

Company Registration Number SC128179

**THE HAWICK CASHMERE COMPANY
LIMITED
ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2003**



THE HAWICK CASHMERE COMPANY LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

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THE HAWICK CASHMERE COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The Board of Directors

Lord Sanderson of Bowden
J A Thomson
C D R Sanderson
J M Didsbury
E E S Young
G E Thomson
G J B Algie (retired 2 April 2004)
P H Reddihough
G R C Wood
A L Lauder (appointed 12 May 2004)

Company Secretary

J M Didsbury

Registered Office

Trinity Mills
Duke Street
Hawick
TD9 9QA

Auditors

Chiene & Tait, CA
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

The Bank of Scotland PLC
228 Kilmarnock Road
Glasgow
G43 1TS

Solicitors

Shepherd and Wedderburn WS
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2ET

THE HAWICK CASHMERE COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2003.

Principal activities and business review

The principal activity of the company during the year was the manufacture and sale of knitwear.

As a result of decisions made by the Board of Directors in Autumn 2002, the company has made good progress in addressing issues regarding product mix and cost base, which is reflected in improved margins and profitability in 2003.

The year ended 31 December 2003, saw further retail expansion, as we continue to believe that control of our own retail distribution is a vital element of our future success. To that end we opened additional shops in Baden-Baden in May 2003, and St. Moritz in July 2003. The trading results of St. Moritz in particular have been extremely encouraging for the business.

A future vital element of the business is the continued need to invest in up to date knitting technology and to that end, the company has invested, and continues to invest, in state of the art whole garment knitting machines.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2003 £	2002 £
Dividends paid on ordinary shares	<u>44,000</u>	<u>45,100</u>

The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 December 2003	At 1 January 2003
Lord Sanderson of Bowden	23,400	23,400
J A Thomson	97,708	97,708
C D R Sanderson	74,800	74,800
J M Didsbury	2,500	2,500
E E S Young	6,000	6,000
G E Thomson	—	—
G J B Algie	—	—
P H Reddihough	80,500	80,500
G R C Wood	70,000	70,000
A L Lauder	—	—

Directors' responsibilities

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

- select suitable accounting policies, as described on pages 8 to 9, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume

THE HAWICK CASHMERE COMPANY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2003

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 financial statements comply with the Companies Act 1985. The directors 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.


Purchase of own shares

During the year 10,000 Ordinary shares of £1 each were purchased by the company for £41,000. The purchased shares represented 2% of the share capital prior to the purchase.

Auditors

A resolution to re-appoint Chiene & Tait, CA as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed by order of the directors



J M Didsbury
Company Secretary

Approved by the directors on 12 MAY 2004

THE HAWICK CASHMERE COMPANY LIMITED

INDEPENDENT AUDITORS' REPORT TO THE COMPANY

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 17, together with the financial statements of the company for the year ended 31 December 2003 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of the directors and the auditors

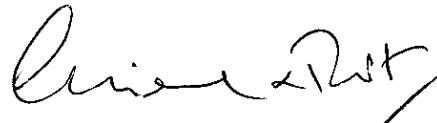
The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act, and the abbreviated accounts on pages 5 to 17 are properly prepared in accordance with those provisions.



CHIENE & TAIT, CA

Registered Auditors

61 Dublin Street

Edinburgh

EH3 6NL

26 May, 2004

THE HAWICK CASHMERE COMPANY LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2003

	Note	2003 £	2002 £
Gross profit		2,024,708	1,492,746
Distribution costs		732,739	594,153
Administrative expenses		993,568	768,137
Operating profit	2	298,401	130,456
Income from fixed asset investments	5	15,059	—
Interest receivable		6,211	347
Interest payable	6	(87,350)	(80,015)
Profit on ordinary activities before taxation		232,321	50,788
Tax on profit on ordinary activities	7	63,442	17,292
Profit on ordinary activities after taxation		168,879	33,496
Dividends	8	44,000	45,100
Retained profit/(loss) for the financial year		124,879	(11,604)

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 17 form part of these abbreviated accounts.

