

ACRE MILLS (UK) LIMITED
ACCOUNTS
31 MARCH 2003

Company Registration Number 356992



ACRE MILLS (UK) LIMITED

ACCOUNTS

YEAR ENDED 31 MARCH 2003

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ACRE MILLS (UK) LIMITED

COMPANY INFORMATION

The board of directors

Mr E Cook
Mr K Lydall
Mr C Mawe
Mr I Williamson

Company secretary

Mr E Cook

Registered office

Ploughland House
PO Box 14
62 George Street
Wakefield
WF1 1ZF

Auditors

Ernst & Young LLP
Registered Auditor
Leeds

ACRE MILLS (UK) LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2003

The directors have pleasure in presenting their report and the accounts of the company for the year ended 31 March 2003.

Principal activities and business review

The company completed the sale of its business during the year.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached accounts.

The directors have recommended the following dividends:

	2003 £	2002 £
Dividends paid on ordinary shares	<u>5,130,735</u>	<u>744,195</u>

The directors and their interests in shares of the parent company

The directors who served the company during the year together with their beneficial interests in the shares of the parent company were as follows:

	Ordinary shares of £0.05 in Carclo plc.	
	At 31 March 2003	At 1 April 2002
Mr E Cook	25,000	25,000
Mr K Lydall	28,485	28,485
Mr C Mawe	22,467	22,467
Mr I Williamson	<u>283,086</u>	<u>271,086</u>

The directors have also been granted options in the shares of the parent company as follows:

	Options held 1 Apr 2002	Granted in period	Lapsed in period	Options held 31 Mar 2003
Mr E Cook	60,000	46,000	-	106,000
	8,649+	-	-	8,649+
Mr K Lydall	83,000	73,000	-	156,000
	8,649+	-	-	8,649+
Mr C Mawe	177,000	114,000	-	291,000
Mr I Williamson	200,000	187,000	-	387,000
	8,649+	-	-	8,649+

+ indicates granted under Carclo Sharesave Option Scheme 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended. In preparing those accounts, the directors are required to:

- select suitable accounting policies, as described on page 9, 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

ACRE MILLS (UK) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2003

departures disclosed and explained in the accounts; and

prepare the accounts 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 accounts comply with the Companies Act 1985. The directors 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 Ernst & Young LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

By order of the directors



Mr E Cook, Secretary
14 January 2004

Ploughland House
PO Box 14
62 George Street
Wakefield
WF1 1ZF

ACRE MILLS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 MARCH 2003

We have audited the company's accounts for the year ended 31 March 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Note of Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with applicable United Kingdom law and accounting standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 accounts, 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 accounts 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 accounts.

ACRE MILLS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

YEAR ENDED 31 MARCH 2003

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Leeds

Date: 14 January 2004

ACRE MILLS (UK) LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2003

	Note	2003 £	2002 £
Turnover	2	—	10,249,200
Operating profit	3	30,462	909,200
Profit on disposal of fixed assets		3,267,003	—
(Loss)/profit on disposal of business		(6,447)	143,406
		<u>3,291,018</u>	<u>1,052,606</u>
Interest payable	6	12,307	92,193
Profit on ordinary activities before taxation		<u>3,278,711</u>	<u>960,413</u>
Tax on profit on ordinary activities	7	(560,889)	251,989
Profit on ordinary activities after taxation		<u>3,839,600</u>	<u>708,424</u>
Dividends	8	5,130,735	744,195
Loss for the financial year		<u>(1,291,135)</u>	<u>(35,771)</u>

Statement of total recognised gains and losses

There are no recognised gains or losses other than the profit of £3,839,600 attributable to the shareholders for the year ended 31 March 2003 (2002 - profit of £708,424).

The notes on pages 9 to 15 form part of these accounts.

ACRE MILLS (UK) LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

YEAR ENDED 31 MARCH 2003

	2003	2002
	£	£
Reported profit on ordinary activities before taxation	3,278,711	960,413
Realisation of property revaluation gains of previous years	1,282,455	--
Difference between the historical cost depreciation charge and the actual charge calculated on the revalued amount	--	8,680
Historical cost profit on ordinary activities before taxation	<u>4,561,166</u>	<u>969,093</u>
Historical cost loss for the year retained after taxation and dividends	<u>(8,680)</u>	<u>(27,091)</u>

The notes on pages 9 to 15 form part of these accounts.

