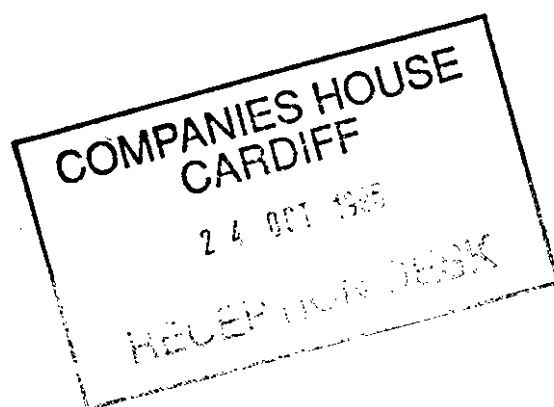


CLAREMONT GARMENTS LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 1994**

COMPANY NO 2429682



CLAREMONT GARMENTS LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

Peter M Wiegand
David McGarvey
Michael J McWilliams
David Price
K Michael Weir
Neil Wainwright
David Mason
Paul J Sheldrick
Anthony P Bobroff
Nicholas I Hamilton

SECRETARY & REGISTERED OFFICE

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

AUDITORS

Ernst & Young

BANKERS

Barclays Bank plc
Bank of Scotland

SOLICITORS

S J Berwin & Co

CLAREMONT GARMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1994.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £8,381,000 (December 1993 profit £13,329,000). The directors recommend the payment of a final ordinary dividend amounting to £7,000,000, which leaves a profit of £1,381,000 to be retained.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activities of the company during the year continued to be the design, manufacture and supply of garments for sale almost exclusively to Marks & Spencer plc.

FIXED ASSETS

Changes in fixed assets during the period are summarised in note 5.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1994 were:

P M Wiegand
D McGarvey
M J McWilliams
D Price
K M Weir
N Wainwright
D Mason
P J Sheldrick
A P Bobroff
N I Hamilton (appointed 28 April 1994)

In addition to the above, Mr C W C Ryder was appointed a director on 28 April 1994, and resigned on 31 January 1995.

CLAREMONT GARMENTS LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS AND THEIR INTERESTS (Continued)

Of the directors listed, P J Sheldrick held 3,500 shares in Claremont Garments (Holdings) plc between 15 September 1994 and 29 September 1994. 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 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 31 December 1994 Ordinary shares	As at 25 December 1993 or date of appointment
K M Weir	1,400	1,400
D Mason	-	5,210
A P Bobroff	14,650	14,650

Executive Share Options	As at 25 December 1993 or date of appointment	Exercised during the year	Granted during the year	As at 31 December 1994
K M Weir	52,400	42,400	10,000	20,000
N Wainwright	45,000	-	10,000	55,000
D Mason	46,500	26,500	10,000	30,000
P J Sheldrick	46,800	31,800	10,000	25,000
A P Bobroff	41,800	-	10,000	51,800

Savings Related Share Options	As at 31 December 1994	As at 25 December 1993 or date of appointment
D Mason	11,094	11,094
P J Sheldrick	11,094	11,094
A P Bobroff	4,437	4,437

The options to acquire ordinary shares of Claremont Garments (Holdings) plc are exercisable under the rules of the Executive Share Option Scheme and the Savings Related Share Option Scheme.

CLAREMONT GARMENTS LIMITED

DIRECTORS' REPORT (Continued)

CLOSE COMPANY STATUS

The company is not a close company within the meaning of the provisions of the Income and Corporation Taxes Act 1988. This status has not changed since the year end.

AUDITORS

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

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.

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.

Susan Dring

By order of the board
Susan Dring
Secretary

20 October 1995

CLAREMONT GARMENTS 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; 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 LIMITED

REPORT OF THE AUDITORS

to the members of Claremont Garments Limited.

We have audited the accounts on pages 8 to 23 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 10 and 11.

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.

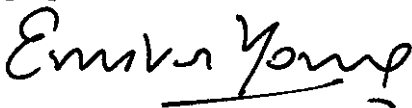
BASIS OF OPINION

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.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1994 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Ernst & Young
Chartered Accountants
Registered Auditor
Newcastle upon Tyne**

20 October 1995

CLAREMONT GARMENTS LIMITED

PROFIT AND LOSS ACCOUNT *for the year ended 31 December 1994*

	Notes	Year to 31 Dec 1994 £000	Year to 25 Dec 1993 £000
TURNOVER	1(a)	120,841	114,398
OPERATING PROFIT	1(a)	11,377	11,493
EXCEPTIONAL ITEMS	2	-	5,625
Net interest payable	3	(54)	(47)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		11,323	17,071
Tax on profit on ordinary activities	4	(2,942)	(3,742)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		8,381	13,329
Dividend - ordinary paid		(7,000)	(3,500)
RETAINED PROFIT FOR THE YEAR		1,381	9,829
RETAINED PROFITS BROUGHT FORWARD		9,830	1
RETAINED PROFITS CARRIED FORWARD		11,211	9,830

A reconciliation of shareholders' funds and movement on reserves is given in note 13.

