

The Isle Mill Limited

**Directors' report and abbreviated
accounts**

Registered number 34369

31 January 2000

DAM.



Contents

Company information	1
Directors' report	2
Report of the auditors to The Isle Mill Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6

Company information

Directors: DJ Stobie, Chairman
BAC Macnaughton, Managing Director
F Stewart
JL Macnaughton
W Wheelan
RM Dempster (appointed 1 May 1999)
DAR Mather (appointed 1 May 1999; resigned 10 September 1999)

Secretary: JL Macnaughton

Registered office: Tower House
Ruthvenfield Road
Inveralmond
Perth
PH1 3UN

Auditors: KPMG
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

Bankers: Clydesdale Bank PLC
23 Methven Street
Perth
PH1 5PQ

Directors' report

The directors present their annual report and the audited accounts for the year ended 31 January 2000.

Principal activity and review of business

The company continues to act as a manufacturer of woven products and as a wholesaler of upholstery and soft furnishing fabrics and accessories.

Substantial investment was made during the year to upgrade manufacturing plant and machinery in Keith. The cost and design benefits of this investment will flow through in subsequent years.

There remains little evidence that the current recession in UK textiles is slackening, nevertheless the company's continued operation in niche markets enabled it to maintain market share although margins were affected by the strength of Sterling. The company's commitment to niche marketing remains strong, and directors are optimistic for the future.

Directors

The directors of the company at the date of this report are shown on page 1.

The interests in the shares of other group companies of BAC Macnaughton and JL Macnaughton are disclosed in the directors' report of the ultimate holding company. None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of group companies.

Auditors

An elective resolution is in force and there is therefore no requirement to re-appoint auditors annually.

By order of the board



JL Macnaughton
Secretary

8 September 2000



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Report of the auditors to The Isle Mill Limited

pursuant to Section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 4 to 13 together with the financial statements of The Isle Mill Limited prepared under Section 226 of the Companies Act 1985 for the year ended 31 January 2000.

Respective responsibilities of the directors and 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 Sections 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 to report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 and the abbreviated accounts are properly prepared in accordance with those provisions.

KPMG
Chartered Accountants
Registered Auditors

8 September 2000

Profit and loss account
for the year ended 31 January 2000

	<i>Note</i>	2000 £	1999 £
Gross profit		629,176	772,626
Administrative expenses		(422,827)	(294,550)
Other operating income		24,901	-
Operating profit	<i>2-4</i>	231,250	478,076
Interest payable	<i>5</i>	(10,789)	(7,923)
Profit on ordinary activities before taxation		220,461	470,153
Taxation	<i>6</i>	(24,105)	(152,816)
Profit for the financial year		196,356	317,337

The above results relate wholly from continuing operations.

A statement of movements on reserves is given in note 15.

There are no recognised gains or losses other than the profit for the financial year.

Balance sheet
at 31 January 2000

	Note	2000		1999	
		£	£	£	£
Fixed assets					
Tangible fixed assets	7	433,444		133,305	
Intangible fixed assets	8	8,000		9,000	
		<u>441,444</u>		<u>142,305</u>	
Current assets					
Stocks	9	1,250,061		1,148,410	
Debtors	10	676,590		448,173	
Cash at bank and in hand		49,156		21,017	
		<u>1,975,807</u>		<u>1,617,600</u>	
Creditors: amounts falling due within one year	11	<u>(944,770)</u>		<u>(673,395)</u>	
Net current assets		<u>1,031,037</u>		<u>944,205</u>	
Total assets less current liabilities		<u>1,472,481</u>		<u>1,086,510</u>	
Creditors: amounts falling due outwith one year	12	<u>(189,615)</u>		<u>-</u>	
		<u>1,282,866</u>		<u>1,086,510</u>	
Capital and reserves					
Called up share capital	14	6,000		6,000	
Profit and loss account	15	1,276,866		1,080,510	
Equity shareholders funds	16	<u>1,282,866</u>		<u>1,086,510</u>	

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium sized companies.

These financial statements were approved by the board of directors on 8 September 2000 and were signed on its behalf by:



BAC Macnaughton
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Intangible fixed assets and amortisation

Intangible fixed assets purchased separately from a business are capitalised at their cost.

Concessions, patents, licences, trademarks, brand names and copyright design purchased by the company are amortised to nil by equal annual instalments over 10 years.

Tangible fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and equipment	-	1 to 15 years
Motor vehicles	-	4 years

Grants

Revenue grants are credited to the profit and loss account when received. Capital grants are deducted from the cost of the related tangible fixed asset.

Pension

A defined contribution pension scheme is in operation covering certain directors and employees. The pension cost charged represents contributions payable by the company.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Notes (continued)

1 Accounting policies (continued)

Leased assets

Payments on operating leases are charged to the profit and loss account in the year in which they become payable. Assets acquired under finance leases or hire purchase contracts are capitalised and outstanding instalments are included in creditors.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Operating profit

	2000 £	1999 £
<i>Operating profit is stated after charging:</i>		
Auditors' remuneration	3,150	2,900
Auditors' remuneration for non-audit work	-	600
Depreciation and other amounts written off tangible and intangible fixed assets:		
- owned	67,538	60,943
- leased	4,726	4,933
Operating lease rentals - other assets	3,528	4,469
<i>and after crediting:</i>		
Gain on sale of fixed assets	439	519

3 Remuneration of directors

	2000 £	1999 £
Directors' emoluments	98,732	109,949
Company contributions to money purchase pension schemes	7,083	8,717
	105,815	118,666

Retirement benefits are accruing to 3 (1999: 2) directors under money purchase schemes.

