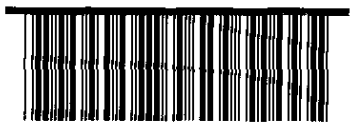
ESA MCINTOSH LIMITED

(COMPANY NO: 90149)

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000



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ESA MCINTOSH LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

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ESA MCINTOSH LIMITED

COMPANY INFORMATION

AS AT 31 DECEMBER 2000

DIRECTORS	RJJ Bell W McColl
COMPANY SECRETARY	W McColl
REGISTERED OFFICE	Mitchelston Drive Kirkcaldy
NUMBER	90149
BANKERS	Bank of Scotland *Carberry Road* Kirkcaldy
SOLICITORS	Pagan Business Law 8 Manor Place Edinburgh
AUDITORS	Springfords Dundas House Westfield Park Eskbank Edinburgh

ESA MCINTOSH LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

PRINCIPAL ACTIVITIES

The profit and loss account for the year is set out on page 5.

The principal activities of the company are the manufacture and supply of educational and domestic furniture.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors are satisfied that the actions taken have resulted in a return to historical levels of profitability.

The directors anticipate this level of profitability to be maintained in the coming year.

DIVIDENDS AND TRANSFER TO RESERVES

During the year the directors paid a dividend of £660,991 (1999: nil).

The retained profit for the year of £270,718 (1999: £53,262) will be transferred to reserves.

DIRECTORS

The directors of the company during the year are listed below:-

R J J Bell
W McColl

DIRECTORS' INTERESTS

The directors, according to the register required to be kept under Section 325 of the Companies Act 1985, did not have at the beginning or end of the year, any interest in the shares of the company. The directors' interests in the share capital of McIntosh 88 Limited are disclosed in the *accounts of that company.*

YEAR 2000 AND THE EURO

No problems have been encountered to date and the directors do not foresee any material problems in the future.

HEALTH AND SAFETY

Strenuous efforts continue to be made throughout the company to improve our good record in this field.

ESA MCINTOSH LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2000

DISABLED PERSONS

The company's policy in respect of the employment of disabled persons is:

a) to give full and fair consideration of all types of vacancies;

b) to retain newly disabled employees wherever possible for rehabilitation and training; and

c) to give equal opportunities for training, career development and promotion and, where applicable, to modify equipment and premises to use special equipment aids or to restructure jobs.

EMPLOYEE INVOLVEMENT

During the year employees have been briefed with information of matters of concern to them regarding the company's activities and progress.

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 of the company 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; 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 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.

AUDITORS

A resolution to re-appoint Springfords as auditors will be proposed at the annual general meeting.

By order of the Board

W McColl
Company Secretary

AUDITORS' REPORT TO THE MEMBERS OF

ESA MCINTOSH LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared under the accounting policies set out on pages 10 to 11.

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.

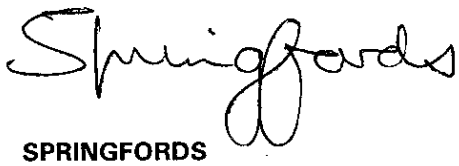
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. 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 company's circumstances, 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



SPRINGFORDS
Chartered Accountants
Registered Auditors

Dundas House
Westfield Park
Eskbank
Edinburgh

28 February 2001

ESA MCINTOSH LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
Turnover		13,316,363	9,060,599
Cost of sales		(9,806,385)	(6,701,250)
Gross profit		3,509,978	2,359,349
Net operating expenses	3	(2,450,638)	(2,055,475)
Operating profit before exceptional items		1,059,340	303,874
Exceptional items	4	-	(101,943)
Profit on ordinary activities before interest		1,059,340	201,931
Interest payable and similar charges	7	(127,631)	(148,669)
Profit on ordinary activities before taxation	8	931,709	53,262
Tax on profit on ordinary activities	9	-	-
Profit on ordinary activities after taxation		931,709	53,262
Dividend paid		(660,991)	-
Retained profit for the financial year	19	270,718	53,262

None of the company's activities were acquired or discontinued during the above two financial years.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the years stated above and their historical cost equivalents.

There are no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

ESA MCINTOSH LIMITED

BALANCE SHEET

AT 31 DECEMBER 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	10	2,939,293	2,960,869
Current assets			
Stocks	11	1,412,599	1,886,756
Debtors	12	1,992,202	1,727,261
Cash at bank and in hand		480	222
		3,405,281	3,614,239
Creditors: amounts falling due within one year	13	2,409,910	2,972,062
Net current assets		995,371	642,177
Total assets less current liabilities		3,934,664	3,603,046
Creditors: amounts falling due after more than one year	14	367,069	306,169
		3,567,595	3,296,877
Capital and reserves			
Called up share capital	18	100,000	100,000
Profit and loss account	19	3,467,595	3,196,877
Equity shareholders' funds	20	3,567,595	3,296,877

The financial statements on pages 5 to 18 were approved by the board of directors on 28 February 2001 and signed on its behalf by:

