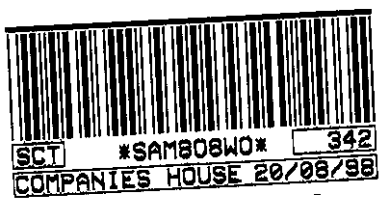
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Robertson of Dumfries Limited

Annual Report
for the year ended 31 January 1997

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Robertson of Dumfries Limited

Directors and Advisors

Directors	**S Angelino** **A L Butler**
Secretary and registered office	**A L Butler** **Belle Vue Street** **Dumfries** **DG1 3EL**
Auditors	**Armstrong Watson & Co** **Fairview House** **Victoria Place** **Carlisle** **CA1 1HP**
Solicitors	**Maclay Murray & Spens** **3 Glenfinlas Street** **Edinburgh** **EH3 6AQ**
Bankers	**Banca Sella SPA** **Via Italia 2** **13900** **Biella** **Italy**

Robertson of Dumfries Limited
Directors' Report
for the year ended 31 January 1997

The directors present their report and the audited financial statements for the year ended 31 January 1997.

Principal Activities

The principal activities of the company are the manufacture and wholesale of what is perceived to be Scotland's finest knitwear for ladies and gentlemen.

Review of the Business

Trading results for the year ended 31/01/97 showed a great improvement on previous years, due to the implementation of more efficient control on both production and administration.
However, an insignificant trading loss has to be reported. Fundamental changes to the administration controls highlighted and subsequently resulted in the company having to write off historical debts of £802,000, thus generating a total loss of £882,000.
Nevertheless, the efficiency achieved during the year should reflect in future improved results, notwithstanding that the company recognises difficulties associated with adverse currency fluctuations at this point in time, that could undermine the improvements gained to date.

Freehold land and buildings
The freehold land and buildings were revalued and the increased £100,000 valuation was added to the Property Revaluation Reserve. This heritable property is not depreciated because, in the opinion of the directors, the residual value of the property is not less than current valuation.

Directors
The current directors of the company are listed on page 1.

Directors Interests
The directors did not hold any interests in the share capital of the company at 31 January 1997.

The following directors were appointed and resigned during the financial year:

	Date of Appointment	Date of Resignation
PJK Sheffield	10.5.96	
N McDougall		12.6.96

The following directors have been appointed/resigned after the end of the financial year:

	Date of Appointment	Date of Resignation
AL Butler	26.2.97	
PJK Sheffield		28.5.97
G Kennon		30.5.97
JJ Hayward		29.07.97

On 26 February 1997, AL Butler was appointed company secretary following JJU Hayward's resignation on the same date.

Taxation status
The company is a close company as defined by the provision of the Income and Corporation Taxes Act 1988. There has been no change in this respect since the end of the financial year.

Robertson of Dumfries Limited
Directors' Report
for the year ended 31 January 1997 (continued)

Directors' responsibility

The directors are required by UK company law to prepare financial statements 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 of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 January 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

A resolution to appoint RMT Fava & Co. will be proposed at the annual general meeting.

By order of the Board



S Angelino
Chairman & Chief Executive

AUDITORS REPORT TO THE SHAREHOLDERS OF ROBERTSON OF DUMFRIES LIMITED

We have audited the financial statements on pages 5 to 16 which have been prepared under the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company, 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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the continued support of Robertson of Dumfries srl. (formerly Elba International S.p.A.) and Banca Sella. The financial statements have been prepared on a going concern basis, the validity of which depends on the continued support of Banca Sella which we have been unable to establish. The financial statements do not contain any adjustments that would result from a failure to obtain such continued support.

Details of the circumstances relating to this fundamental uncertainty are described in note 1. Our opinion is not qualified in this respect.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from the non-disclosure of ultimate controlling party

The financial statements do not contain details of the ultimate controlling party as required by Financial Reporting Standard No. 8 Related Party Disclosures. The directors' are unwilling to disclose this information and in our opinion this information is necessary for a proper understanding of the company's state of affairs and loss.

Except for the failure to provide information about the company's ultimate controlling party in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st January 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Armstrong Watts

Carlisle

Date 18th August, 1998

ARMSTRONG WATSON & CO.
Chartered Accountants and
Registered Auditors

Robertson of Dumfries Limited

Profit and Loss Account for the year ended 31 January 1997

	Notes	1997 £'000	1996 £'000
Turnover	3	5368	5601
Cost of sales		(4,151)	(3,971)
Gross Profit		1217	1630
Operating Expenses	4	(1,873)	(1,706)
Operating Loss		(656)	(76)
Interest payable	5	226	231
Loss on ordinary activities before taxation	6	(882)	(307)
taxation	8	0	0
Retained loss for the year		(882)	(307)

Statement of total recognised gains and losses

	1997 £'000	1996 £'000
Loss for the financial year	(882)	(307)
Unrealised surplus on revaluation of property	100	0
Total recognised gains and losses since last annual report	(782)	(307)

All amounts relate to continuing operations.
There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historic equivalents.