Notes (continued)

4 Staff costs and numbers

	2000 £	1999 £
Wages and salaries	835,757	727,984
Social security costs	66,151	63,137
Other pension costs	17,534	21,671
	<u>919,442</u>	<u>812,792</u>

The average number of employees (including directors) during the year was as follows:

	2000 No	1999 No
Manufacturing	48	47
Selling	7	5
Office and management	11	7
	<u>66</u>	<u>59</u>

5 Interest payable

	2000 £	1999 £
Inter company bank interest	10,789	7,923

6 Taxation

	2000 £	1999 £
Current year:		
UK corporation tax at an average rate of 21.5% (1999: 31%) on the profits of the year	11,793	152,816
Group relief	15,702	-
	<u>27,495</u>	<u>152,816</u>
Adjustments relating to previous years – corporation tax	(3,390)	-
	<u>24,105</u>	<u>152,816</u>

Notes (continued)

7 Fixed tangible assets

	Motor vehicles £	Plant and equipment £	Total £
<i>Cost</i>			
At 31 January 1999	138,317	205,511	343,828
Additions	-	373,464	373,464
Disposals	(10,495)	(47,201)	(57,696)
At 31 January 2000	127,822	531,774	659,596
<i>Depreciation</i>			
At 31 January 1999	67,208	143,315	210,523
Charge for year	31,956	39,308	71,264
Disposals	(10,495)	(45,140)	(55,635)
At 31 January 2000	88,669	137,483	226,152
<i>Net book value</i>			
At 31 January 2000	39,153	394,291	433,444
At 31 January 1999	71,109	62,196	133,305

Net book value includes £297,050 (1999: £14,802) in respect of assets held under hire purchase contracts and finance leases. Depreciation on these assets for the year amounted to £4,726 (1999: £4,933).

8 Fixed intangible assets

	Brand name and copyright designs £
<i>Cost</i>	
At 31 January 1999 and 2000	10,000
<i>Amortisation</i>	
At 31 January 1999	1,000
Charge for year	1,000
At 31 January 2000	2,000
Net book value at 31 January 2000	8,000
Net book value at 31 January 1999	9,000

Notes (continued)

9 Stocks

	2000 £	1999 £
Raw materials	447,481	411,398
Work-in-progress	193,236	184,011
Finished goods	609,344	553,001
	<u>1,250,061</u>	<u>1,148,410</u>

10 Debtors

	2000 £	1999 £
Trade debtors	342,449	423,912
Amounts owed by group undertakings	312,216	22,957
Other debtors	4,275	1,304
Corporation tax	17,650	-
	<u>676,590</u>	<u>448,173</u>

11 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft	497,513	222,082
Trade creditors	93,917	123,079
Amounts owed to fellow subsidiary undertakings	-	45,575
Corporation tax	-	150,316
Other taxes and social security costs	36,794	19,075
Accruals and other creditors	121,174	75,822
Amounts owed to parent company	163,770	33,546
Finance lease creditors	31,602	3,900
	<u>944,770</u>	<u>673,395</u>

The company has granted a bond and floating charge in security of Group bank borrowings.

Notes (continued)

12 Creditors: amounts falling due outwith one year

	2000 £	1999 £
Finance lease creditors	189,615	-

The maturity of obligations under finance lease is as follows:

	2000 £	1999 £
Within one year	31,602	3,900
In the second to fifth years	126,410	-
Over five years	63,205	-
	<u>221,217</u>	<u>3,900</u>

13 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided:

	2000		1999
	Provided £	Unprovided £	Provided £ Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	-	26,270	- -

14 Called up share capital

	2000 £	1999 £
<i>Authorised</i> 10,000 ordinary shares of £1 each	10,000	10,000
<i>Allotted, called up and fully paid</i> 6,000 ordinary shares of £1 each	6,000	6,000

Notes (continued)

15 Profit and loss account

	£
At 31 January 1999	1,080,510
Retained profit for year	196,356
At 31 January 2000	1,276,866

16 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the financial year	196,356	317,337
Opening shareholders' funds	1,086,510	769,173
Closing shareholders' funds	1,282,866	1,086,510

17 Capital commitments

The company had capital commitments of £nil (1999: £32,010) at the end of the financial year, which are not already provided for in the accounts.

At any time during the year the company is committed to forward contracts for the supply of raw materials.

18 Pension commitments

The company operates a defined contribution pension scheme for certain employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charged represented contributions payable by the company to the fund and amounted to £17,534 (1999: £21,671). Contributions amounting to £4,514 (1999: £nil) were payable to the fund and are included in creditors.

19 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2000 Other £	1999 Other £
Operating leases which expire:		
Within one year	-	3,528
In the second to fifth years inclusive	4,023	-

Notes *(continued)*

20 Guarantee

A cross guarantee exists between all group companies for all sums due to the Clydesdale Bank PLC. At 31 January 2000, group net borrowings amounted to £782,398 (1999: £447,341).

21 Ultimate holding company

The company is a subsidiary undertaking of Macnaughton Holdings Limited registered in Scotland.

The largest group in which the results of the company are consolidated is that headed by Macnaughton Holdings Limited. The consolidated accounts of this company are available to the public and may be obtained from the Registrar of Companies, 37 Castle Terrace, Edinburgh, EH1 2EB. No other group accounts include the results of the company.