

Registered Number SC13508

Pollock and Cochrane Limited
Financial statements
for the year ended 31 December 2002



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Pollock and Cochrane Limited

Financial statements for the year ended 31 December 2002

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Pollock and Cochrane Limited

Directors and advisers for the year ended 31 December 2002

Directors

James D Cochrane
Abdul Aziz Al-Ajlan
Abdullah Al-Ajlan

Secretary

F Barker

Registered Office

Thrushcraig Works
Paisley

Auditors

PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Wright & Crawford
17 Glasgow Road
Paisley
Scotland

Bankers

The Royal Bank of Scotland
Paisley Chief Office
1 Moncrieff Street
Paisley
PA3 2AW

Pollock and Cochrane Limited

Directors' report for the year ended 31 December 2002

The directors present their report together with audited financial statements for the year ended 31 December 2002.

Principal activities

The company is principally engaged in the business of bleachers, dyers and finishers.

Review of business and future developments

The profit for the year after taxation was £3,273 (nine months to 31 December 2001: £67,419). The directors have not proposed payment of a dividend (nine months to 31 December 2001: £Nil).

The directors consider the results and financial position of the company to be satisfactory.

Directors and their interests

The directors who held office during the year are given below:

Janes D Cochrane
Abdul Aziz Al-Ajlan
Abdullah Al-Ajlan

None of the directors had any interest in the shares of the company during the year.

Charitable and political contributions

Donations to charitable organisations amounted to £700 (31 December 2001: £200).

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period that 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. The directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

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 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.

Pollock and Cochrane Limited

Directors' report for the year ended 31 December 2002 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 7 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board



F Barker
Secretary
2 October 2003

Pollock and Cochrane Limited

Independent auditors' report to the members of Pollock and Cochrane Limited

We have audited the financial statements which comprise profit and loss account, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 transactions is not disclosed.

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

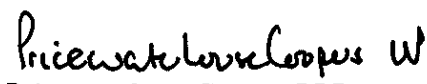
Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Manchester
2 October 2003

Pollock and Cochrane Limited

Profit and loss account for the year ended 31 December 2002

	Notes	Year ended 31 December 2002 £'000	9 months ended 31 December 2001 £'000
Turnover	1	1,613,960	1,298,816
Cost of sales		(1,464,345)	(1,051,058)
Gross profit		149,615	247,758
Distribution costs		(6,856)	(6,104)
Administrative expenses		(128,936)	(108,775)
Operating profit		13,823	132,879
Interest receivable		2,394	8,563
Profit on ordinary activities before taxation	1	16,217	141,442
Tax on profit on ordinary activities	3	(12,944)	(74,023)
Profit for the financial year	13	3,273	67,419
Dividends	4	-	-
Retained profit transferred to reserves	13	3,273	67,419

There were no recognised gains or losses other than the result above.

Turnover and operating profit arose from continuing operations.

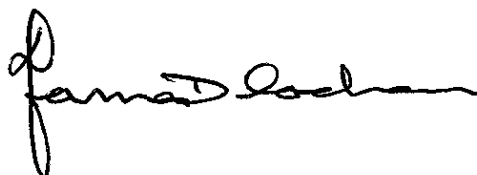
The accounting policies and notes on pages 8 to 16 form part of these financial statements.

Pollock and Cochrane Limited

Balance sheet as at 31 December 2002

	Note	31 December 2002 £	31 December 2001 £
Fixed assets			
Tangible assets	5	1,150,924	1,140,368
Current assets			
Stock	6	54,647	49,768
Debtors	7	126,721	243,901
Cash at bank and in hand		213,655	66,068
		395,023	359,737
Creditors: amounts falling due within one year	8	(222,068)	(203,018)
Net current assets		172,955	156,719
Total assets less current liabilities		1,323,879	1,297,087
Provisions for liabilities and charges	9	(160,890)	(137,371)
Net assets		1,162,989	1,159,716
Capital and reserves			
Called up share capital	11	10,033	10,033
Capital redemption reserve	12	19,967	19,967
Profit and loss account	12	1,132,989	1,129,716
Total equity shareholders' funds	13	1,162,989	1,159,716

