

**J & D WILKIE (HOLDING COMPANY) LIMITED**

**Report and Financial Statements**

**30 June 2002**

**Deloitte & Touche  
Aberdeen**



**REPORT AND FINANCIAL STATEMENTS 2002**

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**REPORT AND FINANCIAL STATEMENTS 2002**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

R M Rowan (Managing Director)  
R W Low  
A J Downs  
R B Steel (Non-executive Director)

**SECRETARY**

Mr J D Dempsey

**REGISTERED OFFICE**

Gairie Works  
Kirriemuir  
DD8 4BL

**BANKERS**

Bank of Scotland  
72 West High Street  
Forfar  
DD8 1JB

**SOLICITORS**

Fyfe Ireland  
Orchard Brae House  
30 Queensferry Road  
Edinburgh  
EH4 2GH

**AUDITORS**

Deloitte & Touche  
Aberdeen

**DIRECTORS' REPORT**

The directors submit their annual report and the audited group financial statements for the year ended 30 June 2002.

**PRINCIPAL ACTIVITIES**

The group's principal activities are the manufacture and merchandising of woven and stitchbonded fabrics for industrial end uses.

**REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The group experienced a very difficult year in all areas resulting in it making a loss. Principally the loss was due to the trading by discontinued companies.

The directors took remedial action and closed loss-making parts of the business, sold other parts of the business, reduced overheads and generally consolidated operations.

As a result of these actions it is forecast that the group will return to profitability by June 2003.

**RESULTS AND DIVIDENDS**

During the year the group made a loss after taxation of £1,620,933 (2001:£282,206). The shareholders funds' now stand at £1,228,338 (2001: £2,979,270).

A dividend of £nil was paid during the year (2001: £100,039). This leaves a loss of £1,620,933 (2001: £382,245) to be transferred against reserves.

**ACQUISITION OF OWN SHARES**

During the year, the company acquired 8,084 of its own shares, with a nominal value of £8,084, which represented 10 percent of the entire share capital of the company. The total consideration paid was £130,000. These shares were purchased from a previous director of the company.

**CHARITABLE SUBSCRIPTIONS**

During the year the group made charitable donations amounting to £280 (2001: £1,540).

**DIRECTORS AND THEIR INTERESTS**

The directors of the company during the year and their interests in the share capital of the company were as follows:

	<b>Ordinary shares of £1 each</b>	
	<b>2002</b>	<b>2001</b>
Mr K W Fraser (resigned 1 July 2001)	8,127	16,211
Mr R M Rowan	50,948	50,948
Mr R W Low	13,681	13,681

R B Steel and A J Downs were appointed as directors on 1 July 2002.

**DIRECTORS' REPORT**

**EMPLOYEE INVOLVEMENT**

The group places value on the involvement of its employees and keeps them fully informed on matters affecting them as employees. This is achieved through formal and informal meetings and staff bulletins.

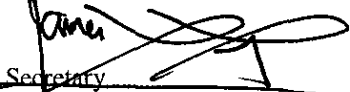
**DISABLED EMPLOYEES**

Disabled persons are given full and fair consideration for all types of vacancy. If an existing employee becomes disabled, such steps as are practical and reasonable are taken to retain the employee in employment. Where appropriate assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitation of their disability

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed by order of the Board



Secretary

25 April 2003

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

United Kingdom 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 group as at the end of the financial year and of the profit or loss of the group 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; 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF J & D WILKIE (HOLDING COMPANY) LIMITED**

We have audited the financial statements of J&D Wilkie (Holding Company) Ltd for the year ended 30 June 2002 which comprise the profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement and notes to the consolidated cash flow statement, the note of historical profit and losses, reconciliation of movements in consolidated shareholders' funds and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transaction with the company and other members of the group is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 circumstances of the company and the group, 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
J & D WILKIE (HOLDING COMPANY) LIMITED**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 June 2002 and the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte & Touche*