The notes on pages 9 to 16 form part of these accounts.

Robertson of Dumfries Limited

Balance Sheet as at 31 January 1997

	Notes	1997 £'000	1996 £'000
Fixed Assets			
Tangible assets	12	1,308	1,215
Current assets			
Stock	13	1,193	967
Debtors	14	1,419	2,407
Cash in hand		5	2
		2,617	3,376
Creditors: amounts falling due within one year	15	1,947	2,761
Net current assets		670	615
Total assets less current liabilities		1,978	1,830
Creditors: amounts falling due in more than one year	15	2,937	2,007
Net liabilities		(959)	(177)
Capital and reserves			
Called up share capital	16	162	162
Revaluation reserve	17	400	300
Profit and loss account	17	(1,521)	(639)
Total shareholders' funds	18	(959)	(177)

The financial statements on pages 5 to 16 were approved by the Board of Directors on 3/7/98 and were signed on its behalf by: Mr. AL Butler



The notes on pages 9 to 16 form part of these accounts.

Robertson of Dumfries Limited

Cash Flow Statement for the year ended 31st January 1997

	1997 £'000	1996 £'000
Net Cash (Outflow) from Operating Activities	(399)	(10)
Returns on Investment & Servicing of Finance		
Interest received	0	0
Interest paid	(226)	(231)
Net Cash (Outflow) from Returns on Investment and Servicing of Finance	(226)	(231)
Taxation		
Corporation Tax repaid	131	0
Tax Repaid	131	0
Capital Expenditure and Financial Investment		
Payments to acquire tangible fixed assets	(158)	(60)
Receipts from sales of tangible fixed assets	20	28
Net Cash (Outflow) from Investing Activities	(138)	(32)
Net Cash (Outflow) before Financing	(632)	(273)
Financing		
Net loan movement	923	917
Net Cash Inflow from Financing	923	917
Increase in Cash during the year	£291	£644

Robertson of Dumfries Limited

Notes to the Cash Flow Statement
For the Year Ended 31st January 1997

1 Reconciliation of Operating (Loss) to Net Cash (Outflow) from Operating Activities

	1997 £'000	1996 £'000
Operating (Loss)	(656)	(76)
Depreciation Charges	145	151
Loss on sale of tangible fixed assets	0	4
(Increase) in stocks	(226)	(7)
Decrease in Debtors	858	219
(Decrease) in creditors	(520)	(301)
Net cash (outflow) from operating activities	(399)	(10)

2 Reconciliation of Net Cashflow to Movement in Net Debt

	1997 £'000	1996 £'000
Increase in cash	291	644
Cashflow from change in HP financing	48	84
Cashflow from change in loan financing	(971)	(1,001)
Movement in net debt in the year	(632)	(273)
Net debt brought forward	(3,191)	(2,918)
Net debt carried forward	(3,823)	(3,191)

3 Analysis of Net Debt

	At 01/02/96 £'000	Cash Flow £'000	At 31/01/97 £'000
Cash at bank and in hand	2	3	5
Bank Overdraft	(1,106)	288	(818)
	(1,104)	291	(813)
HP Creditors	(232)	48	(184)
Loan Creditor	(1,855)	(971)	(2,826)
	(3,191)	(632)	(3,823)

Notes to the financial statements for the year ended 31 January 1997

1 Basis of preparing the financial statements - going concern assumption

The Directors have negotiated banking support from Banca Sella in Biella, Italy. On this basis the Directors consider that it is appropriate to prepare the financial statements on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of Elba International SPA, who guarantee the loans made to Robertson of Dumfries Limited by the Banca Sella.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, and to provide for further liabilities that might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

2 Accounting policies

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

Basis of Accounting

The accounts have been prepared under the historical cost convention as modified to include the revaluation of properties and plant.

Turnover and cost of sales

Turnover represents the goods value of merchandise sold, excluding VAT. Cost of sales is the cost of manufacture including applicable labour and overheads.

Tangible fixed assets

Tangible fixed assets are shown at valuation or subsequent historical cost as set out in note 11.

Freehold land and buildings are not depreciated. It is policy to maintain the properties in a state of good repair to prolong their useful lives and the Directors consider that the lives of the properties and their residual values are such that their depreciation is not significant.