THE HAWICK CASHMERE COMPANY LIMITED

ABBREVIATED BALANCE SHEET

31 DECEMBER 2003

	Note	£	2003 £	2002 £
Fixed assets				
Tangible assets	9		1,106,872	1,154,184
Investments	10		39,444	9,141
			<u>1,146,316</u>	<u>1,163,325</u>
Current assets				
Stocks	11	1,764,273		1,694,007
Debtors	12	2,053,074		1,129,689
Cash at bank and in hand		142,477		295,270
			<u>3,959,824</u>	<u>3,118,966</u>
Creditors: amounts falling due within one year	13	<u>2,427,087</u>		<u>1,704,765</u>
Net current assets			<u>1,532,737</u>	<u>1,414,201</u>
Total assets less current liabilities			<u>2,679,053</u>	<u>2,577,526</u>
Creditors: amounts falling due after more than one year	14		<u>430,262</u>	<u>410,497</u>
			<u>2,248,791</u>	<u>2,167,029</u>
Provisions for liabilities and charges				
Deferred taxation	18		118,632	120,749
			<u>2,130,159</u>	<u>2,046,280</u>
Capital and reserves				
Called-up equity share capital	20		400,000	410,000
Share premium account	21		110,000	110,000
Capital redemption reserve	21		25,000	15,000
Profit and loss account	21		1,595,159	1,511,280
Shareholders' funds	21		<u>2,130,159</u>	<u>2,046,280</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on the 12 May 2004 and are signed on their behalf by:



Lord Sanderson of Bowden



J A Thomson

The notes on pages 8 to 17 form part of these abbreviated accounts.

THE HAWICK CASHMERE COMPANY LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2003

	Note	£	2003 £	2002 £
Net cash (outflow)/inflow from operating activities	22		(334,472)	886,608
Returns on investments and servicing of finance				
Income from other fixed asset investments		15,059		—
Interest received		6,211		347
Interest paid		(73,006)		(63,948)
Interest element of hire purchase and finance lease		(14,344)		(16,067)
Net cash outflow from returns on investments and servicing of finance			(66,080)	(79,668)
Taxation			(16,241)	(57,747)
Capital expenditure				
Payments to acquire tangible fixed assets		(164,716)		(211,131)
Receipts from sale of fixed assets		29,831		898
Net cash outflow from capital expenditure			(134,885)	(210,233)
Acquisitions and disposals				
Acquisition of shares in group undertakings		(30,303)		(50)
Net cash outflow from acquisitions and disposals			(30,303)	(50)
Equity dividends paid			(44,000)	(45,100)
Cash (outflow)/inflow before financing			(625,981)	493,810
Financing				
Purchase of own equity shares		(10,000)		—
Premium on purchase of own equity shares		(31,000)		—
Repayment of bank loans		128,189		(22,684)
Capital element of hire purchase and finance lease		(52,883)		(43,915)
Net (outflow)/inflow from long-term accruals		(19,723)		43,966
Net cash inflow/(outflow) from financing			14,583	(22,633)
(Decrease)/increase in cash	23		(611,398)	471,177

The notes on pages 8 to 17 form part of these abbreviated accounts.

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 4% straight line
Plant & Machinery	- 15% reducing balance
Fixtures & Fittings	- 15% reducing balance and 25% straight line
Motor Vehicles	- 25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax is provided on the liability method to take account of timing differences between the treatment for certain items for accounts purposes and the treatment for tax purposes. Tax deferred is accounted for in respect of all material timing differences. Deferred tax assets are only recognised to the extent that they are regarded as recoverable.

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

1. Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward currency contract rate.

Derivative instruments

The group uses derivative financial statements to reduce exposure to foreign exchange risk. The group does not hold or issue derivative financial instruments for speculative purposes.

For a forward foreign exchange contract to be treated as a hedge the instrument must be related to actual foreign currency assets or liabilities or to a probable commitment. It must involve the same currency as the hedged item and must reduce the risk of foreign currency exchange movements on the companies operations. Gains and losses arising on these contracts are deferred and recognised in the profit and loss account only when the hedged transaction has itself been reflected in the companies financial statements.

If an instrument ceases to be accounted for as a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

2. Operating profit

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Depreciation	145,671	144,256
Depreciation of assets held under hire purchase and finance lease agreements	30,647	40,548
Loss on disposal of fixed assets	5,879	4,481
Auditors' remuneration		
- as auditors	9,125	9,200
Operating lease costs:		
Land and buildings	12,500	-
Plant and equipment	6,468	6,752

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

3. Particulars of employees

The average number of staff employed by the company during the financial year amounted to:

	2003 No	2002 No
Production	127	145
Administrative	13	13
Retail	29	26
	<u>169</u>	<u>184</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	2,419,147	2,399,606
Social security costs	172,509	170,044
Other pension costs	111,942	91,525
	<u>2,703,598</u>	<u>2,661,175</u>

4. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2003 £	2002 £
Emoluments receivable	<u>521,837</u>	<u>460,693</u>

Emoluments of highest paid director:

	2003 £	2002 £
Total emoluments (excluding pension contributions):	<u>85,505</u>	<u>67,426</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003 No	2002 No
Money purchase schemes	<u>6</u>	<u>6</u>

5. Income from fixed asset investments

	2003 £	2002 £
Income from other fixed asset investments	<u>15,059</u>	<u>—</u>

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

6. Interest payable

	2003 £	2002 £
Interest payable on bank borrowing	73,006	63,948
Finance charges	14,344	16,067
	<u>87,350</u>	<u>80,015</u>

7. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003 £	2002 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	67,066	17,748
Over/under provision in prior year	(1,507)	1,091
Total current tax	<u>65,559</u>	<u>18,839</u>
Deferred tax:		
Decrease in deferred tax provision	(2,117)	(1,547)
Tax on profit on ordinary activities	<u>63,442</u>	<u>17,292</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2002 - 19.25%).

