

The Isle Mill Limited

**Directors' report and abbreviated
financial statements**

Registered number 34369

31 January 2001

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Company information

Directors: DJ Stobie, Chairman
BAC Macnaughton, Managing Director

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 financial statements for the year ended 31 January 2001.

Principal activity

During the year, the company manufactured woven products and wholesaled upholstery and soft furnishing fabrics and accessories.

The company ceased trading on 31 January 2001.

Business review

Sales increased during the year, with continuing success in North America. Nevertheless, European markets continued to be affected by the strength of the pound, and the domestic market showed signs of flattening out.

The expected savings from the IT re-equipment programme of last year started to flow through, and this trend is expected to continue.

Much work was done during the year in preparation for the adoption of a new Group structure, resulting in the divisionalisation of the parent company and its subsidiaries on 31 January 2001. It is anticipated that the company will benefit from significant administration savings in the medium term.

On 31 January 2001, the trade, assets and liabilities of the company were transferred to Macnaughton Holdings Limited.

Proposed dividend

The directors do not recommend the payment of a final dividend.

Directors and directors' interests

The directors who held office during the year were as follows:

DJ Stobie	
BAC Macnaughton	
RM Dempster	(resigned 31 January 2001)
JL Macnaughton	(resigned 31 January 2001)
F Stewart	(resigned 31 January 2001)
W Wheelan	(resigned 31 January 2001)

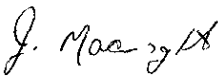
Neither of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company according to the register of directors' interests. The interest of BAC Macnaughton in the shares of the ultimate parent company is disclosed in that company's directors' report.

Neither of the directors had any disclosable interest in the shares of other 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

24 August 2001

Statement of 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 and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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. They have 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.



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 5 to 14 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 2001.

Respective responsibilities of 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 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 to report our opinion to you.

Basis of audit 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

24 August 2001

Profit and loss account
for the year ended 31 January 2001

	<i>Note</i>	2001 £	2000 £
Gross profit		730,856	629,176
Administrative expenses		(504,643)	(422,827)
Other operating income		12,307	24,901
Operating profit		238,520	231,250
Interest receivable	5	5,575	-
Interest payable	6	(27,787)	(10,789)
Profit on ordinary activities before taxation	2-4	216,308	220,461
Taxation	7	(56,802)	(24,105)
Profit for the financial year		159,506	196,356
Accumulated profits brought forward		1,276,866	1,080,510
Dividends	8	1,436,372 (1,436,372)	1,276,866 -
Accumulated profits carried forward		-	1,276,866

The above results relate wholly from continuing operations.

There were no recognised gains or losses other than the profits for the financial years reported above.

Balance sheet
at 31 January 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Intangible assets	9	-	-	8,000	
Tangible assets	10	-	-	433,444	
			-	441,444	
Current assets					
Stocks	11	-	1,250,061		
Debtors	12	6,000	676,590		
Cash at bank and in hand		-	49,156		
		6,000	1,975,807		
Creditors: amounts falling due within one year	13	-	(944,770)		
Net current assets			6,000	1,031,037	
Total assets less current liabilities			6,000	1,472,481	
Creditors: amounts falling due outwith one year	14	-	(189,615)		
Net assets			6,000	1,282,866	
Capital and reserves					
Called up share capital	16	6,000		6,000	
Profit and loss account		-		1,276,866	
Equity shareholders' funds	17	6,000		1,282,866	

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 24 August 2001 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.

As the company is a wholly owned subsidiary of Macnaughton Holdings Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Macnaughton Holdings Limited, within which this company is included, can be obtained from the address given in note 21.

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 designs purchased by the company are amortised to nil by equal annual instalments over 10 years.

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	-	3 to 15 years
Computer equipment	-	3 years
Motor vehicles	-	4 years

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.

Grants

Capital based grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate. Revenue grants are credited to operating profit when received.

Post-retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

Leases

Assets acquired under hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

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.

Turnover

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

Capital and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 Profit on ordinary activities before taxation

	2001	2000
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration – audit	4,572	3,150
Depreciation and other amounts written off tangible and intangible fixed assets:		
- owned	40,583	67,538
- leased	21,333	4,726
Operating lease rentals - other assets	16,320	3,528
<i>after crediting</i>		
Gain on sale of tangible fixed assets	231	439

Notes (continued)

3 Remuneration of directors

	2001 £	2000 £
Directors' emoluments	101,236	98,732
Company contributions to money purchase pension schemes	6,081	7,083

Included within directors' emoluments is an amount of £4,237 paid to a director in respect of services performed for another group undertaking. This director was not a director of that company during the year. The pension contributions paid in respect of these services amounted to £266.

Retirement benefits are accruing to 3 (2000: 3) directors under money purchase pension schemes.