Motor vehicles are included in plant and fittings and are depreciated over 4 years. Computers are depreciated over 5 years. All other assets are depreciated over 10 years. Depreciation is on a straight line basis.

2 Accounting policies (continued)

Stocks

Stocks of merchandise, materials and work in progress are valued at the lower of cost, including attributable overheads, and net realisable value.

Taxation

Corporation tax is provided on taxable profits at the current rate.

Deferred taxation is provided at the rate of corporation tax ruling in the years in which liabilities are expected to arise on the excess of the capital allowance over the depreciation provided in the accounts and other timing differences.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. The tax benefits arising from group relief are recognised in the accounts of the surrendering and receiving companies.

Foreign currencies

Profit and loss items are translated at appropriate average rates and assets and liabilities are translated at the rates ruling at the end of the year.

Finance leases

Assets held under finance leases are initially reported at the present value of the minimum lease payments at the inception of the lease with an equivalent liability categorised under creditors. Such assets are depreciated over their estimated useful lives as the directors are of the opinion that the assets will be operating within the business on a basis not unlike assets of a similar nature which have been held in excess of 10 years.

Pension scheme

Contributions are paid into a defined benefit scheme operated by the company for all eligible employees and charged to profit and loss in accordance with the recommendations of independent actuaries. The scheme was made paid up in September, 1997 and a money purchase scheme was established in its place.

3 Turnover

	1997 £'000	1996 £'000
United Kingdom	245	865
Rest of Europe	4826	4519
North America	232	161
Far East	64	51
Rest of World	1	5
	5368	5601

4 Operating expenses

	1997 £'000	1996 £'000
Selling costs	650	725
Administration expenses	1223	981
	1873	1706

Included within operating expenses are exceptional costs of £28,000 (1996 £96,500). The costs in the year relate entirely to terminating early the contract of one of the company's directors (1996 to the reduction of staff numbers).

5 Interest payable

	1997 £'000	1996 £'000
On bank loans and overdraft	212	215
On finance leases	14	16
	226	231

6 Loss on ordinary activities

Loss on ordinary activities is stated after charging / (crediting)

	1997 £'000	1996 £'000
Depreciation of plant and fittings	145	151
Hire of plant & machinery	0	0
Loss on disposal of tangible fixed assets	0	4
Auditors' remuneration - audit fees	10	13
Foreign currency gain	(300)	(42)

7 Deferred taxation

In these accounts no provision has been made for the deferred tax asset arising due to the losses incurred.

8 Taxation

Adjustment of current taxation in respect of prior years:		
Deferred taxation	0	(5)
Advance corporation tax written off	0	5
	0	0

8 Taxation (continued)

The taxation charge which is based on the losses for the year is made up as follows:-

	1997 £'000	1996 £'000
UK Corporation tax at 25% (1996 : 25%)	0	0
Deferred taxation	0	(51)
Advance corporation tax written off	0	51
Amount provided at 31 January 1997	0	0

9 Employees

The average number of persons employed by the company, including Executive Directors, during the year is analysed below:-

	1997 Number	1996 Number
Selling and administration	27	27
Production	123	144
	150	171

Employment costs during the year amounted to:

	1997 £'000	1996 £'000
Wages and salaries	1852	1904
Social security costs	125	142
Other pension costs	90	98
	2067	2144

10 Directors' Emoluments

	1997 £'000
Total Directors Remuneration including pensions	179

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	£'000	£'000
The Chairman	24	27
The highest paid Director	80	80

The emoluments of the Directors (excluding pension contributions) fell within the following ranges:

	1997 Number	1996 Number
£75,001 to £80,000	1	
£65,001 to £70,000		1
£35,001 to £40,000		1
£30,001 to £35,000	1	1
£25,001 to £30,000		1
£20,001 to £25,000	2	
£10,001 to £15,000	1	

11 Dividends

	1997 £'000	1996 £'000
Final dividend paid	0	0

12 Tangible fixed assets

	Freehold Land & Buildings £'000	Plant & Fittings £'000	Total £'000
Cost or valuation			
At 1 February 1996	300	1357	1657
Additions		158	158
Revaluation	100		100
Disposals		(33)	(33)
At 31 January 1997	400	1482	1882
Depreciation			
At 1 February 1996	0	442	442
Charge for year	0	145	145
Eliminated on disposal	0	(13)	(13)
At 31 January 1997	0	574	574
Net book value			
At 31 January 1997	400	908	1308
Net book value			
At 31 January 1996	300	915	1,215

The following assets held under hire purchase or finance leases are in above figures:

Cost or valuation			
At 1 February 1996	-	430	430
Additions	-	0	0
Disposals	-	(10)	(10)
At 31 January 1997	-	420	420
Depreciation			
At 1 February 1996	-	89	89
Charge for year	-	35	35
Eliminated on disposal	-	0	0
At 31 January 1997	-	124	124
Net book value			
At 31 January 1997	-	296	296
Net book value			
At 31 January 1996	-	341	341

The Freehold land and buildings were valued on 5th May 1998 by Carigiet & Cowan, Chartered Surveyors on an Open Market Capital Value at £400,000.