The financial statements on pages 5 to 16 were approved by the board of directors on 2 October 2003 and were signed on its behalf by:



J D Cochrane
Director

Pollock and Cochrane Limited

Cash flow statement for the year ended 31 December 2002

	Note	Year ended 31 December 2002 £	9 months ended 31 December 2001 £
Net cash inflow from operating activities	14	446,513	10,847
Returns on investments and servicing of finance			
Interest received		2,394	8,563
Net cash inflow from returns on investment and servicing of finance		2,394	8,563
Taxation		(8,276)	(64,747)
Capital expenditure			
Purchase of tangible fixed assets		(293,044)	(79,416)
Sale of tangible fixed assets		-	901
Net cash outflow for capital expenditure		(293,044)	(78,515)
Equity dividend paid		-	(140,000)
Management of liquid resources			
Decrease in cash on deposit		-	110,000
Increase/(decrease) in cash	15	147,587	(153,852)

Pollock and Cochrane Limited

Accounting policies

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business with outside customers from goods supplied as a principal and services provided, excluding VAT and trade discounts.

Tangible fixed assets and depreciation

Depreciation has been calculated by reference to the estimated useful lives of the assets. The rates generally applicable are:

Freehold buildings	2% per annum on a reducing balance basis
Plant and machinery	10-20% per annum on a straight line basis
Motor vehicles	25% per annum on a straight line basis

Stocks

Stock and work in progress is stated at the lower of cost and net realisable value.

In the case of raw materials, cost means purchase price including transport handling costs, less trade discounts calculated on a first in first out basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production and other overheads.

Net realisable value means estimated selling price (less trade discounts) less all further costs to be incurred in marketing, selling and distribution.

Deferred taxation

Deferred tax is the tax attributable to timing differences between profits or losses as computed for tax purposes and results as stated in the financial statements.

Deferred tax is calculated at the rates at which it is estimated that the tax will be paid when the timing differences reverse.

Deferred tax is measured on a non-discounted basis.

Pension commitments

The company operates a defined contribution pension scheme, the assets of which are held separately from the company. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Operating leases

Operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2002

1 Turnover and profit on ordinary activities before taxation

The turnover is wholly attributable to the business of bleachers, dyers and finishers. All turnover was carried on within the UK.

	Year ended 31 December 2002 £	9 months ended 31 December 2001 £
The profit on ordinary activities is stated after:		
Depreciation: tangible fixed assets, owned	238,488	159,946
Auditors' remuneration	6,000	5,000
Other operating lease rentals	592	582

2 Directors and employees

	31 December 2002 £	31 December 2001 £
Staff costs during the year (2001: nine month period):		
Wages and salaries	710,952	566,157
Social security costs	61,963	53,336
Other pension costs	80,158	55,433
	853,073	674,926

The average number of employees of the company during the year was 47 (nine months to 31 December 2001: 50).

	31 December 2002 £	31 December 2001 £
Remuneration in respect of directors was as follows:		
Emoluments	38,125	37,367
Pension contributions to money purchase pension schemes	20,000	15,000
	58,125	52,367

One director (2001: one) accrued benefits during the year under a money purchase pension scheme.