Deloitte & Touche

Chartered Accountants and Registered Auditors

Aberdeen

*28 April 2003*



**CONSOLIDATED GROUP PROFIT AND LOSS ACCOUNT**

Year ended 30 June 2002

	Note	Continuing operations 2002 £	Discontinued operations 2002 £	Total 2002 £	2001 £
<b>TURNOVER</b>	2	16,045,189	1,965,604	18,010,793	18,577,008
Cost of sales		(13,227,966)	(2,287,948)	(15,515,914)	(15,533,546)
Gross profit/(loss)		2,817,223	(322,344)	2,494,879	3,043,462
Distribution costs		(291,988)	(5,727)	(297,715)	(353,846)
Administrative expenses		(2,585,722)	(1,084,961)	(3,670,683)	(2,780,444)
Other operating income		-	-	-	120,986
		(2,877,710)	(1,090,688)	(3,968,398)	(3,013,304)
<b>OPERATING (LOSS) / PROFIT</b>	3	(60,487)	(1,413,032)	(1,473,519)	30,158
Gain / (loss) on sale of fixed assets				146,146	(69,641)
Income from investments				822	822
Interest receivable				10,342	1,129
Interest payable and similar charges	5			(301,287)	(246,407)
				(290,123)	(244,456)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>				(1,617,495)	(283,939)
Tax on loss on ordinary activities	6			(3,437)	1,733
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>				(1,620,933)	(282,206)
Dividends	7			-	100,039
<b>LOSS FOR THE FINANCIAL YEAR</b>	18			(1,620,933)	(382,245)

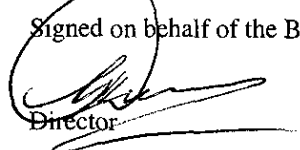
There are no recognised gains or losses for the current or preceding financial year other than as included above.

**CONSOLIDATED BALANCE SHEET  
30 June 2002**

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Intangible assets	8	32,192	36,216
Tangible assets	9	2,714,479	3,214,719
Investments	10	12,363	12,363
		<u>2,759,034</u>	<u>3,263,298</u>
<b>CURRENT ASSETS</b>			
Stock	11	2,714,091	3,166,418
Debtors	12	3,362,557	4,676,541
Cash at bank and in hand		1,442	8,745
		<u>6,078,090</u>	<u>7,851,704</u>
<b>CREDITORS: amounts falling due within one year</b>	13	(5,783,160)	(5,963,042)
<b>NET CURRENT ASSETS</b>		<u>294,930</u>	<u>1,888,662</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,053,964</u>	<u>5,151,960</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
Bank loans and overdrafts	14	(1,467,908)	(1,728,274)
Obligations under finance leases	15	(187,209)	(265,006)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	16	(98,435)	(103,428)
<b>ACCRUALS AND DEFERRED INCOME</b>			
Deferred government grants		(72,075)	(75,982)
		<u>1,228,337</u>	<u>2,979,270</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	72,756	80,840
Capital redemption reserve	18	329,244	321,160
Capital reserve on consolidation	18	58,127	58,127
Revaluation reserve	18	423,756	434,350
Profit and loss account	18	344,454	2,084,793
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<u>1,228,337</u>	<u>2,979,270</u>

These financial statements were approved by the Board of Directors on 25 April 2003

Signed on behalf of the Board of Directors


  
Director

COMPANY BALANCE SHEET  
30 June 2002

	Note	2002 £	2001 £
<b>FIXED ASSETS</b>			
Tangible assets	9	-	103,928
Investment in subsidiary undertakings	10	452,000	452,100
		<u>452,000</u>	<u>556,028</u>
<b>CURRENT ASSETS</b>			
Debtors	12	569,530	725,602
<b>CREDITORS: amounts falling due within one year</b>			
	13	(2,069,992)	(156,632)
<b>NET CURRENT (LIABILITIES) / ASSETS</b>		<u>(1,500,462)</u>	<u>568,970</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,048,462)</u>	<u>1,124,998</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	72,756	80,840
Capital redemption reserve	18	329,244	321,160
Profit and loss account	18	(1,450,462)	722,998
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>(1,048,462)</u>	<u>1,124,998</u>

These financial statements were approved by the Board of Directors on *25 April 2003*

Signed on behalf of the Board of Directors



Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 2002**

	<b>Note</b>	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>
<b>Net cash inflow/(outflow) from operating activities</b>	(a)	307,709	(566,980)
<b>Returns on investments and servicing of finance</b>	(b(i))	(290,123)	(245,278)
<b>Taxation</b>		(20,856)	(82,014)
<b>Capital expenditure and financial investment</b>	(b(ii))	46,815	(88,059)
<b>Acquisition and disposals</b>	(b(iii))	-	(342,329)
<b>Equity dividend paid</b>		-	(100,039)
<b>Cash inflow/(outflow) before financing</b>		43,545	(1,424,699)
<b>Financing</b>	(b(iv))	(709,755)	320,712
<b>Decrease in cash</b>	(d)	(666,210)	(1,103,987)