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>232,321</u>	<u>50,788</u>
Profit/(loss) on ordinary activities by rate of tax	69,696	9,777
Expenses not deductible for tax purposes	9,174	2,694
Depreciation in advance of capital allowances	(322)	8,512
Revenue expenditure capitalised	—	(3,235)
Marginal relief	(6,964)	—
Over provision in prior year	(1,507)	1,091
Sundry tax adjusting items	(4,518)	—
Total current tax (note 7(a))	<u>65,559</u>	<u>18,839</u>

8. Dividends

The following dividends have been paid in respect of the year:

	2003 £	2002 £
Dividend paid on ordinary shares	<u>44,000</u>	<u>45,100</u>

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost					
At 1 January 2003	411,763	1,533,190	287,038	11,769	2,243,760
Additions	—	141,160	23,556	—	164,716
Disposals	—	(59,581)	(7,896)	—	(67,477)
At 31 December 2003	411,763	1,614,769	302,698	11,769	2,340,999
Depreciation					
At 1 January 2003	110,048	855,437	119,187	4,904	1,089,576
Charge for the year	15,271	103,724	54,381	2,942	176,318
On disposals	—	(26,477)	(5,290)	—	(31,767)
At 31 December 2003	125,319	932,684	168,278	7,846	1,234,127
Net book value					
At 31 December 2003	286,444	682,085	134,420	3,923	1,106,872
At 31 December 2002	301,715	677,753	167,851	6,865	1,154,184

Hire Purchase and finance lease agreements

Included within the net book value of £1,106,872 is £156,991 (2002 - £210,356) relating to assets held under hire purchase agreements, and £3,923 (2002 - £6,865) relating to assets held under finance lease agreements. The depreciation charged in the year in respect of assets held under hire purchase agreements amounted to £27,705 (2002 - £37,606), and £2,942 (2002 - £2,942) in respect of assets held under finance lease agreements.

10. Investments

Investment in group undertakings

	£
Cost	
At 1 January 2003	9,141
Additions	30,303
At 31 December 2003	39,444
Net book value	
At 31 December 2003	39,444
At 31 December 2002	9,141

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

10. Investments (continued)

The above investments are represented by:

100% of the issued share capital of Hawick Cashmere SARL, a company registered in Switzerland. It operates shops in Geneva, St Moritz and Villars, Switzerland.

100% of the issued share capital of Hawick Cashmere GMBH, a company registered in Germany. It operates a shop in Baden-Baden, Germany. The shares in this company were acquired during the year.

50% of the issued share capital of Lucien Pellat-Finet (Scotland) Limited, a company incorporated in Scotland. It operates from within Hawick Cashmere's own shop in Edinburgh.

	2003 £	2002 £
Aggregate capital and reserves		
Hawick Cashmere SARL	46,540	45,540
Hawick Cashmere GMBH	28,859	—
Lucien Pellat-Finet (Scotland) Limited	100	100
Profit and (loss) for the year		
Hawick Cashmere SARL	832	18,337
Hawick Cashmere GMBH	(6,353)	—
Lucien Pellat-Finet (Scotland) Limited	—	—

11. Stocks

	2003 £	2002 £
Raw materials	187,748	227,833
Work in progress	401,646	419,891
Finished goods	1,174,879	1,046,283
	<u>1,764,273</u>	<u>1,694,007</u>

12. Debtors

	2003 £	2002 £
Trade debtors	1,193,782	805,086
Amounts owed by group undertakings	784,551	262,271
Other debtors	74,741	62,332
	<u>2,053,074</u>	<u>1,129,689</u>

Included in amounts owed by group undertakings loans receivable for more than one year of £179,616 (2002: £nil).