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £8,381,000 in the year ended 31 December 1994 and of £13,329,000 in the year ended 25 December 1993.

CLAREMONT GARMENTS LIMITED

BALANCE SHEET at 31 December 1994

	Notes	31 Dec 1994 £000	25 Dec 1993 £000
FIXED ASSETS			
Tangible assets	5	19,822	17,744
Investments	14	19,785	19,785
		<hr/> 39,607	<hr/> 37,529
CURRENT ASSETS			
Stock	6	23,529	21,435
Debtors	7	7,582	10,445
Cash and bank balances		13,581	3,961
		<hr/> 44,692	<hr/> 35,841
CREDITORS amounts falling due within one year	8	(71,428)	(61,473)
NET CURRENT LIABILITIES		<hr/> (26,736)	<hr/> (25,632)
TOTAL ASSETS LESS CURRENT LIABILITIES		12,871	11,897
CREDITORS amounts falling due after more than one year	9	(599)	(620)
PROVISIONS FOR LIABILITIES AND CHARGES	10	(666)	(931)
DEFERRED INCOME	11	(395)	(516)
		<hr/> 11,211	<hr/> 9,830
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	11,211	9,830
		<hr/> 11,211	<hr/> 9,830


M J McWilliams
Director

20 October 1995

CLAREMONT GARMENTS LIMITED

STATEMENT OF ACCOUNTING POLICIES

Basis of preparation

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

Period of account

The accounts are prepared for the 53 week period ended 31 December 1994 (1993, 52 weeks).

Goodwill

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It is being written off over its estimated economic life.

Turnover

Turnover represents goods delivered less returns from, or allowances to, customers. Intra-group transactions and VAT have been excluded.

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.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences 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.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling 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 in the course of trade are included in operating profit.

CLAREMONT GARMENTS LIMITED

STATEMENT OF 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:-

Freehold buildings	1% to 4% pa
Leasehold land & buildings	over the lease term
Plant, machinery & fixtures	10% - 33 1/3 % pa
Motor vehicles	25%

Fixed asset investments

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

Grants

Grants received and receivable are treated as deferred income. Grants related to capital expenditure are credited to the profit and loss account by instalments calculated at the same rates as the depreciation on the assets to which the grants relate. Other grants are released to profit and loss account over the life of the project to which they relate.

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.

Property transactions

Significant profits arising from property transactions are accounted for on the date of completion.

Pension costs

Contributions are paid into the Claremont Garments (Holdings) plc pension funds. Claremont Garments (Holdings) plc operates a defined contribution pension scheme and two defined benefit pension schemes. Contributions to the defined contribution scheme are charged to profit and loss account as they become payable in accordance with the rules of the scheme. Contributions to the defined benefit schemes are charged to profit and loss account so as to spread the cost of pensions over the employees' working lives within the company.

CLAREMONT GARMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1994

1 Turnover and operating profit

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

	1994 £000	1993 £000
Operating profit is made up as follows:		
Turnover	120,841	114,398
Cost of sales	(97,090)	(91,994)
Gross Profit	23,751	22,404
Distribution costs	(1,877)	(1,829)
Administrative expenses	(10,740)	(9,272)
Other operating income	243	190
	11,377	11,493

	1994 £000	1993 £000
Operating profit is stated after charging/(crediting) the following items:		
Depreciation of owned assets	2,541	2,547
Depreciation of assets acquired under finance leases or hire purchase contracts	50	49
Profit on disposal of fixed assets	(63)	(68)
Development grants credit	(421)	(169)
Audit fees and expenses	57	52
Operating lease rentals - plant & machinery	-	200
- other	347	253
Non audit fees	9	-

CLAREMONT GARMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1994

2 Exceptional Items

	1994 £000	1993 £000
Dividends received from subsidiary undertakings	-	81,426
Purchased goodwill	-	(75,801)
	<hr/> -	<hr/> 5,625

3 Net interest payable

	1994 £000	1993 £000
Finance charges payable under finance leases and hire purchase contracts	(59)	(53)
Interest receivable	5	6
Net interest payable	<hr/> (54)	<hr/> (47)

4 Tax on profit on ordinary activities

The taxation charge is made up as follows:

