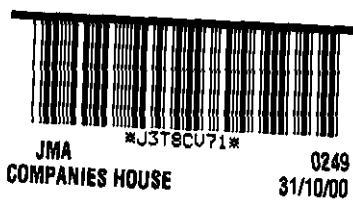


Claremont Garments Limited

Report and Accounts

31 December 1999



Registered number 2429682

Claremont Garments Limited
Company Information

Directors

C T Cattermole

M A Clarke (appointed 23 February 2000; resigned 17 April 2000)

S M Dring (resigned 23 June 1999)

S A Jenkins (resigned 28 May 1999)

S K Kelly (appointed 23 June 1999; resigned 23 February 2000)

M Pitsillos (appointed 7 June 1999)

M Sherwin (resigned 18 June 1999)

R J Thompson (appointed 28 May 1999)

Secretary and Registered Office

C T Cattermole

13/14 Margaret Street

London

W1A 3DA

Auditors

PricewaterhouseCoopers

Victoria House

76 Milton Street

Nottingham

NG1 3QY

Claremont Garments Limited

Directors' Report

The directors present their report and audited accounts for the year ended 31 December 1999.

Principal activities and review of the business

The company's principal activity during the period continued to be the design, manufacture and supply of garments for sale almost exclusively to Marks and Spencer plc. On 1 January 1999, the company's casualwear business and assets were transferred into Courtaulds Textiles (Holdings) Limited, a fellow subsidiary undertaking of Courtaulds Textiles plc, the ultimate parent undertaking.

Results and dividends

The retained profit for the period of £1,503,000 (1998: loss of £21,931,000) has been transferred from reserves. The directors do not recommend the payment of a dividend (1998: £nil).

Directors

The directors who served during the year are noted on page 1.

As at the balance sheet date, no director held any beneficial interest in the company. The interests of the directors in office at the balance sheet date and their families in the share capital of the ultimate holding company, Courtaulds Textiles plc were as follows:

Courtaulds Textiles plc 25 pence ordinary shares	1999		1998	
	Shareholding	Executive Options	Shareholding	Executive Options
C T Cattermole	1,377	47,500	1,200	32,500
M Pitsillos	-	7,500	-	-
R J Thompson	-	7,500	-	-

Options have been granted under the Courtaulds Textiles Executive Share Options Scheme II (at subscription prices of 333p, 336p, 182p and 141p). At the date of their respective appointments, M Pitsillos and R J Thompson held no beneficial interests. The shareholdings of C T Cattermole ceased on 9 May 2000. All options were exercised between 9 May 2000 and 30 June 2000. No further changes occurred in these interests before 20 October 2000.

Employees and employment practices

The company's objective is to employ appropriately skilled people and provide them with an employment environment in which they can maximise their contribution to the business. It continues to place considerable importance at all levels on training and development.

The emphasis on raising the number and quality of technical people in the company continues. Employees are encouraged to develop their careers across the Courtaulds Textiles plc group and are offered challenging, international employment opportunities. The company's policy is to encourage employment applications from all sections of the community, including disabled people, and to support and assist the retention of disabled and other employees through training, development and career progression. There is a continued focus on initiatives to measure and improve individual performance. The Courtaulds Textiles European Works Council, which this year took place in June, is proving to be a valuable forum for employee involvement.

Employees are kept informed of matters of concern to them by means of frequent newflashes and an in-house magazine published every two months. Consultation with staff and their representatives is carried out in a variety of ways on an ongoing basis.

Year 2000

The company's Year 2000 compliance programme for IT systems and other electronic chip-based technology was successfully completed, with only a few minor issues arising. Those that did arise were swiftly dealt with under the extensive support programme and did not cause any disruption.



C T Cattermole
Director and Secretary

20 October 2000

Claremont Garments Limited
Statement of Directors' Responsibilities

The directors are required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year. Following discussions with the auditors, the directors consider that in preparing the accounts on pages 5 to 14, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Going Concern

The directors are required to prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

Claremont Garments Limited
Auditors' Report

Auditors' report to the shareholders of Claremont Garments Limited

We have audited the accounts on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report including, as described on page 3, the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information required by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

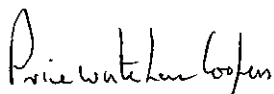
Basis of opinion

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 the company's affairs as at 31 December 1999 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Nottingham

20 October 2000

Claremont Garments Limited
Profit and Loss Account
for the year ended 31 December 1999

