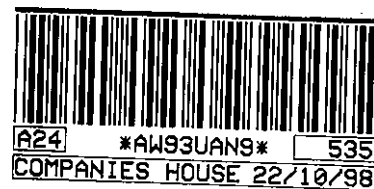


CLAREMONT GARMENTS (SOUTH) LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
27 DECEMBER 1997**

COMPANY NO 470815



CLAREMONT GARMENTS (SOUTH) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

Peter M Wiegand
John M Gilliatt
Rory S Shearer
Thomas Simms
K Michael Weir

SECRETARY & REGISTERED OFFICE

Susan M Dring
1 Stephenson Road
Peterlee
Co Durham
SR8 5AX

AUDITORS

Ernst & Young

SOLICITORS

S J Berwin & Co

BANKERS

Barclays Bank Bank of Scotland
N M Rothschild & Sons Limited

CLAREMONT GARMENTS (SOUTH) LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 27 December 1997.

RESULTS AND DIVIDENDS

The loss for the year after exceptional items and taxation amounted to £135,000 (1996 profit £291,000). The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be the manufacture of ladies and childrens clothing. This activity is continuing during 1998.

DIRECTORS

The directors at 27 December 1997 were as follows:-

D McGarvey	(resigned 31 December 1997)
N I Hamilton	(resigned 30 April 1998)
M J McWilliams	(resigned 30 April 1998)
P J Sheldrick	(resigned 30 June 1998)
T Simms	
K M Weir	
P M Wiegand	(appointed 22 October 1997)
J M Gilliatt	(appointed 22 October 1997)

In addition to the directors listed above, Mr R S Shearer was appointed a director on 6 May 1998, and Mr D Price served as a director until his resignation on 5 December 1997.

CLAREMONT GARMENTS (SOUTH) LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

None of the directors of the company had any interest in the shares of the company at any time during the year. The interests of the directors of the ultimate holding company, Claremont Garments (Holdings) plc, are shown in the directors' report of that company. The interests of the directors who are not directors of the ultimate holding company and of their families according to the register required to be kept under Section 325 of the Companies Act 1985 were:-

Ordinary shares	As at 27 December 1997	As at 28 December 1996
K M Weir	1,400	1,400
T Simms	30,600	30,600

Executive Share Options	At 28 December 1996	Exercised during the year	Granted during the year	At 27 December 1997
K M Weir	60,000	-	-	60,000
P J Sheldrick	65,000	-	-	65,000
T Simms	40,000	-	-	40,000

Savings Related Share Options	At 28 December 1996	Lapsed during the year	Granted during the year	At 27 December 1997
P J Sheldrick	11,094	(11,094)	5,520	5,520
T Simms	11,094	(11,094)	-	-

CLAREMONT GARMENTS (SOUTH) LIMITED

DIRECTORS' REPORT (continued)

DISABLED EMPLOYEES

The company's policy is to give equal consideration to all applicants for employment including disabled people. Career development and training are available to all employees and those who become disabled are afforded every assistance to enable them to continue in their career including retraining where necessary.

EMPLOYEE INVOLVEMENT

The parent company operates a savings related share option scheme which is open to a wide range of employees.

Copies of all public documents issued by the company are made available to employees. In addition, regular meetings are held with management and with relevant trade unions to keep them fully informed of the companies activities so that information can be disseminated to all employees.

AUDITORS

A resolution to reappoint Ernst & Young will be put to the members at the Annual General Meeting.

Susan Dring

**By order of the board
Susan Dring
Secretary**

22 September 1998

CLAREMONT GARMENTS (SOUTH) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

CLAREMONT GARMENTS (SOUTH) LIMITED

REPORT OF THE AUDITORS

to the members of Claremont Garments (South) Limited.

We have audited the accounts on pages 8 to 20 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 to 12.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 6, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made on page 10 of the accounts concerning the uncertainty as to the continuation of the group's bank overdraft facilities. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 27 December 1997, and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Registered Auditor

Newcastle upon Tyne

22 September 1998

CLAREMONT GARMENTS (SOUTH) LIMITED

PROFIT AND LOSS ACCOUNT *for the year ended 27 December 1997*

	Notes	1997 £000	1996 £000
TURNOVER	2a	6,985	8,088
Cost of sales		(6,308)	(7,108)
Gross profit		677	980
Net operating expenses		(706)	(582)
OPERATING (LOSS)/PROFIT	2b	(29)	398
Fundamental reorganisation costs	2c	(100)	(102)
Interest payable	3	(6)	(5)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR 11		(135)	291

There were no recognised gains or losses other than the loss for the financial year of £135,000 for the year ended 27 December 1997 (1996, profit £291,000).