**RECONCILIATION OF NET CASH FLOW TO  
MOVEMENT IN NET DEBT**

Decrease in cash	(666,210)	(1,103,987)
Cash outflow/(inflow) from decrease in debt and lease financing	579,755	(320,712)
Change in net debt resulting from cash flows	(86,455)	(1,424,699)
Loans and finance leases acquired with subsidiary	-	(593,367)
New hire purchase contracts	(120,906)	(360,783)
Net debt at start of year	(3,694,602)	(1,315,753)
Net debt at 30 June	(3,901,963)	(3,694,602)

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 2002**

**(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2002 £	2001 £
Operating (loss)/profit	(1,473,518)	30,158
Depreciation charge	720,865	784,173
Decrease /(increase) in stock	451,939	(880,770)
Decrease /(increase) in debtors	1,313,984	(958,574)
(Decrease) /increase in creditors	(705,678)	457,914
Deferred government grants released	(3,907)	(3,905)
Goodwill amortisation	4,024	4,024
<b>Net cash inflow/(outflow) from operating activities</b>	<u>307,709</u>	<u>(566,980)</u>

**(b) GROSS CASH FLOW**

**(i) Return on investment and servicing of finance**

	2002 £	2001 £
Investment income	822	-
Interest received	10,342	1,129
Interest paid	(244,171)	(180,309)
Interest element of hire purchase payments	(57,116)	(66,098)
	<u>(290,123)</u>	<u>(245,278)</u>

**(ii) Capital expenditure**

	2002 £	2001 £
Payments to acquire tangible fixed assets	(99,331)	(97,759)
Proceeds on disposal of tangible fixed assets	146,146	9,700
	<u>46,815</u>	<u>(88,059)</u>

**(iii) Acquisitions and disposals**

	2002 £	2001 £
Purchase of subsidiary undertakings and business	-	(196,543)
Net borrowings acquired with subsidiary undertakings and business	-	(145,786)
	<u>-</u>	<u>(342,329)</u>

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 30 June 2002****(iv) Financing**

	2002 £	2001 £
Bank term loans received	-	1,000,000
Repayment of loans	(240,727)	(286,166)
Repurchase of shares	(130,000)	-
Capital repayments under finance lease and hire purchase contracts	(339,028)	(393,122)
	<u>(709,755)</u>	<u>320,712</u>

**(d) Analysis of changes in net debt**

	At 1 July 2001 £	Cashflow £	Non cash Items £	At 30 June 2002 £
Cash in hand, at bank	8,745	(7,303)	-	1,442
Overdraft	(1,204,184)	(658,907)	-	(1,863,091)
	<u>(1,195,439)</u>	<u>(666,210)</u>	<u>-</u>	<u>(1,861,649)</u>
Loans due after one year	(1,828,274)	153,346	207,020	(1,467,908)
Loans due within one year	(87,381)	87,381	(207,020)	(207,020)
Hire purchase obligations	(583,508)	339,028	(120,906)	(365,386)
	<u>(3,694,602)</u>	<u>(86,455)</u>	<u>(120,906)</u>	<u>(3,901,963)</u>

**NOTE OF HISTORICAL PROFIT AND LOSSES****Year ended 30 June 2002**

	2002 £	2001 £
Reported loss on ordinary activities before taxation	(1,617,495)	(283,939)
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>10,594</u>	<u>10,594</u>
Historical cost loss on ordinary activities before taxation	<u>(1,606,901)</u>	<u>(273,345)</u>
Historical cost loss for the year retained after taxation and dividends	<u>(1,610,338)</u>	<u>(371,651)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS****Year ended 30 June 2002**

Loss for the financial year	(1,620,933)	(282,206)
Repurchase of shares	(130,000)	-
Dividends	<u>-</u>	<u>(100,039)</u>
Net reduction in shareholders' funds	(1,750,933)	(382,245)
Opening shareholders' funds	<u>2,979,270</u>	<u>3,361,515</u>
Closing shareholders' funds	<u>1,228,337</u>	<u>2,979,270</u>

**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

**Accounting convention**

The financial statements are prepared under the historical cost convention, as modified by revaluation of certain land and buildings.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries. As permitted by section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial year amounted to £2,043,460 (2001: £102,499).