	Notes	1999 £000	1998 £000
Turnover	2	72,614	119,347
Cost of sales	2	(61,597)	(115,297)
Gross profit		<u>11,017</u>	<u>4,050</u>
Net operating expenses	2	(8,437)	(13,259)
Other operating income	2	14	242
Operating profit	3	<u>2,594</u>	<u>(8,967)</u>
Non-operating exceptional items	4	(1,691)	(12,193)
		<u>903</u>	<u>(21,160)</u>
Net interest payable	7	(28)	(43)
Profit/(loss) before taxation		<u>875</u>	<u>(21,203)</u>
Taxation	8	628	(728)
Retained profit/(loss) for the financial year		<u>1,503</u>	<u>(21,931)</u>

Continuing operations

All of the above results have arisen from continuing operations.

Statement of total recognised gains and losses

There were no recognised gains or losses for the period other than the profit or loss for the periods shown above.

Claremont Garments Limited**Balance Sheet****As at 31 December 1999**

	Notes	1999 £000	1998 £000
Fixed assets			
Tangible assets	9	8,600	11,969
Investments	10	19,774	19,774
		<u>28,374</u>	<u>31,743</u>
Current assets			
Stocks	11	10,607	17,187
Debtors	12	5,447	8,752
Cash at bank and in hand		5	15,284
		<u>16,059</u>	<u>41,223</u>
Creditors: amounts falling due within one year	13	(63,021)	(90,869)
Net current liabilities		<u>(46,962)</u>	<u>(49,646)</u>
Total assets less current liabilities		<u>(18,588)</u>	<u>(17,903)</u>
Creditors: amounts falling due after more than one year	14	(406)	(547)
Provisions for liabilities and charges	16	(2,679)	(4,726)
		<u>(21,673)</u>	<u>(23,176)</u>
Capital and reserves - equity			
Called up share capital	17	-	-
Profit and loss account	18	(21,673)	(23,176)
Shareholders' funds	18	<u>(21,673)</u>	<u>(23,176)</u>

Approved by the board on 20 October 2000.


R J Thompson
Director

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

1 Accounting policies

Basis of preparation

The directors of the parent company, Claremont Garments (Holdings) plc have confirmed their intention to provide continuing support to the operations of this company for the foreseeable future. As a result, these accounts have been prepared on a going concern basis.

Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The company is exempt by virtue of section 228 of the Companies Act 1985 from the requirement to prepare group accounts.

Investments held as fixed assets

Provision is made for any diminution of value of the investments in subsidiary undertakings only where it is considered by the directors to be permanent.

Tangible assets and depreciation

Tangible assets are stated at cost to the company. Depreciation is calculated on a straight line basis so as to write off the cost of the various assets over the period of their expected useful lives. The rates of depreciation vary between 1% and 6% on buildings and between 10% and 20% on plant and equipment. Capital grants are treated as deferred income and are transferred to the profit and loss account over the expected useful lives of the relevant assets.

Stock valuation

Stocks are valued at the lower of cost and net realisable value. Cost includes factory overheads.

Deferred taxation

Deferred taxation is provided only in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that there is a reasonable probability that deferred taxation will crystallise in the foreseeable future.

Foreign currencies

All assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or at forward contracted rates where applicable. Exchange gains and losses are dealt with in the Profit and Loss Account.

Leasing

Assets acquired under finance leases have been recorded in the Balance Sheet as tangible fixed assets at their equivalent capital value and are depreciated over the expected useful life of the asset. The corresponding liability has been recorded as a loan creditor and the interest element of the lease payments is charged to the Profit and Loss Account over the period of the lease. Operating lease rentals are charged to the Profit and Loss Account as incurred.

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

1 Accounting policies (continued)

Pensions

Details of the pension schemes operated by the company are provided in note 20. Contributions to defined contribution schemes are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. Contributions to defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the company.

Turnover

Turnover represents sales to customers at invoiced amounts less value added tax.