W McColl
Director

ESA MCINTOSH LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2000

	Notes	2000 £	1999 £
Net cash inflow from continuing operating activities	1	1,650,649	464,387
Returns on investments and servicing of finance	2	(127,632)	(155,156)
Capital expenditure	2	(90,440)	70,615
		1,432,577	379,846
Equity dividend paid		(660,991)	-
Cash inflow before financing	3	771,586	379,846
Financing	2	(56,760)	(123,016)
Increase in cash in the period	3	714,826	256,830
Reconciliation of net cash flow to movement in net debt			
Increase in cash in the period		714,826	256,830
Cash outflow from decrease in lease financing		56,760	123,016
Change in net debt resulting from cash flows		771,586	379,846
New finance lease		(163,402)	-
Movement in net debt in the period		608,184	379,846
Net debt as at 1 January		(1,495,052)	(1,874,898)
Net debt as at 31 December	3	(886,868)	(1,495,052)

ESA MCINTOSH LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2000

1 RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2000 £	1999 £
Continuing operating activities		
Operating profit before exceptional items	1,059,340	303,874
Exceptional items	-	(101,943)
Depreciation on tangible fixed assets	263,929	303,243
Loss on sale of tangible fixed assets	11,487	56,231
Decrease/(increase) in stocks	474,157	(182,586)
(Increase)/decrease in trade debtors	(275,783)	233,577
Decrease in other debtors	10,842	145
Increase/(decrease) in trade creditors	154,042	(254,707)
(Decrease)/increase in other creditors	(47,365)	106,553
Net cash inflow from operating activities	1,650,649	464,387

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest paid	(116,902)	(145,621)
Interest element of finance lease payments	(10,730)	(9,535)
Net cash outflow for returns on investments and servicing of finance	(127,632)	(155,156)
Capital expenditure		
Purchase of tangible fixed assets	(110,940)	(154,735)
Sale of tangible fixed assets	20,500	225,350
Net cash inflow for capital expenditure	(90,440)	70,615
Financing		
Principal payment under finance lease	(56,760)	(123,016)

3 ANALYSIS OF NET DEBT

	At 1 January 2000 £	Cashflow £	Other non cash changes £	At 31 December 2000 £
Cash				
Cash in hand	222	258	-	480
Bank overdraft	(1,445,388)	714,568	-	(730,820)
	(1,445,166)	714,826	-	(730,340)
Debt				
Finance leases	(49,886)	(106,642)	-	(156,528)
Total	(1,495,052)	608,184	-	(886,868)

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been consistently applied, is set out below:

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values on a straight line basis over the expected useful economic lives of the assts concerned.

The principal annual rates used for this purpose are:-

	%
Heritable property	2.5
Fixtures and fittings	10
Motor vehicles	25 to 33.33
Plant and machinery	10 to 33.33
Computer equipment	10 to 33.33

Land is not depreciated.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit on proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

1 PRINCIPAL ACCOUNTING POLICIES (CONT'D)

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Foreign currencies

Assets and liabilities in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial year. Trading activities are translated to sterling at the rate of exchange ruling at the time of the transaction. Any resultant gain or loss on exchange is shown as part of the year's profit or loss from ordinary activities.

Deferred taxation

Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension scheme arrangements

Until 30 April 1999 the company operated a defined benefit pension scheme at which date the scheme was closed. The fund was valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviewed the continuing appropriateness of the rates. Pension costs were accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effect of variations from regular costs were spread over the expected average remaining service lives of members of the scheme.

From 1 May 1999 the company contributes to certain employees' pensions through defined contribution arrangements. The cost of the company's contributions is accounted for as they fall due. The company provides no other post retirement benefits to its employees.

2 SEGMENTAL ANALYSIS

Segmental analysis of the company's operations has not been included as, in the opinion of the directors, such disclosures would be seriously prejudicial to the company's interests.

3 NET OPERATING EXPENSES

	2000 £	1999 £
Distribution costs	909,588	706,100
Administrative expenses	1,541,050	1,349,375
	2,450,638	2,055,475

4 EXCEPTIONAL ITEMS

	2000 £	1999 £
Redundancy and reorganisation costs	-	48,927
Loss on disposal of Ultra Violet production equipment	-	53,016
	-	101,943

5 DIRECTORS EMOLUMENTS

	2000 £	1999 £
Aggregate emoluments	202,792	197,144

The directors do not participate in the company's defined contribution pension arrangements.

	2000 £	1999 £
The highest paid director		
Aggregate emoluments	109,297	99,988

6 EMPLOYEE INFORMATION

The average weekly number of persons employed by the company (including executive directors) during the year was:-

	2000 Number	1999 Number
By activity		
Production	140	133
Selling and distribution	17	19
Administration	14	14
	171	166

	2000 £	1999 £
Staff costs (for the above persons)		
Wages and salaries	3,174,442	2,671,141
Social security costs	321,283	275,457
Pension costs (see note 17)	9,472	18,896
	3,505,197	2,965,494

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2000 £	1999 £
On bank loans, overdrafts and other loans:-		
- Repayable within 5 years, not by instalments	116,901	139,134
- On finance leases	10,730	9,535
	127,631	148,669

8 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2000 £	1999 £
Profit on ordinary activities before tax is stated after charging:-		
Auditor's remuneration	12,500	12,000
Hire of plant and machinery	2,289	976
Other operating lease rentals	143,075	127,965
Depreciation of tangible fixed assets		
- owned by the company	219,960	267,473
- held under finance leases	43,969	35,770
Loss on disposal of tangible fixed assets	11,487	61,581

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no taxation charge due to the availability of tax losses carried forward of approximately £6.5m (1999: £7.8m).