**Acquisitions**

On the acquisition of a business, fair values are attributed to the group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and capitalised in the balance sheet in the year of acquisition.

Goodwill is amortised over its estimated useful life up to a maximum of 20 years, with a full year's charge in the year of acquisition.

The results and cashflows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition.

**Tangible fixed assets**

Depreciation is provided on all tangible fixed assets, including freehold land, where the amount is immaterial, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Freehold land and buildings	Over 50 years
Plant and machinery	Over 3 to 15 years or 25% reducing balance

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historic depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss account.

The transitional arrangements under Financial Reporting Standard 15 "Tangible Fixed Assets" were adopted in the case of certain properties which were revalued by professional valuers in 1992. The group has not continued the revaluation policy with regard to these assets which will therefore continue to be carried at the 1992 value less depreciation.

**Deferred government grants**

Government grants on capital expenditure are credited to a deferral account and are released to revenue over the expected useful life of the relevant asset by equal annual amounts.

Grants of a revenue nature are credited to income in the period to which they relate.



**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****1. ACCOUNTING POLICIES (continued)****Investments**

Investments held as fixed assets are stated at cost less provision for any impairment in value. Those held as current assets are stated at the lower of cost and net realisable value.

**Stocks**

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

Raw materials	Purchase cost on a first-in, first-out basis
Work in progress and finished goods	Cost of direct materials and labour plus attributable overheads based on normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

**Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. *Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset.*

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

**Pension costs**

The group operates two defined benefit pension schemes, which require contributions to be made to separately administered funds. Contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the group. The regular cost is attributed to individual years using the projected unit method. Variations in pension costs, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Both schemes were closed to new members on 31 July 2001 and 31 October 2000 respectively.

# NOTES TO THE ACCOUNTS

## Year ended 30 June 2002

### 2. TURNOVER

Turnover represents the amount of goods sold and services provided (stated net of value added tax).

Turnover is analysed as follows:

	2002 £	2001 £
Home	14,921,109	16,284,204
Export	3,089,684	2,292,804
	<u>18,010,793</u>	<u>18,577,008</u>

### 3. OPERATING (LOSS) / PROFIT

This is stated after charging /(crediting):

	2002 £	2001 £
Directors' remuneration (see below)	223,627	235,823
Auditors' remuneration – audit services	23,000	21,050
– non audit services	4,000	7,130
Depreciation - owned assets	604,084	449,375
- assets subject to hire purchase contracts	116,781	334,798
Operating lease rentals – plant and machinery	19,671	12,090
Deferred government grants release	(3,907)	(3,905)
Amortisation of goodwill	4,024	4,024
	<u>223,627</u>	<u>235,823</u>

#### (b) Directors' remuneration

Payments to third parties for the services of directors	36,000	36,200
Other emoluments	186,425	167,055
Pension contributions	1,202	32,568
	<u>223,627</u>	<u>235,823</u>

	No	No
Number of directors who are members of deferred benefit pension schemes	<u>2</u>	<u>2</u>

Emoluments of the highest paid director	75,061	76,776
Pension contributions	627	8,532
	<u>75,688</u>	<u>85,308</u>

**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****4. STAFF COSTS**

	2002 £	2001 £
Staff costs during the year (including directors)		
Wages and salaries	4,586,269	3,916,500
Social security costs	271,904	271,735
Other pension costs	285,600	324,048
	<u>5,143,773</u>	<u>4,512,283</u>

The average monthly number of employees during the year was made up as follows:

	2002 No	2001 No
Office and management	63	64
Manufacturing	206	181
	<u>269</u>	<u>245</u>

**5. INTEREST PAYABLE**

	2002 £	2001 £
Bank loan and overdraft	244,171	180,309
Finance charges under hire purchase contracts	57,116	66,098
	<u>301,287</u>	<u>246,407</u>

**6. TAX ON LOSS ON ORDINARY ACTIVITIES**

	2002 £	2001 £
United Kingdom corporation tax at 30% (2001 - 30%) based on the loss for the year	-	43,235
Adjustment in respect of prior periods	8,430	(44,968)
Current taxation	8,430	(1,733)
Deferred taxation	(65,809)	-
	<u>60,816</u>	<u>-</u>
Adjustments in respect of prior years	3,437	(1,733)
	<u>3,437</u>	<u>(1,733)</u>

**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****6. TAX ON LOSS ON ORDINARY ACTIVITIES (Continued)**

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30%. The actual tax charge for the current and the previous year is less than the standard rate for the reasons set out in the following reconciliation.