2 Analysis of operations

	1999	1998
	£000	£000
Sales	72,614	119,347
Cost of sales	(61,597)	(115,297)
Gross profit	<u>11,017</u>	<u>4,050</u>
Distribution costs	(2,447)	(2,157)
Administrative expenses	(5,990)	(11,102)
Other operating income	14	242
Net operating expenses	<u>(8,423)</u>	<u>(13,017)</u>
Operating profit/(loss)	<u>2,594</u>	<u>(8,967)</u>

3 Operating profit/(loss)

1999
£000

1998
£000

These figures are stated after charging/(crediting):

Wages and salaries	16,918	21,966
Social security costs	1,300	1,836
Other pension costs	367	476
Depreciation of owned fixed assets	1,133	2,449
Depreciation of assets held under finance leases	16	238
Loss on sale of fixed assets	175	-
Operating lease rentals - plant and machinery	344	84
Operating lease rentals - land buildings	52	214
Auditors' remuneration	<u>14</u>	<u>20</u>

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

4 Non-operating exceptional items - continuing	1999	1998
	£000	£000
Reorganisation and closure costs	1,691	4,529
Write down of fixed assets	-	7,664
	<u>1,691</u>	<u>12,193</u>

The reorganisation and closure costs in 1999 relate to the closure of a factory as part of the ongoing restructuring programme referred to in note 16.

The exceptional fixed asset write down in 1998 reflects the results of a fixed asset verification exercise performed during the year. The reorganisation and closure costs in 1998 represent the costs associated with the closure of three factories following the acquisition of the Claremont group by Courtaulds Textiles plc in October 1998, together with other unrecognised liabilities identified on acquisition.

5 Directors' emoluments	1999	1998
	£000	£000
Emoluments	<u>-</u>	<u>357</u>
Highest paid director: Emoluments	<u>-</u>	<u>105</u>
Highest paid director: Accrued retirement benefits from defined benefit pension schemes	<u>-</u>	<u>30</u>
Number of directors accruing benefits under defined benefit Defined benefit schemes	<u>-</u>	<u>5</u>

6 Employees	1999	1998
	No.	No.
Average number of employees during the year	<u>1,721</u>	<u>2,135</u>

7 Net interest payable	1999	1998
	£000	£000
Interest payable - finance leases	30	55
Interest receivable	(2)	(12)
	<u>28</u>	<u>43</u>

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

8 Taxation

	1999	1998
	£000	£000
UK corporation tax at 30.25% (1998: 31%)	(158)	10
Advanced corporation tax written off	(273)	718
Deferred taxation	(197)	-
	<u>(628)</u>	<u>728</u>

The taxation credit relating to exceptional items is £nil (1998 :£nil).

9 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 1 January 1999	6,435	19,655	26,090
Additions	-	493	493
Disposals	<u>(1,910)</u>	<u>(2,685)</u>	<u>(4,595)</u>
At 31 December 1999	<u>4,525</u>	<u>17,463</u>	<u>21,988</u>
Depreciation			
At 1 January 1999	11	14,110	14,121
Charge for the year	61	1,088	1,149
Disposals	<u>(13)</u>	<u>(1,869)</u>	<u>(1,882)</u>
At 31 December 1999	<u>59</u>	<u>13,329</u>	<u>13,388</u>
Net book value			
At 31 December 1999	<u>4,466</u>	<u>4,134</u>	<u>8,600</u>
At 31 December 1998	<u>6,424</u>	<u>5,545</u>	<u>11,969</u>

Plant and machinery held under finance leases:

	1999	1998
	£000	£000
Cost	848	848
Accumulated depreciation	<u>(848)</u>	<u>(832)</u>
Net book value	<u>-</u>	<u>16</u>

The net book value of land and buildings comprises:

	1999	1998
	£000	£000
Freehold	3,572	4,952
Long leasehold	<u>893</u>	<u>1,472</u>
	<u>4,465</u>	<u>6,424</u>

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

10 Investments

**Investments in
subsidiary
undertakings
£000**

Cost

At 31 December 1999 and 31 December 1998

19,774

The company holds the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%	Nature of business
D&H Cohen Limited	Scotland	Ordinary	100	Property holding
J&J Fashions Limited	England	Ordinary	100	Non-trading
J&J Fashions International Limited	England	Ordinary	100	Non-trading
Taylor Merrymade Limited	England	Ordinary	100	Non-trading
Mainstream Fashions Limited	England	Ordinary	100	Non-trading

11 Stocks

**1999
£000**

**1998
£000**

Raw materials and consumables
Work in progress
Finished goods and goods for resale

3,526

4,924

2,899

3,947

4,182

8,316

10,607

17,187

12 Debtors

**1999
£000**

**1998
£000**

Trade debtors
Amounts owed by group undertakings
Other debtors
Corporation tax
Prepayments and accrued income

