

Nylatex Limited

Directors' report and financial statements

30 June 2009

Registered number 04174265

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

DIRECTORS

S M Llewellyn

S A Skerritt

R Tonge

M Ellis (Resigned 31 January 2009)

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 year ended 30 June 2009

Principal activities

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

Review of the business

During the year the Company made a loss of £3,369,000 (2008 £3,198,000) 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)

	2009	2008
Turnover £'000	5,765	9,398
Contribution %	37.4%	47.7%

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 - For its financing the Company is party to a group wide invoice discounting facility and has also required the support of its parent undertaking and related parties. As set out in note 1 to the financial statements the Company will continue to be reliant on the support of its shareholder and related parties for the foreseeable future

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 (2008 £nil)

Directors

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

Employees

During the year, 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

Pursuant to Section 487 of the Companies Act 2006, the auditors will deemed to be reappointed and KPMG LLP will therefore continue in office

On behalf of the board



S A Skerritt
Director

12 November 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).

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these 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 are sufficient to show and explain the company's transactions and 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 2006. 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 year ended 30 June 2009 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 £3,369,000 during the year ended 30 June 2009 and, at that date, the company's total liabilities exceeded its total assets by £7,666,000. 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



P Charles (Senior Statutory Auditor)
For and on behalf of KPMG LLP
Chartered Accountants

12 November 2009

Nylatex Limited
Profit and Loss Account
For the year ended 30 June 2009

		Year ended 30 June 2009 £'000	15 months ended 30 June 2008 £'000
	Note		
Turnover	2	5,765	9,398
Cost of sales		(7,242)	(9,019)
Gross (loss) / profit		<u>(1,477)</u>	<u>379</u>
Distribution costs		(557)	(581)
Administrative expenses		(1,554)	(2,392)
Operating loss	3	<u>(3,588)</u>	<u>(2,594)</u>
Profit on sale of fixed asset		111	-
Other interest receivable and similar income	6	522	-
Interest payable and similar charges	7	(414)	(604)
Loss on ordinary activities before taxation		<u>(3,369)</u>	<u>(3,198)</u>
Taxation	8	-	-
Loss for the period		<u><u>(3,369)</u></u>	<u><u>(3,198)</u></u>

The Company has no recognised gains or losses in the current year or prior period other than presented in the profit and loss account

All results are from continuing operations

Nylatex Limited
Balance Sheet
As at 30 June 2009

	Note	2009 £'000	2008 £'000
Fixed assets			
Tangible assets	9	929	1,097
Current assets			
Stocks	10	561	1,211
Debtors	11	1,057	1,418
Cash at bank and in hand		<u>7</u>	<u>1</u>
		1,625	2,630
Creditors: amounts falling due within one year	12	<u>(2,548)</u>	<u>(3,128)</u>
Net current liabilities		(923)	(498)
Total assets less current liabilities		<u>6</u>	<u>599</u>
Creditors: amounts falling due after more than one year	13	(7,672)	(4,896)
Net liabilities		<u>(7,666)</u>	<u>(4,297)</u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account	16	(7,667)	(4,298)
Shareholders' deficit		<u>(7,666)</u>	<u>(4,297)</u>

The financial statements were approved by the board of directors on 12 November 2009 and signed on its behalf by



S A Skerrett
Director

Company number - 04174265

Nylatex Limited
Reconciliation of Movements in Shareholders' Deficit
For the year ended 30 June 2009

	Year ended 30 June 2009 £'000	15 months ended 30 June 2008 £'000
Loss for the period	<u>(3,369)</u>	<u>(3,198)</u>
Increase in shareholders' deficit	(3,369)	(3,198)
Opening shareholders' deficit	(4,297)	(1,099)
Closing shareholders' deficit	<u><u>(7,666)</u></u>	<u><u>(4,297)</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

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 £7,666,000, which the directors believe to be appropriate for the reasons set out below

Whilst the company has a small bank overdraft and invoice discounting facility it is primarily dependent on financial support provided by its shareholder The Directors have prepared financial forecasts for a period of at least 12 months from the date of approval of these financial statements and these 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.

	Year	15 months
	30 June	30 June
	2009	2008
	£'000	£'000
United Kingdom	1,381	4,851
Rest of Europe	93	296
United States of America	42	73
Rest of World	4,249	4,178
	<u>5,765</u>	<u>9,398</u>

Nylatex Limited

Notes

(forming part of the financial statements)

3 Loss on ordinary activities before taxation

	Year 30 June 2009 £'000	15 months 30 June 2008 £'000
Loss on ordinary activities before taxation is stated after charging		
Depreciation and other amounts written off tangible fixed assets		
- Owned	111	127
- Leased	51	37
Loss on sale of fixed assets	-	1
Hire of other assets - operating leases	380	447
Audit of these financial statements	<u>15</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

	Year 30 June 2009 £'000	15 months 30 June 2008 £'000
Directors' emoluments	192	286
Company contributions to money purchase pension schemes	17	24
Compensation for loss of office	-	30
Amounts paid to third parties in respect of directors' services	-	28
	<u>209</u>	<u>368</u>

The aggregate of emoluments of the highest paid director was £110,000 (2008 : £151,000), and Company pension contributions of £10,000 (2008 : £13,000) were made to a money purchase scheme on his behalf

	Number of directors	
	Year 30 June 2009	15 months 31 March 2008
Retirement benefits are accruing to the following number of directors under		
Money purchase schemes	<u>2</u>	<u>2</u>