CLAREMONT GARMENTS (SOUTH) LIMITED

BALANCE SHEET at 27 December 1997

	Notes	1997 £000	1996 £000
FIXED ASSETS			
Tangible assets	4	<u>479</u>	<u>539</u>
CURRENT ASSETS			
Stock	5	1,814	2,053
Debtors	6	2,059	991
Cash and bank balances		<u>1</u>	<u>1</u>
		3,874	3,045
CREDITORS: amounts falling due within one year	7	<u>(3,835)</u>	<u>(3,024)</u>
NET CURRENT ASSETS		<u>39</u>	<u>21</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		518	560
CREDITORS: amounts falling due after more than one year	8	-	(7)
PROVISIONS FOR LIABILITIES AND CHARGES	9	<u>(100)</u>	<u>-</u>
		<u>418</u>	<u>553</u>
CAPITAL AND RESERVES			
Called up share capital	10	585	585
Profit & loss account	11	(167)	(32)
SHAREHOLDERS' FUNDS	11	<u>418</u>	<u>553</u>


R S Shearer
Director

22 September 1998

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS

at 27 December 1997

1 Accounting policies

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company meets its day to day working capital requirements through group overdraft facilities provided by the group's bankers. The nature of the group's business is such that there can be short term volatility in the working capital requirements. The group directors have recently prepared projected cash flow information for the period ending 30 June 1999. This cash flow information was used as the basis for the agreement of revised bank overdraft facilities which the group directors believe will be adequate to meet the group's working capital requirements to 30 June 1999. However, the margin of facilities over requirements is not large and the agreement with the banks requires the group to meet predetermined performance criteria for the facilities to remain in place and inherently there can be no certainty in relation to these matters. On this basis the directors consider it appropriate to prepare the accounts on the going concern basis. The accounts do not include any adjustments that would result from a withdrawal of the overdraft facilities by the group's bankers.

Turnover

Turnover represents goods delivered less returns from, or allowances to, customers, exclusive of VAT.

Stock valuation

Stock is stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. In the case of finished goods and work in progress, cost includes appropriate overhead expenses at normal activity levels. Net realisable value is based upon estimated selling price less associated costs of disposal.

Foreign currency

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract. Assets and liabilities denominated in a foreign currency are translated at the balance sheet date at the exchange rate ruling on that day or if appropriate at the forward contract rate. Exchange differences arising on the course of trade are included in operating profit.

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS *at 27 December 1997*

1 Accounting policies (continued)

Fixed assets and depreciation

Fixed assets are stated at cost and include all expenditure of a capital nature. All assets except for freehold land are depreciated at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows:-

Plant, machinery and fixtures	10% - 33 1/3% pa		
Leasehold land and buildings	Over the lease term	Motor vehicles	25% pa

Leasing and hire purchase commitments

Assets held under hire purchase contracts and finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pensions

The company operates a defined contribution pension scheme for a number of employees. Contributions are charged to profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences (including pensions) to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing difference will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS *at 27 December 1997*

1 Accounting policies (continued)

Related party transactions

As the company is a wholly owned subsidiary of Claremont Garments (Holdings) plc, a company registered in England and Wales, which prepares published consolidated financial statements, the company has, pursuant to paragraph 17 of FRS 8 "Related Party Disclosures", not included details of transactions with other companies which are subsidiaries of the Claremont Garments (Holdings) plc Group. There are no other related party transactions.

Cashflow statement

As the company is a wholly owned subsidiary of Claremont Garments (Holdings) plc, a company registered in England and Wales, which prepares a consolidated cashflow statement, the company has taken advantage of the exemption provided under FRS1 (Revised 1996) not to prepare a cashflow statement.

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS

at 27 December 1997

2 Turnover and operating profit

- a) Turnover is stated net of value added tax and derives entirely from the company's principal activity, and arises wholly in the United Kingdom.

	1997 £000	1996 £000
Turnover	6,985	8,088
Cost of sales	(6,308)	(7,108)
Gross profit	677	980
Distribution expenses	(99)	(118)
Administration expenses	(607)	(464)
	(29)	398

- b) **Operating profit is stated after charging:**

	1997 £000	1996 £000
Depreciation of owned assets	117	113
Depreciation of assets held under finance lease	-	16
Audit fees and expenses	10	10
Operating leases - plant	8	-
- other	134	134

- c) **Fundamental reorganisation costs**

The fundamental reorganisation costs relate to forward lease obligations on a vacant property no longer required.

The 1996 fundamental reorganisation costs comprise redundancy, training and other costs associated with implementing the fundamental business review.

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS at 27 December 1997

3 Interest payable

	1997 £000	1996 £000
Finance leases	<u>6</u>	<u>5</u>

4 Fixed assets

	Long leasehold £000	Vehicles plant & machinery £000	Total £000
Cost			
At 28 December 1996	27	2,088	2,115
Additions during the year	-	58	58
At 27 December 1997	<u>27</u>	<u>2,146</u>	<u>2,173</u>
Accumulated depreciation			
At 28 December 1996	16	1,560	1,576
Charge for the year	-	118	118
At 27 December 1997	<u>16</u>	<u>1,678</u>	<u>1,694</u>
Net book value			
At 27 December 1997	<u>11</u>	<u>468</u>	<u>479</u>
At 28 December 1996	<u>11</u>	<u>528</u>	<u>539</u>

Included in vehicles, plant and machinery are assets acquired under finance leases or hire purchase contracts of £ Nil (1996, £136,000) with accumulated depreciation of £ Nil (1996, £72,804). The depreciation charge for the year on these assets was £Nil (1996, £16,024).