Pollock and Cochrane Limited

3 Tax on profit on ordinary activities

	Year ended 31 December 2002 £	9 months ended 31 December 2001 £
The tax charge represents:		
UK corporation tax at 20% (31 December 2001: 20%)	-	8,276
Amount payable to a fellow subsidiary in respect of group relief	13,890	28,965
Corporation tax overprovided in previous period	(24,465)	(4,545)
Total current tax	(10,575)	32,696
Deferred tax	(13,989)	(12,776)
Deferred tax in respect of prior period	37,508	6,081
Adjustments to deferred tax due to change in tax rate from 20% to 30% due to effect of joining the UMTC Group from 23 May 2001.	-	48,022
	23,519	41,327
	12,944	74,023

The tax assessed on the profit on ordinary activities is different from the small companies rate of corporation tax in the UK of 20% (2001: 20%). The differences are reconciled below:

	Year ended 31 December 2002 £	9 months ended 31 December 2001 £
Profit on ordinary activities before tax at 20%	3,243	28,288
Expenses not deductible for tax purposes	1,321	1,137
Capital allowances in excess of depreciation	9,326	7,816
Adjustments from previous periods	(24,465)	(4,545)
Current year/period tax (credit)/charge	(10,575)	32,696

4 Dividends

	31 December 2002 £	31 December 2001 £
Ordinary shares – interim dividend of £Nil per share (31 December 2001: £Nil)	-	-
Ordinary shares – final dividend of £Nil per share (31 December 2001: £Nil)	-	-
	-	-

Pollock and Cochrane Limited

5 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2002	41,840	2,747,906	8,000	2,797,746
Additions	-	293,044	-	293,044
Intergroup transfer	-	(88,500)	-	(88,500)
At 31 December 2002	41,840	2,952,450	8,000	3,002,290
Depreciation				
At 1 January 2002	26,772	1,627,106	3,500	1,657,378
Provided in the year	301	236,187	2,000	238,488
Eliminated on intergroup transfer	-	(44,500)	-	(44,500)
At 31 December 2002	27,073	1,818,793	5,500	1,851,366
Net book amount				
At 31 December 2002	14,767	1,133,657	2,500	1,150,924
At 1 January 2002	15,068	1,120,800	4,500	1,140,368

6 Stocks

	31 December 2002 £	31 December 2001 £
Raw materials and consumable stores	35,604	34,846
Work in progress	19,043	14,922
	54,647	49,768

7 Debtors

	31 December 2002 £	31 December 2001 £
Trade debtors	5,149	14,347
Amounts owed by group undertakings	106,499	222,830
Other debtors	-	396
Prepayments and accrued income	9,222	6,328
Corporation tax recoverable	5,851	-
	126,721	243,901

Pollock and Cochrane Limited

8 Creditors: amounts falling due within one year

	31 December 2002 £	31 December 2001 £
Trade creditors	42,412	32,251
Amounts due to group undertakings	24,241	28,965
Other creditors	342	
Corporation tax	-	8,276
Social security and other taxes	34,345	31,799
Accruals and deferred income	120,728	101,727
	222,068	203,018

The Royal Bank of Scotland hold a bond and floating charge over the company's moveable assets.

9 Provisions for liabilities and charges

	Deferred taxation (see note 10) £
At 1 January 2002	137,371
Provided during the period including prior period adjustments	23,519
At 31 December 2002	160,890

10 Deferred taxation

Deferred taxation provided for in the financial statements is set out below. The amount provided is calculated using a tax rate of 30% (31 December 2001: 30%):

	Amount provided 31 December 2002 £	31 December 2001 £
Accelerated capital allowances	168,060	182,049
Other timing differences	(7,170)	(44,678)
Deferred tax provision	160,890	137,371

Pollock and Cochrane Limited

11 Share capital

	31 December 2002 £	31 December 2001 £
Authorised		
1,200,000 ordinary shares of 50p each	60,000	60,000
Allotted and fully paid		
20,067 ordinary shares of 50p each	10,033	10,033

12 Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 January 2002	19,967	1,129,716
Retained profit for the year to 31 December 2002	-	3,273
At 31 December 2002	19,967	1,132,989

13 Reconciliation of movements in equity shareholders' funds

	31 December 2002 £	31 December 2001 £
Profit for the period	3,273	67,419
	3,273	67,419
Opening equity shareholders' funds at 1 January 2002	1,159,716	1,092,297
Closing equity shareholders' funds at 31 December 2002	1,162,989	1,159,716