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

13. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	1,523,959	1,032,224
Trade creditors	445,289	358,904
Corporation tax	67,066	17,748
Other taxation and social security	60,649	52,261
Hire Purchase and finance lease agreements	55,570	52,882
Other creditors	28,199	26,442
Accruals and deferred income	246,355	164,304
	<u>2,427,087</u>	<u>1,704,765</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2003 £	2002 £
Bank loans and overdrafts	<u>1,523,959</u>	<u>1,032,224</u>

14. Creditors: amounts falling due after more than one year

	2003 £	2002 £
Bank loans and overdrafts	272,639	177,580
Hire Purchase and finance lease agreements	92,714	148,285
	<u>365,353</u>	<u>325,865</u>
Accruals and deferred income	64,909	84,632
	<u>430,262</u>	<u>410,497</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2003 £	2002 £
Bank loans and overdrafts	<u>272,639</u>	<u>177,580</u>

15. Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

	2003 £	2002 £
Amounts repayable:		
In one year or less or on demand	113,055	79,925
In more than one year but not more than two years	88,348	84,380
In more than two years but not more than five years	133,705	93,199
In more than five years	50,586	—
	<u>385,694</u>	<u>257,504</u>

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

16. Commitments under hire purchase and finance lease agreements

Future commitments under hire purchase and finance lease agreements are as follows:

	2003 £	2002 £
Amounts payable within 1 year	55,570	52,882
Amounts payable between 1 and 2 years	58,258	55,571
Amounts payable between 3 and 5 years	34,456	92,714
	<u>148,284</u>	<u>201,167</u>

17. Pensions

The company operates a defined contribution pensions scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

The pension charge for the period was £111,942 (2002: £91,525). At 31 December 2003 contributions of £4,358 (2002: £4,454) were payable to the fund and are included within creditors.

18. Deferred taxation

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	120,749	122,296
Profit and loss account movement arising during the year	(2,117)	(1,547)
Provision carried forward	<u>118,632</u>	<u>120,749</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	118,632	120,749
	<u>118,632</u>	<u>120,749</u>

19. Commitments under operating leases

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	7,875	—	7,200	—
Within 2 to 5 years	31,050	6,477	13,300	6,477
After more than 5 years	55,000	—	72,750	—
	<u>93,925</u>	<u>6,477</u>	<u>93,250</u>	<u>6,477</u>

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

20. Share capital

Authorised share capital:

	2003 £	2002 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2003 No	£	2002 No	£
Ordinary shares of £1 each	<u>400,000</u>	<u>400,000</u>	<u>410,000</u>	<u>410,000</u>

On 21 August 2003 10,000 ordinary shares of £1 each were purchased by the company for £41,000. The purchased shares represented 2% of the share capital prior to the purchase.

21. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss account £	Total share- holders' funds £
Balance brought forward at 1 January 2002	410,000	110,000	15,000	1,522,884	2,057,884
Loss for the year	—	—	—	(11,604)	(11,604)
Balance brought forward at 1 January 2003	410,000	110,000	15,000	1,511,280	2,046,280
Retained profit for the year	—	—	—	124,879	124,879
Other movements					
Purchase of own shares	(10,000)	—	10,000	(41,000)	(41,000)
Balance carried forward at 31 December 2003	<u>400,000</u>	<u>110,000</u>	<u>25,000</u>	<u>1,595,159</u>	<u>2,130,159</u>

22. Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2003 £	2002 £
Operating profit	298,401	130,456
Depreciation	176,318	184,804
Loss on disposal of fixed assets	5,879	4,481
(Increase)/decrease in stocks	(70,266)	33,912
(Increase)/decrease in debtors	(923,385)	552,693
Increase/(decrease) in creditors	178,581	(19,738)
Net cash (outflow)/inflow from operating activities	<u>(334,472)</u>	<u>886,608</u>

THE HAWICK CASHMERE COMPANY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

YEAR ENDED 31 DECEMBER 2003

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

	£	2003 £	2002 £
(Decrease)/increase in cash in the period	(611,398)		471,177
Net cash (inflow) from/outflow from bank loans	(128,189)		22,684
Cash outflow in respect of hire purchase and finance lease	52,883		43,915
Net cash outflow from/(inflow) from long-term accruals	19,723		(43,966)
		(666,981)	493,810
Change in net debt		(666,981)	493,810
Net debt at 1 January 2003		(1,200,333)	(1,222,463)
Net debt at 31 December 2003		(1,867,314)	(1,200,333)

24. Analysis of changes in net debt

	At 1 Jan 2003 £	Cash flows £	At 31 Dec 2003 £
Net cash:			
Cash in hand and at bank	295,270	(152,793)	142,477
Overdrafts	(952,299)	(458,605)	(1,410,904)
	(657,029)	(611,398)	(1,268,427)
Debt:			
Debt due within 1 year	(79,925)	(33,130)	(113,055)
Debt due after 1 year	(262,212)	(75,336)	(337,548)
Hire Purchase and finance lease agreements	(201,167)	52,883	(148,284)
	(543,304)	(55,583)	(598,887)
Net debt	(1,200,333)	(666,981)	(1,867,314)

25. Capital Commitments

Amounts contracted for but not provided for in the financial statements amounted to £2,965 (2002: Nil)