	2002 £	2001 £
Loss on ordinary activities before tax	(1,617,495)	(283,939)
Tax on loss on ordinary activities at standard rate	485,248	85,182
<b>Factors affecting charge for the period:</b>		
Capital allowances for period in excess of depreciation	(79,123)	(81,762)
Other timing differences	13,323	1,172
Expenses not deductible for tax purposes	(402,588)	(54,890)
Adjustments to tax charge in respect of prior periods	50,092	-
Small companies relief	-	3,597
Prior year adjustments	(58,522)	44,968
Total actual amount of current tax	<u>8,430</u>	<u>(1,733)</u>

**7. DIVIDENDS**

	2002 £	2001 £
Dividends	<u>-</u>	<u>100,039</u>

A dividend of £1.24 per ordinary share was declared and paid during the preceding year.

**NOTES TO THE ACCOUNTS**  
**Year ended 30 June 2002****8. INTANGIBLE FIXED ASSETS**

	<b>Goodwill £</b>
<b>The Group</b>	
<b>Cost</b>	
At 1 July 2001 and 30 June 2002	40,240
<b>Amortisation</b>	
At 1 July 2001	4,024
Charge for the year	4,024
At 30 June 2002	8,048
<b>Net book value</b>	
At 30 June 2002	32,192
At 30 June 2001	36,216

**9. TANGIBLE FIXED ASSETS**

	<b>Freehold land and buildings £</b>	<b>Plant and machinery £</b>	<b>Total £</b>
<b>The Group</b>			
<b>Cost or valuation</b>			
At 1 July 2001	995,640	8,923,951	9,919,591
Additions	112,531	140,543	253,074
Disposals	-	(160,648)	(160,648)
At 30 June 2002	1,108,171	8,903,846	10,012,017
<b>Accumulated depreciation</b>			
At 1 July 2001	195,098	6,509,775	6,704,873
Charge for the year	69,634	651,231	720,865
Disposals	-	(128,200)	(128,200)
At 30 June 2002	264,732	7,032,806	7,297,538
<b>Net book value</b>			
At 30 June 2002	843,439	1,871,040	2,714,479
At 1 July 2001	800,542	2,414,177	3,214,719

## NOTES TO THE ACCOUNTS

Year ended 30 June 2002

## 9. TANGIBLE FIXED ASSETS (continued)

Comparable amounts determined according to the historical cost convention

	Freehold land and buildings £
Cost	815,932
Accumulated depreciation	(396,249)
Net Book Value	
At 30 June 2002	<u>419,683</u>
At 30 June 2001	<u>366,192</u>
The original cost valuation of the freehold land and buildings comprises:	
Valuation at 9 July 1992	944,000
Cost	51,640
	<u>995,640</u>
In 1992 the group revalued certain heritable property. The transitional arrangements under Financial Reporting Standard 15 "Tangible Fixed Assets" have been adopted in the case of these properties and the group is not continuing the revaluation policy relating to these assets.	
The net book value of fixed assets at 30 June 2002 includes £486,654 (2001: £1,008,348) relating to assets acquired under hire purchase contracts:	
<b>Company</b>	<b>£</b>
<b>Cost</b>	
At 1 July 2001	106,593
Transfer to group company	(106,593)
At 30 June 2002	<u>-</u>
<b>Depreciation</b>	
At 1 July 2001	2,665
Transfer to group company	(2,665)
At 30 June 2002	<u>-</u>
<b>Net book value</b>	
At 30 June 2002	<u>-</u>
At 30 June 2001	<u>103,928</u>

**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****10. INVESTMENTS**

Group companies:

The company has the following wholly owned subsidiary undertakings, all of whom are registered in Great Britain except as noted below:

<b>Name of Company</b>	<b>Nature of Business</b>
J& D Wilkie Limited	Textile Manufacturing
ENR Dissolution Limited (formerly Extenday Limited)	Textile Products – cased to trade 28 June 2002
Hi-Fli Banners + Flags Limited (formerly Ogilvy Brothers Non-trading (Kirriemuir) Limited (formerly Noynatex Limited))	
Stewart Pinned Products (formerly Ogilvy Brothers (Kirriemuir) Limited)	Non-trading
Wilkie's New Zealand Limited	Non-trading (Registered in New Zealand)
Wm R Stewart & Sons (Hacklemakers) Ltd	Non-trading
Drivers International Limited	Textile manufacturing – placed in liquidation 15 May 2002.

	<b>The Group investments</b>		<b>The Company Subsidiary Undertakings</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Cost	12,363	12,363	452,000	452,100

The investments are dealt on a recognised market.

	<b>£</b>
<b>Cost</b>	
1 July 2001	452,100
Disposal	(100)
At 30 June 2002	452,000

**11. STOCK**

<b>The Group</b>	<b>2002 £</b>	<b>2001 £</b>
Raw materials and stock in process	722,737	1,295,380
Finished goods and goods for resale	1,915,134	1,798,818
Stores	76,220	72,220
	<u>2,714,091</u>	<u>3,166,418</u>

**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****12. DEBTORS**

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	3,294,191	4,485,559	-	-
Other debtors	-	8,972	-	-
Prepayments and accrued income	68,366	182,010	-	-
Amounts due from subsidiary undertakings (see below)	-	-	569,530	725,602
	<u>3,362,557</u>	<u>4,676,541</u>	<u>569,530</u>	<u>725,602</u>

The amounts due from subsidiary undertakings are not repayable at less than twelve months notice.

Trade debtors include a balance of £67,316 falling due after more than one year (2001: £67,316).

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank overdraft (see below)	1,863,091	1,204,184	-	-
Current portion of bank loans (note 14)	207,020	187,381	-	-
Current hire purchase obligations (note 15)	178,177	318,502	-	106,632
Trade creditors	2,415,290	3,155,639	-	-
Amount owed to subsidiary undertakings	-	-	2,019,992	-
Corporation tax	-	12,426	-	-
Other taxes and social security costs	426,074	440,730	-	-
Other creditors	166,050	131,749	-	-
Accruals	477,458	462,431	-	-
Deferred consideration	50,000	50,000	50,000	50,000
	<u>5,783,160</u>	<u>5,963,042</u>	<u>2,069,992</u>	<u>156,632</u>

The bank overdraft and loans are secured by a standard security over the group's freehold land and buildings and by bonds and floating charges granted to the Bank of Scotland over all the assets of the group. The company has guaranteed the borrowings of all trading group companies.

Cross guarantees are in place between the trading companies in respect of the bank borrowings with the Bank of Scotland.



NOTES TO THE ACCOUNTS  
Year ended 30 June 2002

## 14. LOANS

	2002 £	2001 £
<b>Bank term loans: Amounts falling due:</b>		
Within one year (note 13)	207,020	187,381
Between two and five years	781,224	1,043,626
After five years	686,684	684,648
	<u>1,674,928</u>	<u>1,915,655</u>
 <i>Amounts falling due within one year</i>	 207,020	 187,381
<i>Amounts due after more than one year</i>	<u>1,467,908</u>	<u>1,728,274</u>
	<u>1,674,928</u>	<u>1,915,655</u>

There are two bank loans with Bank of Scotland. Loan 1 is repayable in 40 quarterly instalments of £25,000, commencing September 1997. The rate of interest applicable is 1.75% over the Bank's basic rate. Loan 2 is payable in 180 monthly instalments of £9,128.66, commencing June 2001. The rate of interest applicable is 1.75% over the Bank's basic rate.

