendment, revision, variation, renewal or extension thereof made with the consent of the Panel) or any additional or other offer or offers, or any proposals, by or on behalf of the Company for ordinary shares in Tomkinsons becoming or being declared unconditional in all respects (save as regards the admission of the ordinary shares of 5p each in the Company to be issued pursuant to the Offer to the official list of the London Stock Exchange becoming effective):

  (i) the authorised share capital of the Company be and is hereby increased from £1,450,000 to £1,875,000 by the creation of an additional 8,500,000 ordinary shares of 5p each; and

  (ii) the Directors be and are hereby generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (within the meaning of the said section 80) pursuant to or in connection with the Offer and otherwise up to an aggregate nominal amount of £627,721.40, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company, or on 19 September 2000, whichever is earlier, and provided further that the Company may before such expiry make any offers or agreements which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board
R Hopkin
Secretary

Registered Office
Walton House
Syke Side Drive
Altham
Accrington
Lancashire
BB5 5YE
Registered in England No. 448624

3 September 1999

The Notes below form an integral part of this Notice of Meeting.

Notes:

1 A form of proxy is enclosed for your use.

2 A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend and, on a poll, to vote in his/her place. A proxy need not be a member of the Company.

3 The form of proxy and the authority (if any) under which it is signed, or a certified copy of such authority, must be deposited at the Company's Registrar, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH not less than 48 hours before the time fixed for the meeting.

4 Completion and lodging of a form of proxy will not preclude a member from attending and voting in person at the meeting should he/she so wish.

5 In accordance with Regulation 34(1) of the Uncertificated Securities Regulations 1995, the Company specifies that only those shareholders registered in the Company's register of members at 5.00 p.m. on 18 September 1999 (or, in the case of adjournment, 48 hours before the time of the adjourned meeting) will be entitled to attend or vote at the meeting.