13 Stock

	1997 £'000	1996 £'000
The categories of stock are:-		
Raw materials	682	528
Work in progress	102	169
Finished goods	409	270
	1193	967

14 Debtors: amounts falling due within one year

	1997 £'000	1996 £'000
Trade Debtors	1355	2067
Corporation tax recoverable	1	132
Other debtors	27	84
Prepayments	36	49
	1419	2332
Debtors: amounts falling due after one year.		
Amount due from fellow subsidiary company	0	75
Total Debtors	1419	2407

15 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Trade creditors	814	1036
Hire purchase and finance lease creditor	73	80
Other taxation and social security costs	68	109
Other creditors	13	183
Accruals	161	247
Bank overdrafts (Note 18)	818	1106
	1947	2761
Creditors: amounts falling due within 2-5 years		
Amount due to parent company	2826	1855
Hire purchase and finance lease creditors	111	152
	2937	2007

15 Creditors: (continued)

Hire purchase and finance lease creditors

	1997 £'000	1996 £'000
Repayable as follows:		
In one year or less	73	80
Between one year and two years	88	71
Between two and five years	23	81
	184	232

16 Called up share capital

	1997 £'000	1996 £'000
Authorised		
Ordinary shares of £1 each	200	200
Issued, called up and fully paid		
Ordinary shares of £1 each	162	162

17 Reserves

	Profit & Loss A/C £'000	Revaluation Reserve £'000
At 1 February 1996	(639)	300
Movement during year	(882)	100
At 31 January 1997	(1,521)	400

18 Reconciliation of movements in shareholders' funds

	1997 £'000	1996 £'000
At 1 February 1996	(177)	130
Revaluation of Property	100	0
Loss for year	(882)	(307)
	(959)	(177)

19 Guarantees

The bank borrowings are guaranteed by Robertson of Dumfries S.r.l. (formely Elba International SpA) who holda first standard security and a floating charge over Robertson of Dumfries Limited.

20 Pensions

The company established its pension scheme on 1 June 1992. The scheme provides benefits based on final pensionable pay and is open to all eligible employees of the company. The scheme is non-contributory and the assets of the scheme are held separately from those of the company.

The contributions are determined by a qualified actuary using the projected unit method. The funding rate has been revised to 10.6% following the completion of the most recent actuarial revaluation.

The pension charge for the period was £90,452 (1996: £98,083)

The first actuarial revaluation to meet the requirements of Standard Accounting Practice 24 (Accounting for Pension Costs) was carried out as at 31 March 1995. This indicated that the market value of the assets of the scheme was £830,000 at that date, giving a surplus of £95,000 over the scheme's liabilities. The market value of the scheme at 31/03/98 was £1,218,748, and it was estimated that the scheme would be in surplus since no salary increases had taken place since the last actuarial valuation. The scheme was made paid up on 1st September 1997, when it was replaced by a Group Personal Pension scheme, to which the company contributes 6% of wages.

21 Subsequent Events

In May 1997 a further loan of £1.2 million was made by Elba International SPA, a shareholder of the company's holding company, Drumohr Holdings Limited. This loan was additional to a previous loan of £1 million advanced in February 1996. In June 1997 Elba International SPA called in the loans and Drumohr Holdings Limited was placed in receivership. On July 1, 1997 Robertson of Dumfries Limited was sold to Cashmeres of Scotland Limited, a company registered in Scotland. The inter-company loan between Robertson of Dumfries Limited and Drumohr Holdings Limited was transferred from Drumohr Holdings Limited to Cashmeres of Scotland Limited as part of that transaction.

22 Ultimate Holding Company

The company is now a wholly owned subsidiary of Cashmeres of Scotland Limited, a company registered in Scotland whose shares are owned by Trading and Industrial Developments Enterprises SA a company registered in Luxembourg.
The first set of consolidated accounts for the holding company will be prepared to 31st December 1997 and when completed can be obtained from the secretary, Belle Vue Street, Dumfries DG1 3EL.