

Nylatex Limited

Directors' report and financial statements

30 June 2008



Registered number 04174265

Nylatex Limited
Directors' report and financial statements
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Nylatex Limited
Company Information

DIRECTORS

M Ellis (Resigned 31 January 2009)

S M Llewellyn

S A Skerritt

R Tonge (Appointed 26 November 2007)

S L Wright (Resigned 31 August 2007)

SECRETARY AND REGISTERED OFFICE

S A Skerritt

Acton Road

Long Eaton

Nottingham

NG10 1FX

AUDITORS

KPMG LLP

St Nicholas House

Park Row

Nottingham

NG1 6FQ

BANKERS

National Westminster Bank plc

Queens Square

Wolverhampton

WV1 1TR

Nylatex Limited

Directors' Report

The directors present their directors' report and financial statements for the 15 month period ended 30 June 2008.

Principal activities

The principal activity of the Company is the manufacture of knitted fabric for intimate apparel and performance sportswear.

Review of the business

In order to be consistent with its parent, the Company extended its accounting reference date to 30 June. Accordingly these financial statements include the results of the Company for the fifteen month period ended 30 June 2008. During this period the Company made a loss of £3,198,000 (2007: £1,200,000) as detailed in the profit and loss account on page 7.

The Company believes its key performance indicators to be turnover and contribution (measured as contribution to labour and overheads, after raw material costs).

	2008	2007
Turnover £'000	9,398	7,856
Contribution %	47.7%	52.0%

Research and development

The Company adopts a policy of continued research and development to improve both product quality and the range of product applications.

Financial instruments

Credit risk - All of our customer accounts are credit insured.

Liquidity risk - During the 15 month period ended 30 June 2008 the Company had a working capital facility in place with GMAC Commercial Finance. Post year end this funding facility has been transferred to Lloyds TSB, the provider of finance to the Company's parent and Group, on improved terms. The Company also has the continued support of its parent company. Cash flow forecasts are prepared monthly and facilities reviewed to ensure they cover foreseeable funding requirements with allowance for unforeseen events.

Market risk - The Company is not subject to significant interest risk. The Company is subject to currency risk. However, hedging activities as noted below mitigates this risk.

Hedging forecast transactions - Nylatex trades in sterling, Euros and US Dollars. The company policy is to match flows of foreign currency in and out where possible. This works well for the Euro but we are exposed to a surplus of dollars. The Company can take benefit of its parent company's treasury function.

Dividends

The directors do not recommend the payment of an ordinary dividend (2007: £30,000).

Directors

The directors who served during the period are shown on page 1.

On 20 April 2007 Kadima Holdings Limited acquired a further 50% of the Company's share capital, resulting in Nylatex Limited becoming a 100% owned subsidiary.

Employees

During the period, the policy of providing employees with information about the company has been continued. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

The Company gives full consideration to applications for employment from disabled persons where a handicapped or disabled person can adequately fulfil the requirements of the job. Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Nylatex Limited
Directors' Report

Auditors

Baker Tilly UK Audit LLP resigned as auditors of the Company and KPMG LLP were appointed. A resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'S. A. Skerritt', written in a cursive style.

S A Skerritt
Director

22 April 2009

Nylatex Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 the 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have a 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.

Report of the independent auditors to the members of Nylatex Limited

We have audited the financial statements of Nylatex Limited for the period ended 30 June 2008 which comprise the profit and loss account, the balance sheet, the reconciliation of movements in shareholders' funds and the related notes. 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 auditor's 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, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 June 2008 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Report of the independent auditors to the members of Nylatex Limited (continued)

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £3,198,000 during the period ended 30 June 2008 and, at that date, the company's total liabilities exceeded its total assets by £4,297,000. The company's forecasts show that it is dependent on future funding from its shareholder in order to continue to trade for the foreseeable future. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.



KPMG LLP
Chartered Accountants
Registered Auditor
Nottingham

22 April 2009

Nylatex Limited
Profit and Loss Account
For the period ended 30 June 2008


	Note	15 months ended 30 June 2008 £'000	Year ended 31 March 2007 Restated £'000
Turnover - continuing operations	2	9,398	7,856
Cost of sales		(9,019)	(6,649)
Gross profit		<u>379</u>	<u>1,207</u>
Distribution costs		(581)	(214)
Administrative expenses		(2,392)	(1,898)
Operating loss - continuing operations	3 - 5	<u>(2,594)</u>	<u>(905)</u>
Interest payable and similar charges	6	(604)	(275)
Loss on ordinary activities before taxation		<u>(3,198)</u>	<u>(1,180)</u>
Taxation	7	-	(20)
Loss for the period		<u><u>(3,198)</u></u>	<u><u>(1,200)</u></u>

The Company has no recognised gains or losses in either year other than the result for that period.

