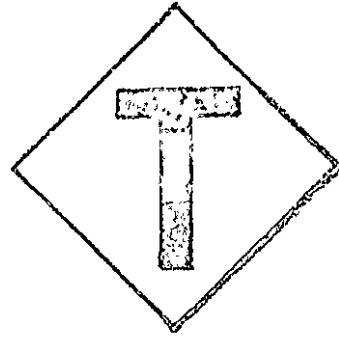


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THE ISLE MILL LIMITED



REPORT AND FINANCIAL STATEMENTS
JANUARY 31, 1982

ARTHUR YOUNG McCLELLAND MOORES & CO.
CHARTERED ACCOUNTANTS
PERTH.



THE ISLE MILL LIMITED

1.

REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report and financial statements for the year to January 31, 1982.

1. Results

The loss for the year after taxation, was £4,241 which, as the directors recommend that no dividend be paid, is to be deducted from retained profits.

2. Holding company

The company is a wholly owned subsidiary of A. & J. Macnaughton Limited, a company incorporated in the United Kingdom.

3. Principal activity

The company has continued weaving operations at the factory in Aberdeen.

4. Directors

The following constitute the present board of directors:-

R. W. Young	B. C. Macnaughton	J. C. Gilchrist
B. W. M. Johnston	Mrs. E. R. Macnaughton	D. P. McDonald

Mr. R. W. Young and Mr. J. C. Gilchrist retire by rotation and are eligible for re-election.

5. Auditors

A resolution to re-appoint as auditors Thomson McLintock & Co., will be put to the members at the Annual General Meeting.

attn J. C. Gilchrist M. C. Gilchrist

Secretaries

PERTH, July 1, 1982

THE ISLE MILL LIMITED

2.

PROFIT AND LOSS ACCOUNT FOR THE YEAR
ENDED JANUARY 31, 1982

	<u>Notes</u>	<u>1982</u>		<u>1981</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Turnover	2	<u>£127,249</u>		<u>£150,234</u>
(Loss) before taxation		(10,574)		(5,164)
after charging:				
Directors' remuneration	3	3,740	3,400	
Depreciation		3,745	479	
Audit fee		<u>400</u>	<u>225</u>	
Taxation	4	<u>(6,333)</u>		<u>(23,978)</u>
Retained (loss)/profit for year		(4,241)		18,814
Retained profit brought forward		<u>52,032</u>		<u>33,218</u>
Retained profit carried forward		<u>£ 47,791</u>		<u>£ 52,032</u>

The notes on pages 5 to 8 form part of these financial statements

3.

	<u>Notes</u>		<u>1982</u>	<u>1981</u>
		£	£	£
Fixed assets	5		23,115	27,121
 Current assets:				
Stock and work-in-progress		50,920		56,397
Debtors less provisions		2,394		3,074
Balance due by fellow subsidiary		12,716		10,661
Bank and cash		17		3,678
		66,047		73,810
 Current liabilities:				
Creditors		19,183		29,655
Bank overdraft (secured)		8,991		-
Balance due to holding company		1,055		6,056
		29,229		35,711
Net current assets			36,818	38,079
Deferred taxation	7	4,664	59,933	65,220
Deferred government grants	8	1,478	6,142	1,739
			£53,791	£58,032
 Representing:				
Share capital	9		6,000	6,000
Retained profit			47,791	52,032
			£53,791	£58,032

 Director)
 Director)

July 1, 1982

The notes on pages 5 to 8 form part of these financial statements

THE ISLE MILL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED JANUARY 31, 1982

4.

	£	<u>1982</u> £	<u>1981</u> £
Source of funds:			
Total generated from operations (per note)		-	8,328
Funds from other sources:			
Proceeds on sale of fixed assets		-	194
Government grants on fixed assets transferred from group companies		-	<u>1,739</u>
		-	10,261
Application of funds:			
Total absorbed by operations (per note)		(1,281)	-
Purchase of fixed assets, including transfers from group companies		-	<u>26,052</u>
Decrease in working capital		<u>£ (1,281)</u>	<u>£ (15,791)</u>
Components of decrease in working capital:			
Stocks		(5,477)	(18,997)
Debtors		(680)	(446)
Creditors		10,472	(21,408)
Inter company balances		<u>7,056</u>	<u>(4,198)</u>
		11,371	(45,049)
Movement in net liquid funds:			
Bank and cash	(3,661)		3,660
Bank overdraft	<u>(8,991)</u>		<u>25,598</u>
		<u>(12,652)</u>	<u>29,258</u>
		<u>£ (1,281)</u>	<u>£ (15,791)</u>
Note:-			
Net (loss)/profit after taxation		(4,241)	18,814
Adjustments for items not involving the movement of working capital:			
Depreciation		3,745	469
Deferred taxation		<u>(785)</u>	<u>(10,955)</u>
Total (absorbed by)/generated from operations		<u>£ (1,281)</u>	<u>£ 8,328</u>

The notes on pages 5 to 8 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS AT JANUARY 31, 1982

These financial statements have been prepared in compliance with Section 149A of and Schedule 8A to the Companies Act, 1948.