10 TANGIBLE FIXED ASSETS

	Heritable property £	Plant, machinery fixtures & fittings £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation					
At 1 January 2000	1,911,924	2,199,268	242,052	649,857	5,003,101
Additions	-	32,434	180,658	61,248	274,340
Disposals	-	-	(103,645)	-	(103,645)
At 31 December 2000	1,911,924	2,231,702	319,065	711,105	5,173,796
Depreciation					
At 1 January 2000	175,695	1,391,597	171,310	303,630	2,042,232
Disposals	-	-	(71,658)	-	(71,658)
Charge for year	35,289	116,806	54,739	57,095	263,929
At 31 December 2000	210,984	1,508,403	154,391	360,725	2,234,503
Net book value					
At 31 December 2000	1,700,940	723,299	164,674	350,380	2,939,293
At 31 December 1999	1,736,229	807,671	70,742	346,227	2,960,869

The net book value of tangible fixed assets includes an amount of £246,731 (1999: £282,642) in respect of assets held under finance leases.

11 STOCKS AND WORK IN PROGRESS

	2000 £	1999 £
Raw materials	507,715	589,424
Work in progress	519,271	935,275
Finished goods	385,613	362,057
	1,412,599	1,886,756

12 DEBTORS

	2000 £	1999 £
Amounts falling due within one year:-		
Trade debtors	1,912,561	1,636,778
Other debtors	79,641	90,483
	1,992,202	1,727,261

13 CREDITORS: Amounts falling due *within one year*

	2000 £	1999 £
Bank overdraft	730,820	1,445,388
Trade creditors	628,324	473,115
Bills of exchange payable	49,391	50,558
Obligations under finance leases	76,346	30,604
Other taxation and social security	274,983	282,427
Other creditors	6,563	9,718
Accruals and deferred income	643,483	680,252
	2,409,910	2,972,062

The bank overdraft is secured by a bond and floating charge over the assets of the company.

14 CREDITORS: Amounts falling after more than one year

	2000 £	1999 £
Holding company loan	286,887	286,887
Obligations under finances leases (due within 5 years)	80,182	19,282
	367,069	306,169

The holding company loan is interest free and there are no fixed repayment terms.

15 OBLIGATIONS UNDER FINANCE LEASES

The net finance lease obligations to which the company is committed are:-

	2000 £	1999 £
In one year or less	76,346	30,604
Between one and two years	80,182	19,282
	156,528	49,886

16 DEFERRED TAXATION

There is no unprovided deferred taxation.

17 PENSIONS

Until 30 April 1999 the company participated in a pension scheme operated by Friends Provident Corporate Pensions Limited which provided benefits based on a final pensionable salary. The assets of the scheme are held separately from those of the company. The scheme was closed at that date. From 1 May 1999 the company contributes to employees' pensions through defined contribution arrangements. The company's professional advisers are currently arranging for the transfer values of individual employees to be computed and provisions to be made appropriate to the winding up of the scheme. Taking account of the realisable value of the assets of the scheme it is not likely that any material further contributions will be required by the company to meet its statutory and other obligations.

The pension cost under the new pension arrangements in the year was £9,472 (1999 - £5,327).

18 CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised:		
500,000 ordinary shares of £1 each	500,000	500,000
Allotted, called up and fully paid:		
100,000 ordinary shares of £1 each	100,000	100,000

19 RESERVES

	Profit & loss account £
At 1 January 2000	3,196,877
Retained profit for the year	270,718
At 31 December 2000	3,467,595

20 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2000 £	1999 £
Profit for the financial year	931,709	53,262
Dividend paid	(660,991)	-
Net addition to shareholders' funds	270,718	53,262
Opening shareholders' funds	3,296,877	3,243,615
Closing shareholders' funds	3,567,595	3,296,877

21 FINANCIAL COMMITMENTS

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:-

	2000 £	1999 £
Expiring within one year	-	1,940
Expiring between two and five years inclusive	30,444	20,274
	30,444	22,214

22 CONTINGENT LIABILITIES

The company has in the ordinary cause of business entered into arrangements in respect of performance bonds.

23 ULTIMATE PARENT COMPANY

The directors regard McIntosh 88 Limited as the ultimate parent company, a company registered in England and Wales. Copies of that company's financial statements are available from the Registrar of Companies in Cardiff. The company has Net Assets of £286,999.

24 CONTROL OF THE COMPANY AND RELATED PARTY TRANSACTIONS

The ultimate controlling party of the company is a trust representing the family interests of Mr RJJ Bell.