1,458

2,604

3,099

5,734

362

-

273

-

255

414

5,447

8,752

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

13 Creditors: amounts falling due within one year

	1999	1998
	£000	£000
Bank loans and overdrafts	-	325
Finance leases	64	138
Trade creditors	6,874	10,851
Amounts owed to group undertakings	49,261	67,820
Corporation tax	-	71
Other taxes and social security costs	3,240	5,137
Other creditors	1,426	2,092
Accruals and deferred income	2,156	4,435
	<u>63,021</u>	<u>90,869</u>

Included within accruals is £1,352,000 (1998: £1,352,000) in respect of pension contributions charged to the profit and loss account in advance of their being payable to the pension scheme.

14 Creditors: amounts falling due after one year

	1999	1998
	£000	£000
Finance leases	<u>406</u>	<u>547</u>

15 Obligations under finance leases and hire purchase contracts

	1999	1998
	£000	£000
Amounts payable:		
Within one year	64	138
Within two to five years	78	344
After five years	328	203
	<u>470</u>	<u>685</u>

16 Provisions for liabilities and charges

	Restructuring Provision £000
At 1 January 1999	4,726
Charged to the profit and loss account	1,551
Utilised during the year	(2,731)
Group transfers	(867)
	<u>2,679</u>
At 31 December 1999	

No potential deferred taxation liability arising from an excess of capital allowances claimed over depreciation charged has been included in these accounts due to the availability of tax losses brought forward.

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

17 Share capital	1999 No.	1998 No.	1999 £	1998 £
Authorised, issued and fully paid				
Ordinary shares of £1 each	100	100	<u>100</u>	<u>100</u>

18 Reconciliation of shareholders' funds and movement on reserves

	Profit and Loss Account £000
At 31 December 1998	(23,176)
Profit for the financial year	<u>1,503</u>
At 31 December 1999	<u>(21,673)</u>

19 Capital commitments

	1999 £000	1998 £000
Amounts contracted for but not provided	<u>185</u>	<u>-</u>

20 Pension commitments

Up until 1 January 1999 the company operated a defined benefit pension scheme funded by the payment of contributions to a separately administered trust fund. The regular costs of the scheme 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. Contributions to the scheme 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 1 April 1997. The major assumptions 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 £7,538,000. The actuarial value of the assets was sufficient to cover 83% of the benefits that had accrued to members after allowing for the effect of future increases in earnings.

Deficits disclosed by the valuation are being reduced by an increase of employer contributions above the long term rate implied by the above assumptions. The result of the valuation on a discontinuance basis show that the actual value of the assets cover 106% of the discontinuance liabilities.

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

As of 1 January 1999 the scheme was merged with the Courtaulds Textiles UK Pension Scheme, details of which are contained within the Courtaulds Textiles plc group accounts for the year ended 31 December 1999.

The total pension charge for the period was £367,000 (1998: £494,000).

Claremont Garments Limited
Notes to the Accounts
for the year ended 31 December 1999

21 Other financial commitments

At the period end the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	1999	1998	1999	1998
	£000	£000	£000	£000
Operating leases which expire:				
within one year	45	-	160	63
within two to five years	45	-	198	694
in over five years	381	76	-	-
	<u>471</u>	<u>76</u>	<u>358</u>	<u>757</u>

22 Cashflow statement

As the company is a wholly owned subsidiary of Courtaulds Textiles plc, a company registered in England and Wales, which prepares a consolidated cashflow statement, the company has taken advantage of the exemption provided under FRS 1 (Revised 1996) not to prepare a cashflow statement.

23 Ultimate parent undertaking

Claremont Garments Limited is wholly owned by Claremont Garments (Holdings) plc, which in turn is a subsidiary undertaking of Courtaulds Textiles plc, registered in England and Wales. At the balance sheet date Courtaulds Textiles plc was the ultimate controlling party. As of 9 May 2000, the ultimate controlling party became Sara Lee Corporation, incorporated in the United States of America.

The company has taken advantage of the exemption conferred by FRS 8 Related Party Disclosures not to disclose transactions with fellow group undertakings, 90% or more of whose voting rights are controlled by the group.

The largest and the smallest group in which the results of the company are consolidated as at the balance sheet date is that headed by Courtaulds Textiles plc, a company registered in England and Wales. Copies of the Courtaulds Textiles plc group accounts can be obtained from:

13/14 Margaret Street
 London
 W1A 3DA