1. Accounting policiesa) Depreciation

The company's policy is to provide depreciation on plant and machinery at 15% on the reducing balance method. No depreciation is now provided on mill fixtures and fittings, office and showroom equipment or mill furnishings, as these are considered to be written down to their estimated residual values.

b) Stocks

Stocks and work-in-progress have been valued at the lower of cost and net realisable value. Cost comprises (a) cost of direct materials and (b) factory wages. Factory overheads are included in finished products. Net realisable value is defined as the estimated selling price less further costs expected to be incurred to completion and disposal.

c) Deferred taxation

Deferred taxation is provided on the liability method on all short-term timing differences. Provision is also made for long-term timing differences, except for those which are not expected to reverse in the future.

Losses for tax purposes carried forward are deducted from the above.

d) Government grants

Grants are credited to reserves and written off against depreciation over the useful life of the asset.

2. Turnover

Turnover represents invoiced sales of goods and services sold, excluding value added tax.

3. Directors' remuneration

	<u>1982</u>	<u>1981</u>
	£	£
Directors' fees	440	400
Other emoluments	<u>3,300</u>	<u>3,000</u>
	<u>£3,740</u>	<u>£3,400</u>

Included in the above are the emoluments of the chairman £220 (1981 - £200) and the emoluments of the highest paid director £2,200 (1981 - £2,000).

The number of other directors whose emoluments fell within the following range were:

	<u>1982</u>	<u>1981</u>
Nil to £5,000	4	5

THE ISLE MILL LIMITED

6.

NOTES TO THE FINANCIAL STATEMENTS AT JANUARY 31, 1982
(continued)

4. Taxation

The taxation charge is made up as follows:

	<u>1982</u>	<u>1981</u>
	<u>£</u>	<u>£</u>
Based on the results of the year:		
Loss surrendered to holding company and fellow subsidiary company @ 40% (1981 - 40%)	(5,548)	(11,084)
Deferred tax @ 40% (1981 - 40%)	<u>(785)</u>	<u>6,958</u>
	(6,333)	(4,126)
Deferred tax:		
Effect of proposed changes to stock relief rules	-	(18,365)
Adjustment for change in rate	<u>-</u>	<u>452</u>
	(6,333)	(22,039)
Underprovision in prior year for loss surrendered	<u>-</u>	<u>(1,939)</u>
	<u>£(6,333)</u>	<u>£(23,978)</u>

Losses estimated at approximately £5,300 are available for carry forward against future profits for corporation tax purposes.

The amount receivable in respect of group relief for the year is after taking credit for £1,999 (1981 - £2,056) in respect of stock relief.

5. Fixed assets/

THE ISLE MILL LIMITED

7.

NOTES TO THE FINANCIAL STATEMENTS AT JANUARY 31, 1982 (continued)

5. Fixed assets

	<u>Plant & mach- inery</u> £	<u>Mill fixtures & fittings</u> £	<u>Office and showroom equipment</u> £	<u>Mill furn- ishings</u> £	<u>Total</u> £
Cost:					
At Feb. 1, 1981	<u>44,899</u>	<u>383</u>	<u>268</u>	<u>100</u>	<u>45,650</u>
At Jan. 31, 1982	<u>44,899</u>	<u>383</u>	<u>268</u>	<u>100</u>	<u>45,650</u>
Depreciation:					
At Feb. 1, 1981	18,168	183	178	-	18,529
Provided during the year	<u>4,006</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,006</u>
At Jan. 31, 1982	<u>22,174</u>	<u>183</u>	<u>178</u>	<u>-</u>	<u>22,535</u>
Net book amounts:					
At Jan. 31, 1982	<u>£22,725</u>	<u>£200</u>	<u>£ 90</u>	<u>£100</u>	<u>£23,115</u>
At Feb. 1, 1981	<u>£26,731</u>	<u>£200</u>	<u>£ 90</u>	<u>£100</u>	<u>£27,121</u>

6. Contingent liability

The bank holds guarantees and letters of offset granted by the company, its fellow subsidiary The House of Edgar (Woollens) Limited and its holding company A. & J. Macnaughton Limited. The total overdraft of the group at January 31, 1982 was £119,079.

7. Deferred taxation

Deferred taxation provided in the financial statements and the potential amounts, including the amounts for which provision has been made, are as follows:-

	<u>Provision</u>		<u>Potential</u>	
	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>
	£	£	£	£
Taxation deferred on capital allowances	6,793	7,578	6,793	7,578
Losses for tax purposes carried forward	<u>(2,129)</u>	<u>(2,129)</u>	<u>(2,129)</u>	<u>(2,129)</u>
	<u>£4,664</u>	<u>£5,449</u>	<u>£4,664</u>	<u>£5,449</u>

8. Deferred government grants

	<u>Government and investment grants</u> £
At February 1, 1981	1,739
Credited to depreciation	<u>261</u>
At January 31, 1982	<u>£1,478</u>

THE ISLE MILL LIMITED

NOTES TO THE FINANCIAL STATEMENTS AT JANUARY 31, 1982
(continued)

8.

9. Share capital

Authorised - 10,000 shares of £1 each

Issued and fully paid - 6,000 ordinary shares of £1 each

There has been no change in the share capital during the year.

10. Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £NIL (1981 - £NIL).

Amounts authorised by the directors but not contracted for were £NIL (1981 - £NIL).

AUDITORS' REPORT TO THE MEMBERS OF
THE ISLE MILL LIMITED

We have audited the financial statements on pages 2 to 8 in accordance with approved auditing standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at January 31, 1982 and of its loss and source and application of funds for the year then ended and comply with the Companies Acts, 1948 to 1981.

Thomson & Co. Chartered Accountants

Chartered Accountants

DUNDEE,

July 1, 1982