ACRE MILLS (UK) LIMITED

BALANCE SHEET

31 MARCH 2003

	Note	£	2003 £	2002 £
Fixed assets				
Tangible assets	9		—	3,185,683
Current assets				
Debtors	10	10,062,945		3,894,184
Cash in hand		2,337		—
		10,065,282		3,894,184
Creditors: amounts falling due within one year	11	5,665,282		1,253,580
Net current assets			4,400,000	2,640,604
Total assets less current liabilities			4,400,000	5,826,287
Provisions for liabilities and charges				
Deferred taxation	12		—	135,152
			4,400,000	5,691,135
Capital and reserves				
Called-up equity share capital	14		4,400,000	4,400,000
Revaluation reserve	15		—	1,282,455
Profit and loss account	15		—	8,680
Shareholders' funds	16		4,400,000	5,691,135



Mr E Cook
Director

14 January 2004

The notes on pages 9 to 15 form part of these accounts.

ACRE MILLS (UK) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

1. Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Cash flow statement

As permitted by FRS 1 (revised 1996) - 'Cash Flow Statements', the accounts do not include a cash flow statement on the grounds that the company is a wholly owned subsidiary undertaking and the ultimate holding company includes the company in its own published consolidated accounts.

Related parties transactions

The company has taken advantage of the exemption to FRS 8 from disclosing transactions with related parties that are part of Carclo plc.

Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings were revalued as at 31 March 1999 with the revaluation surplus being taken to the revaluation reserve. The transitional provisions of FRS 15 have been followed and accordingly, prior year valuations of land and buildings have not been updated.

Depreciation

Depreciation has been provided at the following rates in order to write down the cost or valuation, less estimated residual value, of all tangible fixed assets, with the exception of freehold land, by equal annual instalments over their expected useful lives as follows:

Freehold Property	-	2%
Plant & Machinery	-	10 - 20%
Motor Vehicles	-	25%

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred taxation is recognised on a liability or asset if the transactions or events that give rise to an obligation to pay more tax in the future or a right to pay less tax in future have occurred by the balance sheet date. Deferred taxation assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

ACRE MILLS (UK) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

2. Turnover

Turnover is the net invoiced value of goods and services provided by the company exclusive of VAT.

Turnover is attributable to discontinued activities.

The geographical analysis of turnover is as follows:

	2003	2002
	£	£
United Kingdom	—	6,754,634
Rest of Europe	—	1,400,014
Rest of World	—	2,094,552
	<u>—</u>	<u>10,249,200</u>

3. Operating profit

The operating profit is arrived at as follows:

	2003	2002
	£	£
Turnover	—	10,249,200
Finished goods and work in progress stock change	—	(2,263,855)
Raw materials and consumables	—	(3,471,967)
Employee costs (note 4)	—	(2,505,162)
Depreciation	—	(193,319)
Operating lease rentals - plant and machinery	—	(46,911)
Auditors' remuneration	—	(3,000)
Other operating charges	30,462	(855,786)
	<u>30,462</u>	<u>909,200</u>

4. Particulars of employees

The average number of persons employed by the company during the financial year amounted to nil (2002 - 110).

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	—	2,164,617
Social security costs	—	167,554
Other pension costs	—	172,991
	<u>—</u>	<u>2,505,162</u>

ACRE MILLS (UK) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Emoluments	<u>—</u>	<u>148,553</u>

The number of directors who are accruing benefits under company pension schemes was as follows:

	2003	2002
	No	No
Defined benefit schemes	<u>2</u>	<u>3</u>

Mr I Williamson, and Mr C Mawe were also directors of the holding company and fellow subsidiary undertakings. Mr K Lydall and Mr E Cook were also directors of fellow subsidiary undertakings. These directors received remuneration of £703,096 (2002 - £427,274), all of which was paid by the holding company. The directors do not believe that it is practicable to apportion this amount between their service as directors of the holding company and the fellow subsidiary undertakings.