	1994 £000	1993 £000
Based on the profit for the year:		
Corporation tax at 33% (Dec 1993 33%)	3207	3,214
Deferred taxation (note 10)	(265)	502
	<hr/> 2,942	<hr/> 3,716
Corporation tax under provided in previous years	-	26
	<hr/> 2,942	<hr/> 3,742

CLAREMONT GARMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1994

5 Tangible fixed assets

	Freehold property £000	Long leasehold property £000	Short leasehold property £000	Vehicles, plant & machinery £000	Total £000
Cost at 25 December 1993	5,739	1,968	119	12,514	20,340
Additions	577	-	-	4,153	4,730
Disposals	-	-	-	(190)	(190)
At 31 December 1994	6,316	1,968	119	16,477	24,880
Accumulated depreciation					
At 25 December 1993	136	46	41	2,373	2,596
Charge for the year	156	46	25	2,364	2,591
Disposals during the year	-	-	-	(129)	(129)
At 31 December 1994	292	92	66	4,608	5,058
Net book value					
At 31 December 1994	6,024	1,876	53	11,869	19,822
At 25 December 1993	5,603	1,922	78	10,141	17,744

Included in vehicles, plant and machinery are assets acquired under finance leases or hire purchase contracts of £848,000 (Dec 1993 £848,000) with accumulated depreciation of £99,000 (Dec 1993 £49,000). The depreciation charge for the period on these assets was £50,000 (Dec 1993 £49,000).

6 Stock

	1994 £000	1993 £000
Raw materials	6,401	6,104
Work in progress	4,606	4,872
Finished goods	12,522	10,459
	23,529	21,435

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

CLAREMONT GARMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1994

7 Debtors

	1994 £000	1993 £000
Trade debtors	5,243	7,656
Amount owed by fellow subsidiaries	1,218	2,186
Other debtors	91	142
Prepayments and accrued income	1,030	461
	<hr/>	<hr/>
	7,582	10,445
	<hr/>	<hr/>

8 Creditors: amounts falling due within one year

	1994 £000	1993 £000
Bank loans and overdraft	678	135
Obligations under finance leases and hire purchase contracts	21	54
Trade creditors	6,333	6,844
Other creditors	248	297
Owed to fellow subsidiaries	53,120	44,763
Other taxes and social security costs	4,255	3,410
Corporation tax	2,362	2,160
Accruals	4,411	3,810
	<hr/>	<hr/>
	71,428	61,473
	<hr/>	<hr/>

Included within accruals is £990,000 (December 1993 £767,000) in respect of pension contributions charged to the profit and loss account in advance of their being payable to the pension scheme.

CLAREMONT GARMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1994

9 Creditors: amounts falling due after more than one year

	1994 £000	1993 £000
Obligations under finance leases and hire purchase contracts		
Amounts payable:		
within one year	72	113
within two to five years	279	271
in over five years	537	617
	<hr/> 888	<hr/> 1,001
Less: finance charges allocated to future years	(268)	(327)
	<hr/> 620	<hr/> 674
Amount falling due within one year	(21)	(54)
	<hr/> 599	<hr/> 620

Analysis of changes in finance lease and hire purchase contracts:

	£000
At beginning of year	674
Repayment of capital element of finance leases and hire purchase contracts	(54)
At end of year	<hr/> 620

CLAREMONT GARMENTS LIMITED

10 Provisions for liabilities and charges

	Deferred taxation £000
At 25 December 1993	931
Released during the year	(265)
At 31 December 1994	<u>666</u>

Deferred taxation	Amount provided		Amount not provided	
	31 Dec 1994 £000	25 Dec 1993 £000	31 Dec 1994 £000	25 Dec 1993 £000
Capital allowances in advance of depreciation	1,239	1,663	1,425	934
Other timing differences	(573)	(732)	440	440
	<u>666</u>	<u>931</u>	<u>1,865</u>	<u>1,374</u>

CLAREMONT GARMENTS LIMITED

11 Deferred income

	£000
At 25 December 1993	516
Grants receivable during the year	300
Credited to profit and loss account	(421)
	<hr/>
At 31 December 1994	395
	<hr/>

12 Share capital

	31 Dec 1994	25 Dec 1993
Authorised, issued and fully paid 100 ordinary shares of £1 each	<hr/> £100	<hr/> £100

13 Reconciliation of shareholders' funds and movement on reserves

	£000
At 25 December 1993	9,830
Profit for the year	8,381
Dividend paid	(7,000)
	<hr/>
At 31 December 1994	11,211
	<hr/>

CLAREMONT GARMENTS LIMITED

14 Investments (continued)

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:-

	Subsidiary undertakings £000	Listed investments £000	Total £000
Cost at 31 December 1994 and 25 December 1993	19,774	11	19,785

Name of Company	Country of registration & operation	Holding	Proportion of voting rights held	Nature of business
Subsidiary undertakings				
D&H Cohen Limited	Scotland	Ordinary shares	100%	Property holding
J&J Fashions Limited	England	Ordinary shares	100%	Non-trading
J&J Fashions International Limited	England	Ordinary shares	100%	Non-trading
Taylor Merrymade Limited	England	Ordinary shares	100%	Non-trading
Mainstream Fashions Limited	England	Ordinary shares	100%	Non-trading

15 Contingent liabilities

There are no material contingent liabilities in the company.