Nylatex Limited
Balance Sheet
As at 30 June 2008

	Note	30 June 2008 £'000	31 March 2007 £'000
Fixed assets			
Tangible assets	9	1,097	777
Current assets			
Stocks	10	1,211	722
Debtors	11	1,418	1,169
Cash at bank and in hand		<u>1</u>	<u>33</u>
		2,630	1,924
Creditors: amounts falling due within one year	12	<u>(3,128)</u>	<u>(2,742)</u>
Net current liabilities		(498)	(818)
Total assets less current liabilities		<u>599</u>	<u>(41)</u>
Creditors: amounts falling due after more than one year	13	(4,896)	(1,058)
Net liabilities		<u>(4,297)</u>	<u>(1,099)</u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account	16	(4,298)	(1,100)
Shareholders' funds		<u>(4,297)</u>	<u>(1,099)</u>

The accounts on pages 7 to 17 were approved by the board of directors on 22 April 2009 and signed on its behalf by:


S A Skeritt
Director

Nylatex Limited
Reconciliation of Movements in Shareholders' Funds
For the period ended 30 June 2008

	15 months ended 30 June 2008 £'000	Year ended 31 March 2007 £'000
Loss for the period	(3,198)	(1,200)
Dividends on shares classified in shareholders' funds	<u>-</u>	<u>(30)</u>
Reduction in shareholders' funds	(3,198)	(1,230)
Opening shareholders' funds	(1,099)	131
Closing shareholders' funds	<u><u>(4,297)</u></u>	<u><u>(1,099)</u></u>

Nylatex Limited

Notes

(forming part of the financial statements)

1 Accounting policies

Nylatex Limited (the "Company") is a company incorporated in the Great Britain.

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

Basis of preparation

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

In these financial statements there has been a reclassification of costs between cost of sales, distribution costs and administration expenses in the comparative figures such that they are presented on a consistent basis with those for the period ended 30 June 2008. There has been no change to the company's net liabilities as a result of this restatement.

Cash flow statement

Under FRS1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

Related party transactions

As the Company is a wholly owned subsidiary of Kadima 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 (or investees of the group qualifying as related parties). The consolidated financial statements of Kadima Holdings Limited, within which this Company is included, can be obtained from the address given in note 19.

Going concern

The financial statements have been prepared on a going concern basis notwithstanding net liabilities of £4,297,000, which the directors believe to be appropriate for the reasons set out below.

The company is dependent for its working capital on an invoice discounting facility and bank overdraft and also on funds provided to it by its shareholder. The directors have prepared financial forecasts including cashflows which demonstrate that the company will require additional funding from its shareholder in order to continue to trade for the foreseeable future. Whilst the shareholder has provided such support in the past and there is no indication that this support will not be provided in future, no obligation or guarantee has been provided by the shareholder that the necessary funding will be forthcoming. On the basis of the support provided to date by the shareholder, and discussions indicating that the shareholder will not seek repayment of the amounts currently made available and that further support will be available as required, the directors consider it appropriate to prepare the financial statements on a going concern basis.

However, as the shareholder has provided no guarantee to continue to provide support there is material uncertainty which may cast significant doubt over the company's ability to continue as a going concern. If the shareholder does not provide continuing support to meet the requirements within the forecast period, then the company may be unable to continue to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

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 machinery	5% - 20% per annum
Fixtures, fittings and equipment	10% - 33 1/3% per annum
Motor vehicles	20% per annum

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 contracted rate or 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.

Leases

Assets acquired under finance leases 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.

Nylatex Limited

Notes

(forming part of the financial statements)

1 Accounting policies (continued)

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 to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the year in which it is incurred

Stocks

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. 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 / loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Interest bearing borrowings

Immediately after issue debt is stated at the fair value of the consideration received on the issue of the capital instrument after deduction of issue costs. The finance cost of the debt is allocated to periods over the term of the debt at a constant rate on the carrying amount.

Turnover

Turnover represents the invoiced value, net of Value Added Tax of goods and services provided to customers. Turnover is derived entirely from the Company's principal activities. Revenue is recognised when substantially all of the obligations under a sales contract have been fulfilled.