6. Interest payable

	2003	2002
	£	£
Interest payable on bank borrowing	<u>12,307</u>	<u>92,193</u>

7. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year	<u>(425,737)</u>	<u>351,183</u>
Total current tax	<u>(425,737)</u>	<u>351,183</u>
Deferred tax:		
Decrease in deferred tax provision	<u>(135,152)</u>	<u>(99,194)</u>
Tax on profit on ordinary activities	<u>(560,889)</u>	<u>251,989</u>

ACRE MILLS (UK) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

7. Tax on profit on ordinary activities *(continued)*

(b) Factors affecting current tax charge

The tax charge differs from the standard rate of corporation tax in the UK of 30% (2002 - 30%) for the following reasons:

	2003 £	2002 £
Profit on ordinary activities before taxation	<u>3,278,711</u>	<u>960,413</u>
Profit on ordinary activities at standard rate of tax of 30% (2002 - 30%)	983,613	288,124
Depreciation in excess of capital allowances	101,903	99,333
Permanent differences	(1,301,272)	(36,136)
Prior year adjustment	(209,981)	(138)
Total current tax (note 7(a))	<u>(425,737)</u>	<u>351,183</u>

8. Dividends

The following dividends have been paid in respect of the year:

	2003 £	2002 £
Dividend paid on ordinary shares	<u>5,130,735</u>	<u>744,195</u>

The dividend paid on the ordinary £1 shares amounted to 116.61p (2002 - 16.91p).

ACRE MILLS (UK) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

9. Tangible fixed assets

	Freehold Property £	Plant & Machinery £	Total £
Cost or valuation			
At 1 April 2002	3,301,943	431,454	3,733,397
Disposals - non group	(3,301,943)	(431,454)	(3,733,397)
At 31 March 2003	<u>—</u>	<u>—</u>	<u>—</u>
Of which at 1999 valuation	<u>3,115,000</u>		
Depreciation			
At 1 April 2002	116,260	431,454	547,714
Disposals - non group	(116,260)	(431,454)	(547,714)
At 31 March 2003	<u>—</u>	<u>—</u>	<u>—</u>
Net book value			
At 31 March 2003	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2002	<u>3,185,683</u>	<u>—</u>	<u>3,185,683</u>

10. Debtors

	2003 £	2002 £
Trade debtors	—	82,499
Amounts owed by group undertakings	3,393,289	3,712,747
Corporation tax repayable	215,756	—
Other debtors	6,453,900	2,003
Prepayments and accrued income	—	96,935
	<u>10,062,945</u>	<u>3,894,184</u>

11. Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdrafts	—	768,256
Trade creditors	—	13,306
Amounts owed to group undertakings	5,272,141	1,482
Corporation tax	—	351,387
Other creditors	—	521
Accruals and deferred income	393,141	118,628
	<u>5,665,282</u>	<u>1,253,580</u>

ACRE MILLS (UK) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

12. Deferred taxation

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	135,152	234,346
Profit and loss account movement arising during the year	(135,152)	(99,194)
Provision carried forward	<u>—</u>	<u>135,152</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	<u>—</u>	<u>135,152</u>
	<u>—</u>	<u>135,152</u>

13. Contingent liabilities

Guarantees have been given by the company in respect of amounts drawn against borrowing facilities of certain associated undertakings.

14. Share capital

Authorised share capital:

	2003 £	2002 £
4,400,000 Ordinary shares of £1 each	<u>4,400,000</u>	<u>4,400,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>4,400,000</u>	<u>4,400,000</u>	<u>4,400,000</u>	<u>4,400,000</u>

15. Reserves

	Revaluation reserve £	Profit and loss account £
Balance brought forward	1,282,455	8,680
Loss for the year	—	(1,291,135)
Transfer to/from revaluation reserve	(1,282,455)	1,282,455
Balance carried forward	<u>—</u>	<u>—</u>

ACRE MILLS (UK) LIMITED

NOTES TO THE ACCOUNTS

YEAR ENDED 31 MARCH 2003

16. Reconciliation of movements in shareholders' funds

	2003	2002
	£	£
Profit for the financial year	3,839,600	708,424
Dividends	(5,130,735)	(744,195)
	<u>(1,291,135)</u>	<u>(35,771)</u>
Opening shareholders' equity funds	5,691,135	5,726,906
Closing shareholders' equity funds	<u>4,400,000</u>	<u>5,691,135</u>

17. Ultimate parent company

The parent company and ultimate controlling party of the group of undertakings for which group accounts are drawn up and of which the company is a member is Carclo plc. Copies of Carclo plc's accounts can be obtained from Ploughland House, 62 George Street, Wakefield, WF1 1ZF.