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS at 27 December 1997

5 Stock

	1997 £000	1996 £000
Raw materials	757	194
Work in progress	303	331
Finished goods	754	1,528
	<u>1,814</u>	<u>2,053</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

6 Debtors

	1997 £000	1996 £000
Trade debtors	683	307
Amounts owed by group undertakings	1,336	622
Prepayments and accrued income	40	62
	<u>2,059</u>	<u>991</u>

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS

at 27 December 1997

7 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Trade creditors	487	377
Bank loans and overdraft	1,907	1,285
Amounts due to group undertakings	1,086	1,060
Other taxes and social security costs	37	72
Other creditors	43	32
Accruals and deferred income	267	166
Obligations under finance leases (note 8)	8	32
	<hr/> 3,835	<hr/> 3,024

Bank loans and overdrafts of group companies are secured by fixed and floating charges over the group's assets.

8 Creditors: amounts falling due after more than one year

All amounts relate to obligations under finance leases.

	1997 £000	1996 £000
Obligations under finance leases and hire purchase contracts:		
Amounts payable:		
within one year (note 7)	8	32
within two to five years	-	7
	<hr/> 8	<hr/> 39
Less: finance charges allocated to future years	-	-
	<hr/> 8	<hr/> 39

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS at 27 December 1997

9 Provisions for liabilities and charges

	Deferred taxation £000	Property provision £000	Total £000
At 28 December 1996	-	-	-
Provided during the year	-	100	100
Utilised during the year	-	-	-
At 27 December 1997	-	100	100

The amount provided during the year relates to forward lease obligations on a vacant property no longer required in the new business structure. The annual rentals payable under this lease amounts to £82,000 as detailed in note 16.

Deferred Taxation

	Amount provided		Amount not provided	
	1997 £000	1996 £000	1997 £000	1996 £000
Capital allowances in advance of depreciation	44	51	-	-
Other timing differences	3	4	-	-
Losses	(47)	(55)	-	-
	-	-	-	-

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS at 27 December 1997

10 Share capital

	1997 £	1996 £
Authorised		
583,745 deferred shares of £1 each	583,745	583,745
1,625,500 ordinary shares of 1p each	16,255	16,255
	<hr/> 600,000	<hr/> 600,000
Issued and fully paid		
583,745 deferred shares of £1 each	583,745	583,745
83,745 ordinary shares of 1p each	837	837
	<hr/> 584,582	<hr/> 584,582

As all shares in the company are owned by the immediate parent undertaking, Actonbarn Limited, the differences in rights between the two classes of shares are not regarded as material. All shares are regarded as being equity shares.

11 Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Profit & loss account £000	Total £000
At 28 December 1996	585	(32)	553
Loss for the year	<hr/> -	<hr/> (135)	<hr/> (135)
At 27 December 1997	<hr/> 585	<hr/> (167)	<hr/> 418

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS at 27 December 1997

12 Contingent liabilities

There are no material contingent liabilities as at 27 December 1997 or 28 December 1996.

13 Directors' remuneration

None of the directors received any remuneration in respect of their services to the company during the year or the previous year.

14 Staff costs

	1997 £000	1996 £000
Staff costs during the year amounted to:		
Wages and salaries	1,896	1,879
Social security costs	129	302
Other pension costs	45	12
	<hr/> 2,070	<hr/> 2,193

The average monthly number of employees during the year was made up as follows:

	1997 Number	1996 Number
Production	261	295
Distribution	2	2
Administration	2	4
	<hr/> 265	<hr/> 301

CLAREMONT GARMENTS (SOUTH) LIMITED

NOTES TO THE ACCOUNTS at 27 December 1997

15 Pensions

The company participates in a defined contribution pension scheme. At 27 December 1997, and 28 December 1996, no contributions were outstanding or paid in advance to the scheme.

16 Leasing

The company had the following annual commitments under non-cancellable operating leases which expire:-

	Land and Building		Other	
	£000	£000	£000	£000
Between two and five years	-	-	8	-
Over five years	134	134	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the above are annual rentals of £82,000 (expiring over five years) on a vacant property no longer required in the new business structure. Provision has been made as detailed in note 9.

17 Parent undertakings

The immediate parent undertaking is Actonbarn Limited.

The ultimate parent undertaking and ultimate controlling party is Claremont Garments (Holdings) plc, incorporated in England. This is the only company that group accounts are prepared for, of which Claremont Garments (South) Limited is a member.

Copies of Claremont Garments (Holdings) plc accounts can be obtained from the registered office.