2 Analysis of turnover

The Company's turnover is all derived from its principal activity. Turnover comprised of sales made in the following geographical markets:

	15 months 30 June 2008 £'000	Year 31 March 2007 £'000
United Kingdom	4,851	3,748
Rest of Europe	296	587
United States of America	73	173
Rest of World	4,178	3,348
	<u>9,398</u>	<u>7,856</u>

Nylatex Limited

Notes

(forming part of the financial statements)

3 Loss on ordinary activities before taxation

15 months	Year
30 June	31 March
2008	2007
£'000	£'000

Loss on ordinary activities before taxation is stated after charging:

Depreciation and other amounts written off tangible fixed assets:

- Owned	127	124
- Leased	37	26
Loss on sale of fixed assets	1	-
Hire of other assets - operating leases	447	366
Audit of these financial statements	<u>12</u>	<u>12</u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Kadima Holdings Limited.

4 Directors' remuneration

15 months	Year
30 June	31 March
2008	2007
£'000	£'000

Directors' emoluments	286	230
Company contributions to money purchase pension schemes	24	21
Compensation for loss of office	30	-
Amounts paid to third parties in respect of directors' services	<u>28</u>	<u>-</u>
	<u>368</u>	<u>251</u>

The aggregate of emoluments of the highest paid director was £151,000 (2007 : £117,000), and Company pension contributions of £13,000 (2007 : £10,000) were made to a money purchase scheme on his behalf.

Number of directors

15 months	Year
30 June	31 March
2008	2007

Retirement benefits are accruing to the following number of directors under:

Money purchase schemes	<u>2</u>	<u>2</u>
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Nylatex Limited**Notes***(forming part of the financial statements)***5 Staff numbers and costs**

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

	Number of employees	
	15 months	Year
	30 June	31 March
	2008	2007
Administration and management	56	63
Production	70	58
	<u>126</u>	<u>121</u>

The aggregate payroll costs of these persons were as follows:

	15 months	Year
	30 June	31 March
	2008	2007
	£'000	£'000
Wages and salaries	3,211	2,428
Social security costs	307	219
Other pension costs	121	111
	<u>3,639</u>	<u>2,758</u>

6 Interest payable and similar charges

	15 months	Year
	30 June	31 March
	2008	2007
	£'000	Restated £'000
On bank loans and overdrafts	122	87
Other loans	8	3
Finance charges payable under finance leases and hire purchase contracts	10	7
Net exchange losses	202	166
Interest payable to group undertakings	262	12
	<u>604</u>	<u>275</u>

Nylatex Limited

Notes

(forming part of the financial statements)

7 Taxation

	15 months 30 June 2008 £'000	Year 31 March 2007 £'000
<i>Analysis of charge in the period:</i>		
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
<i>Deferred tax</i>		
Origination / reversal of timing differences	-	20
Total deferred tax	-	20
Tax on profit on ordinary activities	-	20

Factors affecting the tax charge for the current period:

The current tax for the period is higher (2007: higher) than the standard rate of corporation tax in the UK 29.6%, (2007: 30%). The differences are explained below:

	15 months 30 June 2008 £'000	Year 31 March 2007 £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,198)	(1,180)
Current tax at 29.6% (2007: 30%)	(946)	(354)
Effects of:		
Losses carried forward	974	330
Fixed asset timing differences	(19)	12
Other timing differences	(10)	9
Expenses deductible for tax purposes	-	3
Non-deductible expenses	1	-
Total current tax charge (see above)	-	-

As of 1 April 2008, the tax rate has changed to 28%. This has lead to the use of a blended tax rate of 29.6% for the period ended 30 June 2008.

8 Dividends

	15 months 30 June 2008 £'000	Year 31 March 2007 £'000
The aggregate amount of dividends comprises:		
Aggregate amount of dividends paid in the financial period	-	30

Nylatex Limited
Notes
(forming part of the financial statements)

9 Tangible fixed assets

	Plant and machinery £'000	Fixtures, fittings, equipment and motor vehicles £'000	Total £'000
Cost			
Balance at 1 April 2007	1,848	221	2,069
Additions	491	-	491
Disposals	(122)	-	(122)
Balance at 30 June 2008	<u>2,217</u>	<u>221</u>	<u>2,438</u>
Depreciation			
Balance at 1 April 2007	(1,105)	(187)	(1,292)
Charge for the year	(143)	(21)	(164)
On disposals	115	-	115
Balance at 30 June 2008	<u>(1,133)</u>	<u>(208)</u>	<u>(1,341)</u>
Net book value			
At 30 June 2008	<u>1,084</u>	<u>13</u>	<u>1,097</u>
At 1 April 2007	<u>743</u>	<u>34</u>	<u>777</u>

Included in the total net book value of plant and machinery is £584,000 (2007: £171,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £37,000 (2007: £26,000).