## 15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

## The Group

	2002 £	2001 £
<b>Amounts falling due:</b>		
Within one year	178,177	318,502
In the second to fifth years inclusive	187,209	265,006
	<u>365,386</u>	<u>583,508</u>
 <b>Hire purchase contracts shows as:</b>		
Current obligations (note 13)	178,177	318,502
Non-current obligations	187,209	265,006
	<u>365,386</u>	<u>583,508</u>

**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****16. DEFERRED TAXATION****The Group**

	<b>Deferred Tax £</b>
At 1 July 2001	103,428
Charge for the year	(4,993)
At 30 June 2002	<u>98,435</u>

Deferred taxation, provided in full in the accounts, is as follows:

	<b>2002 £</b>	<b>2001 £</b>
Capital allowances in advance of depreciation	117,875	116,040
Other timing differences	(19,440)	(12,612)
	<u>98,435</u>	<u>103,428</u>

**17. SHARE CAPITAL**

	<b>Authorised</b>		<b>Allotted, called up and fully paid</b>	
	<b>2002 No</b>	<b>2001 No</b>	<b>2002 £</b>	<b>2001 £</b>
Ordinary shares of £1 each	<u>206,393</u>	<u>206,393</u>	<u>72,756</u>	<u>80,840</u>

On 4 October 2001 the company redeemed 8,084 ordinary shares of £1 each for a consideration of £130,000.

## NOTES TO THE ACCOUNTS

Year ended 30 June 2002

## 18. RESERVES

## The Group

	Profit and loss account £	Revaluation reserve £	Capital redemption reserve £	Capital reserve on consolidation £	Total £
At 1 July 2001	2,084,793	434,350	321,160	58,127	2,898,430
Loss for year	(1,620,933)	-	-	-	(1,620,933)
Shares repurchased	(130,000)	-	8,084	-	(121,916)
Amortisation of revaluation surplus	10,594	(10,594)	-	-	-
At 30 June 2002	<u>344,455</u>	<u>423,756</u>	<u>329,244</u>	<u>58,127</u>	<u>1,155,582</u>

## Company

	Profit and loss account £	Capital redemption reserve £	Total £
At 1 July 2001	722,998	321,160	1,044,158
Loss for year	(2,043,360)	-	(2,043,360)
Shares repurchased	(130,000)	8,084	(121,916)
At 30 June 2002	<u>(1,450,362)</u>	<u>329,244</u>	<u>(1,121,118)</u>

## 19. LEASE COMMITMENTS

## The Group

At 30 June 2002 the group had annual commitments under non-cancellable operating leases of plant and machinery as set out below.

	2002 £	2001 £
Payments due next year in respect of operating leases which expire:		
Within one year	8,095	7,394
Within one to two years	13,444	4,462
In the second to fifth years inclusive	3,804	3,804
	<u>25,343</u>	<u>15,660</u>

## NOTES TO THE ACCOUNTS

### Year ended 30 June 2002

#### 20. PENSION COMMITMENTS

The Group

The group operates two defined benefit pension schemes which are funded by the payment of contributions to separately administered trust funds.

##### Defined Benefit Scheme – J & D Wilkie Limited

This company operates a funded defined benefit pension scheme. This was closed to future benefit accrual with effect from 31 July 2001, and the benefits of members contributing at that time are based on final pensionable pay at that point. The assets of the scheme are held separately from those of the group, being invested with Legal and General. The company currently accounts for pensions under SSAP 24 *Accounting for Pension Costs*. Under the transitional arrangements for FRS 17 *Retirement Benefits*, the group is required to provide additional disclosures relating to its pension scheme. These are provided below.

##### SSAP 24

A valuation was carried out by a qualified independent actuary at 16 February 2001 using the current unit method. The assumptions which have the most significant effect on the results of the valuation are set out below:

Rate of inflation	4% per annum
Rate of salary increases	6% per annum
Rate of pension increases	3.5% per annum for LPI

The pension charge for the year was £285,600 (2001 £229,268).

At the date of the last full actuarial valuation, the market value of the assets of the scheme was £5,076,000, and the actuarial valuation of these assets represented 85% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The deficit of the actuarial valuation of assets over the benefits accrued to members was £864,000.

Contributions of £23,800 per month will be made until April 2003 and thereafter £16,700 per month until April 2007.