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	
	Year	15 months
	30 June	30 June
	2009	2008
Administration and management	56	56
Production	74	70
	<u>130</u>	<u>126</u>

	Year	15 months
	30 June	30 June
	2009	2008
	£'000	£'000
The aggregate payroll costs of these persons were as follows		
Wages and salaries	2,565	3,211
Social security costs	211	307
Other pension costs	81	121
	<u>2,857</u>	<u>3,639</u>

6 Other interest receivable and similar income

	Year	15 months
	30 June	30 June
	2009	2008
	£'000	£'000
Net exchange gains	<u>522</u>	<u>-</u>

7 Interest payable and similar charges

	Year	15 months
	30 June	31 March
	2009	2008
	£'000	£'000
On bank loans and overdrafts	47	122
Other loans	-	8
Finance charges payable under finance leases and hire purchase contracts	22	10
Net exchange losses	-	202
Interest payable to group undertakings	<u>345</u>	<u>262</u>
	<u>414</u>	<u>604</u>

Nylatex Limited
Notes
(forming part of the financial statements)

8 Taxation

	Year 30 June 2009 £'000	15 months 30 June 2008 £'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	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

Factors affecting the tax charge for the current period

The current tax for the period is higher (2008 higher) than the standard rate of corporation tax in the UK 28%, (2008: 29 6%) The differences are explained below

	Year 30 June 2009 £'000	15 months 30 June 2008 £'000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(3,369)	(3,198)
Current tax at 28% (2008: 29 6%)	(943)	(946)
Effects of		
Losses carried forward	944	974
Fixed asset timing differences	(8)	(19)
Other timing differences	6	(10)
Non-deductible expenses	1	1
Total current tax charge (see above)	-	-

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 July 2008	2,217	221	2,438
Additions	190	-	190
Disposals	(409)	-	(409)
Balance at 30 June 2009	<u>1,998</u>	<u>221</u>	<u>2,219</u>
Depreciation			
Balance at 1 July 2008	(1,133)	(208)	(1,341)
Charge for the year	(153)	(9)	(162)
On disposals	213	-	213
Balance at 30 June 2009	<u>(1,073)</u>	<u>(217)</u>	<u>(1,290)</u>
Net book value			
At 30 June 2009	<u>925</u>	<u>4</u>	<u>929</u>
At 1 July 2008	<u>1,084</u>	<u>13</u>	<u>1,097</u>

Included in the total net book value of plant and machinery is £555,000 (2008 £584,000) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £51,000 (2008 £37,000).

10 Stocks

	2009 £'000	2008 £'000
Raw materials and consumables	235	513
Work in progress	206	490
Finished goods and goods for resale	120	208
	<u>561</u>	<u>1,211</u>

11 Debtors

	2009 £'000	2008 £'000
Trade debtors	611	1,187
Amounts owed by group undertakings	(35)	5
Other debtors	278	12
Prepayments and accrued income	203	214
	<u>1,057</u>	<u>1,418</u>

Nylatex Limited
Notes
(forming part of the financial statements)

12 Creditors: amounts falling due within one year	2009	2008
	£'000	£'000
Bank loans and overdrafts	281	854
Obligations under finance lease and hire purchase contracts	113	157
Obligations under finance lease with group undertaking	18	-
Trade creditors	1,043	1,744
Amounts owed to group undertakings	59	45
Other taxes and social security costs	251	148
Other creditors	269	22
Accruals and deferred income	514	158
	<u>2,548</u>	<u>3,128</u>

The invoice discounting facility included within bank loans and overdrafts of £281,000 (2008 £777,000) is secured by a mortgage over the assets of the company

13 Creditors: amounts falling due after one year	2009	2008
	£'000	£'000
Obligations under finance lease and hire purchase contracts	60	139
Obligations under finance lease with group undertaking	159	-
Amounts owed to group undertakings	7,378	4,682
Other creditors	75	75
	<u>7,672</u>	<u>4,896</u>

Included within other creditors are loans of £75,000 owed to S Skerritt (2008 £75,000) Interest at 2% above base rate is payable on these loans and £1,000 (2008 £8,000) was charged to the profit and loss account

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

Obligations under finance lease with group undertaking totalling £177,000 (2008 £nil) are due to Kadima Properties (UK) Limited The lease term is 10 years and £159,000 of this creditor is due in more than 12 months, £18,000 being due within one year, £71,000 is due within 2 to 5 years and £88,000 after more than 5 years Interest of 3% (£27,000) is also due over the lease period

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

	2009	2008
	£'000	£'000
Within one year	131	157
In the second to fifth years	131	139
Over five years	88	-
	<u>350</u>	<u>296</u>

14 Deferred taxation

At 30 June 2009 a deferred tax asset of £2,160,000 (2008 £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 in the foreseeable future

Nylatex Limited
Notes
(forming part of the financial statements)

15 Called up share capital	2009	2008
	£	£
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 July 2008	(4,298)
Loss for the period	(3,369)
At 30 June 2009	<u>(7,667)</u>

17 Commitments

Annual commitments under non-cancellable operating leases are as follows

	Land and buildings	Other	Land and buildings	Other
	2009		2008	
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	168	1	-	-
In the second to fifth years inclusive	-	9	335	13
	<u>168</u>	<u>10</u>	<u>335</u>	<u>13</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 £81,000 (2008: £121,000).

At 30 June 2009 contributions amounting to £39,000 (2008: £14,000) 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 Kadima Holdings Limited which is in turn a subsidiary 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.