Pollock and Cochrane Limited

14 Reconciliation of operating profit to net cash inflow from operating activities

	31 December 2002 £	31 December 2001 £
Operating profit	13,823	132,879
Depreciation	238,488	159,946
Loss on sale of tangible fixed assets	-	48
(Increase)/decrease in stocks	(4,879)	12,879
Decrease/(increase) in debtors	167,031	(81,490)
Increase/(decrease) in creditors	32,050	(213,415)
Net cash inflow from operating activities	446,513	10,847

15 Reconciliation of net cash flow to movement in net funds

	31 December 2002 £	31 December 2001 £
Increase/(decrease) in cash in the period	147,587	(153,852)
Cash outflow from decrease in liquid resources	-	(110,000)
Movement in net funds in the period	147,587	(263,852)
Net funds at 1 January 2002 (2001:1 April 2001)	66,068	329,920
Net funds at 31 December	213,655	66,068

16 Analysis of net funds

	At 1 January 2002 £	Cash flow £	At 31 December 2002 £
Cash at bank and in hand	66,068	147,587	213,655

Pollock and Cochrane Limited

17 Capital commitments

	31 December 2002 £	31 December 2001 £
Contracted for but not provided in these statements	-	141,833

18 Contingent liabilities

In previous years some senior management remunerations has included bonuses of gold coins. No employers' National Insurance contributions have been paid or provided for on these bonuses. Although the directors do not believe that this is probable, such contributions may be determined by taxation authorities to be payable. If so, the directors estimate that a net liability of £98,000 (9 months to 31 December 2001: £98,000) would result.

19 Pensions

Directors – Defined Contribution Scheme.

The company operates individual defined contribution pension schemes for the benefit of the directors. The assets in the scheme are held separately from those of the company in an independently administered fund.

The pension cost charge for the year to 31 December 2002 was £13,460 (9 months to 31 December 2001: £15,000).

Employees – Pension Schemes

The company operated a Defined Benefits staff pension scheme, providing benefits to members based on final pensionable pay until April 1997 when a Defined Contribution Scheme for the benefit of its employees was set up. The Defined Benefit Scheme has been wound up and the monies involved paid into individual Section 32 policies for each member.

The defined contribution scheme charge for the year to 31 December 2001 was £60,158 (nine months to 31 December 2001: £40,433).

20 Lease commitments

At 31 December 2002, the company had annual commitments unde operating leases which expire as set out below:

	31 December 2002 £	31 December 2001 £
Within one year	420	360
In two to five years inclusive	-	297
	420	657

Pollock and Cochrane Limited

21 Ultimate controlling related party

United Manufacturing and Trading Company Limited is the ultimate parent company and is incorporated in the Isle of Man. Copies of the group accounts are not publicly available. The company is controlled by certain members of the Al-Ajlan and Bassam families.

22 Related party transactions

During the year the company's turnover included £1,565,975 (2001 – £1,231,961) of sales to Lappet Manufacturing Company Limited, a fellow subsidiary undertaking incorporated in the United Kingdom. At 31 December 2002 the company was owed £106,499 (2001: £222,830) from Lappet Manufacturing Company Limited in respect of sales and owed £24,241 to Lappet Manufacturing Company Limited in respect of tax group relief.

On the 22 August 2002 the company sold a fixed asset to Lappet Manufacturing Company Limited for a sum of £44,000. No gain or loss arose in the sale of the asset. As at 31 December 2002 the balance of £44,000 due from Lappet Manufacturing Company Limited to the company is unpaid and is included in the year end debtor balance stated above of £106,499.

On 22 October 2002, Mr James Cochrane (Director) loaned the sum of £50,000 to the company under the terms that interest would be charged on the capital balance at a rate of 6% per annum. £50,500 was repaid by the company to Mr James Cochrane on 17 December 2002. The amount repaid included £500 interest representing two months of the annual interest charge.