10 Stocks

	30 June 2008 £'000	31 March 2007 £'000
Raw materials and consumables	513	434
Work in progress	490	237
Finished goods and goods for resale	208	51
	<u>1,211</u>	<u>722</u>

11 Debtors

	30 June 2008 £'000	31 March 2007 £'000
Trade debtors	1,187	816
Amounts owed by group undertakings	5	76
Other debtors	12	19
Prepayments and accrued income	214	258
	<u>1,418</u>	<u>1,169</u>

Nylatex Limited**Notes***(forming part of the financial statements)*

12 Creditors: amounts falling due within one year	30 June 2008 £'000	31 March 2007 £'000
Bank loans and overdrafts	854	901
Obligations under finance lease and hire purchase contracts	157	68
Trade creditors	1,744	1,193
Amounts owed to group undertakings	45	-
Other taxes and social security costs	148	191
Other creditors	22	18
Accruals and deferred income	158	371
	<u>3,128</u>	<u>2,742</u>

The invoice discounting facility included within bank loans and overdrafts of £777,000 (2007 : £567,000) is secured by a mortgage over the assets of the company.

Included within bank loans and overdrafts at 31 March 2007 was a loan of £125,000 from GMAC Commercial Finance on which interest of 2% above the base rate of Lloyds TSB Bank plc. This loan was repaid in the current financial period.

13 Creditors: amounts falling due after one year	30 June 2008 £'000	31 March 2007 £'000
Obligations under finance lease and hire purchase contracts	139	33
Amounts owed to group undertakings	4,682	875
Other creditors	75	150
	<u>4,896</u>	<u>1,058</u>

Included within other creditors are loans of £75,000 owed to S Skerritt (2007 : £150,000 owed to S Skerritt and S Wright). Interest at 2% above base rate is payable on these loans and £8,000 was charged to the profit and loss account in the 15 months ended 30 June 2008 (2007: £3,000).

The amounts owed to group undertakings incur an interest charge of LIBOR + 2%. These loans are secured by a debenture over the assets of the Company.

The maturing of obligations under finance leases and hire purchase contracts are as follows:

	30 June 2008 £'000	31 March 2007 £'000
Within one year	157	68
In the second to fifth years	139	33
	<u>296</u>	<u>101</u>

14 Deferred taxation

At 30 June 2008 a deferred tax asset of £1,250,000 in respect of brought forward losses has not been recognised on the grounds that there is insufficient evidence that the asset will be recovered.

Nylatex Limited
Notes
(forming part of the financial statements)

15 Called up share capital	30 June 2008 £	31 March 2007 £
Authorised		
500 'A' ordinary shares of £1 each	500	500
500 'B' ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
500 'A' ordinary shares of £1 each	500	500
500 'B' ordinary shares of £1 each	500	500
	<u>1,000</u>	<u>1,000</u>
	£000	£000
Shares classified as shareholders funds	<u>1</u>	<u>1</u>

16 Reserves	Profit and loss account £'000
At 1 April 2007	(1,100)
Loss for the period	(3,198)
At 30 June 2008	<u>(4,298)</u>

17 Commitments

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

	Land and buildings	Other	Land and buildings	Other
	30 June 2008		31 March 2007	
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	-		13	8
In the second to fifth years inclusive	335	13	335	15
	<u>335</u>	<u>13</u>	<u>348</u>	<u>23</u>

18 Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £121,000 (2007 : £111,000).

Contributions amounting to £14,000 (2007 : £49,000) were payable to the scheme and are included in creditors.

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Magellan Textile Holdings Limited which is the ultimate parent company incorporated in Hong Kong. The ultimate controlling party is Ng Man Choong, the beneficial shareholder of 100% of Magellan Textile Holdings Limited.

The only group in which the results of the company are consolidated is that headed by Kadima Holdings Limited, incorporated in England. The consolidated financial statements of this group are available to the public and may be obtained from PO Box 54, Haydn Road, Nottingham, NG5 1DH.