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2001 No	2000 No
Manufacturing	50	48
Selling	7	7
Office and management	10	11
	<u>67</u>	<u>66</u>

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	868,963	835,757
Social security costs	74,300	66,151
Other pension costs (see note 19)	26,171	17,534
	<u>969,434</u>	<u>919,442</u>

5 Interest receivable

	2001 £	2000 £
On bank deposits	5,575	-

6 Interest payable

	2001 £	2000 £
Payable to group undertakings	12,315	10,789
On bank overdraft	3,599	-
On hire purchase contracts	11,873	-
	<u>27,787</u>	<u>10,789</u>

Notes (continued)

7 Taxation

	2001 £	2000 £
UK corporation tax at 20%	56,170	11,793
Group relief	557	15,702
Adjustments relating to previous years: corporation tax	75	(3,390)
	<u>56,802</u>	<u>24,105</u>

8 Dividends

	2001 £	2000 £
Interim dividend	1,436,372	-
	<u>1,436,372</u>	<u>-</u>

9 Intangible fixed assets

	Brand name and copyright designs £
Cost	
At 31 January 2000	10,000
Group transfer	(10,000)
	<u>-</u>
At 31 January 2001	-
Amortisation	
At 31 January 2000	2,000
Charge for the year	1,000
Group transfer	(3,000)
	<u>-</u>
At 31 January 2001	-
Net book value	
At 31 January 2001	-
	<u>-</u>
At 31 January 2000	8,000
	<u>8,000</u>

Notes (continued)

10 Tangible fixed assets

	Motor vehicles £	Plant and equipment £	Total £
Cost			
At 31 January 2000	127,822	531,774	659,596
Additions	-	20,922	20,922
Disposals	(55,523)	(42,680)	(98,203)
Group transfers	(48,289)	(510,016)	(558,305)
At 31 January 2001	24,010	-	24,010
Depreciation			
At 31 January 2000	88,669	137,483	226,152
Charge for the year	12,073	48,843	60,916
Disposals	(33,949)	(4,713)	(38,662)
Group transfers	(42,783)	(181,613)	(224,396)
At 31 January 2001	24,010	-	24,010
Net book value			
At 31 January 2001	-	-	-
At 31 January 2000	39,153	394,291	433,444

Included within the total net book value of plant and equipment is nil (2000: £297,050) in respect of assets held under hire purchase contracts and finance leases. Depreciation on these assets for the year amounted to £21,333 (2000: £4,726).

11 Stocks

	2001 £	2000 £
Raw materials	-	447,481
Work-in-progress	-	193,236
Finished goods	-	609,344
	-	1,250,061

Notes (continued)

12 Debtors

	2001 £	2000 £
Trade debtors	-	342,449
Amounts owed by group undertakings	6,000	312,216
Corporation tax recoverable	-	17,650
Other debtors	-	4,275
	<u>6,000</u>	<u>676,590</u>

13 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank overdraft	-	497,513
Trade creditors	-	93,917
Obligations under hire purchase contracts	-	31,602
Amounts owed to group undertakings	-	163,770
Other taxes and social security	-	36,794
Accruals and other creditors	-	121,174
	<u>-</u>	<u>944,770</u>

14 Creditors: amounts falling due outwith one year

	2001 £	2000 £
Obligations under hire purchase contracts	-	189,615

The maturity of obligations under hire purchase contracts is as follows:

	2001 £	2000 £
Within one year	-	31,602
In the second to fifth years	-	126,410
Over five years	-	63,205
	<u>-</u>	<u>221,217</u>

15 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are as follows:

	2001		2000
	Provided £	Unprovided £	Provided £
Difference between accumulated depreciation and amortisation and capital allowances	-	-	26,270

Notes (continued)

16 Called up share capital

	2001 £	2000 £
Authorised		
Equity: Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
Equity: Ordinary shares of £1 each	6,000	6,000

17 Reconciliation of movement in shareholders' funds

	2001 £	2000 £
Profit for the financial year	159,506	196,356
Dividends	(1,436,372)	-
Net (reduction in) addition to shareholders' funds	(1,276,866)	196,356
Opening shareholders' funds	1,282,866	1,086,510
Closing shareholders' funds	6,000	1,282,866

18 Contingent liabilities

A cross guarantee exists between all group companies for all sums due to the Clydesdale Bank PLC. At 31 January 2001, the net bank borrowings of the group amounted to £171,042 (2000: £782,398).

19 Pension scheme

The company operates a defined contribution pension scheme for certain employees. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £26,171 (2000: £17,534).

Contributions amounting to nil (2000: £4,514) were payable to the fund at the year end and are included in creditors.

Notes (continued)

20 Related party disclosures

The company is controlled by Macnaughton Holdings Limited which is the ultimate parent company.

During the year the company made purchases from Bridgehaugh Limited, an associated undertaking of Macnaughton Holdings Limited. The company also made purchases from John Turnbull & Sons Limited in which Macnaughton Holdings Limited had a 51% interest. The value of the purchases made during the year and balances outstanding at the year end are as follows:

	Purchases 2001 £	Balance due to related party at 31 January 2001 £
Bridgehaugh Limited	125,751	-
John Turnbull & Sons Limited	5,680	-

21 Ultimate parent company

The company is a subsidiary undertaking of Macnaughton Holdings Limited.

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.