##### FRS 17

An actuarial valuation of this scheme was carried out as at 5 April 2002 and the results of this were updated to 30 June 2002 by a qualified independent actuary. The assets in the scheme and expected rate of return were:

Asset	Long term rate of return expected at		Value at	
	30 June 2002	30 June 2001	30 June 2002	30 June 2001
	%	%	£	£
Equities	7%	7.25%	2,288,000	2,340,000
Government Bonds	5%	5.25%	1,191,000	1,230,000
Corporate Bonds	5.8%	6.25%	1,187,000	1,231,000
Other	4%	5.25%	28,000	25,000

**NOTES TO THE ACCOUNTS****Year ended 30 June 2002****20. PENSION COMMITMENTS (CONTINUED)**

The liabilities of the scheme at 30 June 2002 were calculated on the following bases as required under FRS 17:

<b>Assumptions</b>	<b>30 June 2002 %</b>	<b>30 June 2001 %</b>
Discount rate	5.8%	6.25%
Rate of increase in pension in payment	2.7%	2.5%
Inflation assumption	2.7%	2.5%

The balance sheet position for the scheme as calculated under FRS 17 at 30 June 2002 was as follows:

	<b>30 June 2002 £</b>	<b>30 June 2001 £</b>
Fair value of assets	4,694,000	4,826,000
Present value of scheme liabilities	(6,442,000)	(5,962,000)
Recoverable deficit in the scheme	(1,748,000)	(1,136,000)
Related deferred tax liability	524,000	341,000
Net pension liability	(1,224,000)	(795,000)

Full implementation of FRS17 would decrease net assets by £1.2m (2001: £795,000).

NOTES TO THE ACCOUNTS  
Year ended 30 June 2002

## 20. PENSION COMMITMENTS (CONTINUED)

Amount that would be charged to profit and loss account:

	2002 £
Expected return on pension scheme assets	315,000
Interest on pension liabilities	(368,000)
Net return	(53,000)
Current service cost	(42,000)
Net pension cost	(95,000)

The scheme has been closed to new entrants since July 2001. As a result, the service cost is expected to rise.

Amount that would be recognised in the statement of total recognised gains and losses:

	2002 £
Actual return less expected return on pension scheme assets	(539,000)
Experience gains on liabilities	173,000
Changes in assumptions	(431,000)
	(797,000)
Adjustment due to surplus cap	-
Net loss recognised	(797,000)

Movements in pension scheme deficit during the year:

	2002 £
Deficit in scheme at beginning of year	(1,136,000)
Movement in year:	
Current scheme costs	(42,000)
Net return on assets	(53,000)
Actuarial loss	(797,000)
Contributions	280,000
Deficit in scheme at end of year	(1,748,000)

## NOTES TO THE ACCOUNTS

Year ended 30 June 2002

## 20. PENSION COMMITMENTS (Continued)

## History of experience gains and losses:

	2002 £
Difference between expected and actual return of scheme assets:	(539,000)
Percentage of scheme assets	(11%)
Experience gains and losses on scheme liabilities:	173,000
Percentage of scheme liabilities	3%
Total amount recognised in statement of total recognised gains and losses:	(797,000)
Percentage of scheme liabilities	(12%)

## Defined Benefit Scheme - Wm R Stewart &amp; Sons (Hacklemakers) Ltd

This company operated an insured defined benefit arrangement based on final pensionable pay. The scheme ceased pensionable service on 31 October 2000 and is currently in the process of wind up. The assets of the scheme are held separately from those of the group, being invested with Standard Life Assurance Company.

An MFR valuation using the statutory MFR basis allowing for the trustees gilt matching investment policy was carried out as at 24 January 2001. This indicated that no statutory debt existed, and the group thus has no further obligations in respect to the scheme. Subsequent to the year-end, on 6 March 2003 the Scheme Trustees advised members that their benefits would be secure in full with Standard Life, unless they opted to take a transfer value in the following three months.

The assumptions which have the most significant effect on the results of the valuation are those relating to inflation (4%) and the rate of increase in salaries (0% - all members have paid up benefits).

The pension charge for the period was nil (2001 - £ 60,269).

At the date of the MFR the value of assets of the scheme was £5,506,915 and the actuarial valuation of these assets represented 130% of the benefits that had accrued to members. The surplus of the actuarial valuation of assets over benefits accrued to members was £1,302,220.

## 21. CAPITAL COMMITMENTS

## The Group

	2002 £	2001 £
Contracted	-	35,000

## 22. FINANCIAL COMMITMENTS

A subsidiary undertaking granted a guarantee to the Bank of Scotland to cover the bank's guarantee to HM Customs & Excise in respect of value added tax on imports up to a maximum of £120,000 (2001: £120,000). This guarantee is also covered by the floating charge.