CLAREMONT GARMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1994

16 Capital commitments

	1994 £000	1993 £000
Authorised and contracted	461	686
Authorised but not contracted	70	674

17 Other financial commitments

	Land & Buildings		Other	
	31 Dec 1994 £000	25 Dec 1993 £000	31 Dec 1994 £000	25 Dec 1993 £000
Annual commitments under non-cancellable operating leases are as follows:				
Operating leases which expire:				
within one year	5	2	-	-
between 2 and 5 years	109	89	-	-
over five years	288	299	-	94
	<hr/>	<hr/>	<hr/>	<hr/>
	402	390	-	94
	<hr/>	<hr/>	<hr/>	<hr/>

CLAREMONT GARMENTS LIMITED

18 Directors remuneration

	31 Dec 1994 £000	25 Dec 1993 £000
Emoluments excluding pension contributions and performance related bonus	331	426
Performance related bonus	72	119
Pension contributions	30	43
	<hr/> 433	<hr/> 588

Emoluments of the chairman and highest paid director are as follows:

	31 Dec 1994 £000		25 Dec 1993 £000	
	Chairman	Highest paid Director	Chairman	Highest paid Director
	£000	£000	£000	£000
Emoluments excluding pension contributions and performance related bonus	-	75	-	70
Performance related bonus	-	19	-	25
Pension contributions	-	7	-	5
	<hr/> -	<hr/> 101	<hr/> -	<hr/> 100

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	31 Dec 1994 No	25 Dec 1993 No
£nil - £ 5,000	6	3
£40,001 - £45,000	-	1
£70,001 - £75,000	1	2
£75,001 - £80,000	2	-
£80,001 - £85,000	-	1
£85,001 - £90,000	1	1
£90,000 - £95,000	1	2

CLAREMONT GARMENTS LIMITED

18 Directors remuneration (continued)

The performance related bonus scheme is based upon the achievement of earnings per share targets which are established by the Remuneration Committee of Claremont Garments (Holdings) plc, the parent company.

19 Staff Costs

	31 Dec 1994	25 Dec 1993
The average weekly number of employees during the year was made up as follows:	No.	No.
Production	3,536	3,477
Distribution	65	58
Administration	318	281
	<hr/> 3,919	<hr/> 3,816
	31 Dec 1994 £000	25 Dec 1993 £000
Staff costs during the year amounted to:		
Wages and salaries	33,092	32,020
Social Security costs	2,725	2,851
Other pension costs	223	217
	<hr/> 36,040	<hr/> 35,088

CLAREMONT GARMENTS LIMITED

NOTES TO THE ACCOUNTS *at 31 December 1994*

20 Pension commitments

The company operates two defined benefit pension schemes which are funded by the payment of contributions to separately administered trust funds. The regular costs of these schemes are attributed to individual years using the projected unit method. Variations in pension costs which are identified as a result of actuarial valuations are amortised over the average expected remaining working lives of employees. The contributions to these schemes are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit credit method.

The most recent valuation for the Claremont Garments (Holdings) Pension Scheme was conducted on 31 July 1991. The major assumptions used were that the annual investment return would be 9% and that the annual increase in salaries would be 7%. The valuation showed the market value of the scheme assets to be £2,346,000. The actuarial value of the assets was sufficient to cover 197% of the benefits that had accrued to members after allowing for the effect of future increases in earnings. Surpluses disclosed by the valuation are being allocated towards the reduction of employer contributions below the long-term rate implied by the above assumptions.

The most recent valuation for the Claremont Garments (J&J) Pension Scheme was conducted on 1 January 1991. The major assumptions used were that the investment earnings would be 10% and that the annual increase in salaries would be 8%. The valuation showed the market value of the scheme assets to be £1,613,079. The actuarial value of the assets was sufficient to cover 130% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Differences between the amounts funded and the amounts charged to the profit and loss account are treated as an accrual in the balance sheet.

The total pension charge for the period was £223,000 (Dec 1993 £217,000).

22 Ultimate parent company

The ultimate parent company, for which group accounts are drawn up and of which the company is a member, is Claremont Garments Holdings plc, incorporated in England.

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