

Pollock and Cochrane Limited
Annual report and financial statements
for the year ended 31 December 2010

Registered Number SC13508

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Pollock and Cochrane Limited

Annual report and financial statements for the year ended 31 December 2010

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Pollock and Cochrane Limited

Directors and advisors

Directors

James D Cochrane
Abdul Aziz Al-Ajlan

Secretary

Freda Barker

Registered Office

Thrushcraig Works
Paisley
Scotland
PA2 6RT

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors

Wright & Crawford
17 Glasgow Road
Paisley
Scotland
PA1 3QS

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 2010

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2010.

Principal activities

The company is principally engaged in the business of bleaching, dying and finishing of men's cotton headshaws for the Arabian market.

Results and dividends

The Company's results for the year are set out in the profit and loss account on page 6 showing a loss for the financial year of £145,569 (2009: loss of £174,045). At 31 December 2010, the company has net assets of £137,192 (2009: £282,761). The result for the year reflects the trading conditions in a difficult market. The Directors expect the company to return to a profitable position in the medium term.

The directors are not proposing payment of a dividend (2009: £nil).

Future developments

The directors expect that 2011 will be a year of progress. The company enters the year with a solid order book and expects to be able to sustain and grow the business over the years ahead. This growth is driven by a well established product with a dominant share of an expanding market.

The directors are confident that next year will show a stronger profitable performance.

Going Concern

As at 31 December 2010 the Company has net assets of £137,192 (2009: £282,761) having made a loss for the financial year of £145,569 (2009: loss of £174,045). The Directors of United Manufacturing and Trading Company Limited, the immediate and ultimate parent company, have confirmed that they will provide financial support to enable the Company to meet its financial liabilities as they fall due for a period of at least 12 months from the date of these accounts. On this basis, the Directors have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition from Far Eastern competitors and reliance on a single product sold to a single market.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business.

Charitable and political contributions

No political donations (2009: £nil) were made in the year. Donations to charitable organisations amounted to £nil (2009: £nil).

Directors

The directors who held office during the year and up to the date of signing the financial statements are listed on page 1.

Pollock and Cochrane Limited

Directors' report for the year ended 31 December 2010 (continued)

Statement of directors' responsibilities in respect of the Annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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 the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate 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 the financial statements comply with the Companies Act 2006. 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.

Disclosure of information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

(a) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the board



F Barker

Secretary

30 March 2011

Pollock and Cochrane Limited

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

We have audited the financial statements of Pollock and Cochrane Limited for the year ended 31 December 2010 which comprise the Profit and loss account, the Balance sheet, the Cash flow statement, the Reconciliation of net cash flow to movement in net funds, the Accounting policies and the related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities 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 and express an opinion on 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 Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as 31 December 2010 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Pollock and Cochrane Limited

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

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.



Jason Leach (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
30 March 2011

Pollock and Cochrane Limited

Profit and loss account for the year ended 31 December 2010

	Note	2010 £	2009 £
Turnover	1	1,410,919	1,390,326
Cost of sales		(1,307,410)	(1,308,434)
Gross profit		103,509	81,892
Distribution costs		(1,531)	(2,464)
Administrative expenses		(257,731)	(254,969)
Operating loss	2	(155,753)	(175,541)
Bank interest receivable		75	191
Loss on ordinary activities before taxation		(155,678)	(175,350)
Tax on loss on ordinary activities	4	10,109	1,305
Loss for the financial year		(145,569)	(174,045)

All amounts relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents.

Pollock and Cochrane Limited

Balance sheet as at 31 December 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	5	317,245	303,967
Current assets			
Stock	6	53,490	53,152
Debtors	7	137,266	148,634
Cash at bank and in hand		72,715	131,735
		263,471	333,521
Creditors: amounts falling due within one year	8	(443,524)	(354,727)
Net current liabilities		(180,053)	(21,206)
Net assets		137,192	282,761
Capital and reserves			
Called up share capital	10	10,033	10,033
Capital redemption reserve	11	19,967	19,967
Profit and loss account	11	107,192	252,761
Total equity shareholders' funds	12	137,192	282,761

The financial statements on pages 6 to 16 were approved by the board of directors on 30 March 2011 and were signed on its behalf by:



J D Cochrane
Director

Registered Number SC13508

Pollock and Cochrane Limited

Cash flow statement for the year ended 31 December 2010

	Notes	2010 £	2009 £
Net cash inflow from operating activities	13	35,673	181,343
Returns on investments and servicing of finance			
Interest received		75	191
Net cash inflow from returns on investment and servicing of finance		75	191
Taxation		-	(1,024)
Capital expenditure			
Proceeds from the sale of fixed assets		47,530	-
Purchase of tangible fixed assets		(142,298)	(86,418)
Net cash outflow for capital expenditure		(94,768)	(86,418)
Net (decrease)/increase in cash	14	(59,020)	94,092

Reconciliation of net cash flow to movement in net funds

	2010	2009
	£	£
(Decrease)/increase in cash in the year	(59,020)	94,092
Net funds at 1 January	131,735	37,643
Net funds at 31 December	14	72,715
		131,735

Pollock and Cochrane Limited

Accounting policies

Basis of Preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The principal accounting policies of the company, which have been applied consistently, are set out below:

Going Concern

As at 31 December 2010 the Company had net assets of £137,192 (2009: £282,761) having made a loss for the year of £145,569 (2009: loss of £174,045). The Directors of United Manufacturing and Trading Company Limited have confirmed that they will provide financial support to enable the Company to meet its financial liabilities as they fall due for a period of at least 12 months from the date of these accounts. On this basis, the Directors have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

Turnover

Turnover is the total amount receivable by the company in the ordinary course of business in respect of services provided and the sale of goods to customers, excluding VAT and trade discounts. Turnover is recognised when the associated service (bleaching, dyeing and finishing) has been performed, or when the risks and rewards have passed to the customer in respect of the sale of goods.

Tangible Fixed Assets

Tangible fixed assets are stated at cost. 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

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Group relief between subsidiaries is charged on a pound for pound basis of tax relieved.

Pension commitments

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company. Contributions are charged to the profit and loss account as incurred.

Stocks

Stocks are valued at the lower of cost to the company, including appropriate production overheads, and net realisable value.

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2010

1 Turnover

The turnover is wholly attributable to the business of bleaching, dyeing and finishing. All turnover was carried on within the UK.

2 Operating loss

	2010 £	2009 £
Operating loss is stated after charging/(crediting)		
Depreciation – owned assets	103,070	101,350
Profit on disposal of fixed assets	21,580	-
Services provided by the company's auditors		
- audit	8,925	8,925
- tax compliance	4,495	6,750

3 Directors and employees

	2010 £	2009 £
Staff costs during the year:		
Wages and salaries	753,968	745,999
Social security costs	73,857	72,533
Pension costs (note 15)	74,288	51,823
	902,113	870,355

The average number of employees of the company during the year was 33 (2009: 32).

	2010 £	2009 £
Remuneration in respect of directors was as follows:		
Emoluments	52,795	52,647
Pension contributions to money purchase pension schemes	20,000	20,000
	72,795	72,647

One director (2009: one) accrued benefits during the year under a money purchase pension scheme.

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

4 Tax on loss on ordinary activities

	2010 £	2009 £
Current tax:		
UK corporation tax on losses of the period	-	-
Adjustments in respect of previous periods	-	(3,117)
Total current tax credit	-	(3,117)
Deferred tax :		
Origination and reversal of timing differences	(10,832)	1,812
Change in tax rates or laws	723	-
Total deferred tax (credit) / charge	(10,109)	1,812
Tax on loss on ordinary activities	(10,109)	(1,305)

The tax assessed on the loss on ordinary activities is different from the standard rate of tax in the UK of 28% (2009: 28%). The differences are reconciled below:

	2010 £	2009 £
Loss on ordinary activities before tax	(155,678)	(175,350)
Loss on ordinary activities multiplied by standard rate in the UK 28% (2009: 28%)	(43,590)	(49,098)
Effects of:		
Expenses not deductible for tax purposes	17	1,361
Accelerated capital allowances	(17,370)	28,305
Other short timing differences	60,943	19,432
Adjustments from previous periods	-	(3,117)
Current year tax credit	-	(3,117)

Factors affecting future tax charges

The Emergency Budget of 2010 announced a reduction in the main rate of corporation tax from 28% to 27% with effect from 1 April 2011. Approval of the Finance Bill, published on 1 July 2010, substantively enacted the reduction to 27% on 27 July 2010. The Emergency Budget also announced further annual reductions of 1% annually, reaching 24% on 1 April 2014. These reductions were not included in the Finance Bill published on 1 July 2010, though they are expected to be enacted on an annual basis. The March 2011 budget further reduced the rate to 26% from 1 April 2011 with further reductions to 23% by 1 April 2014. These recent changes have not been substantively enacted.

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

5 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Total £
Cost				
At 1 January 2010	41,841	3,511,589	13,130	3,566,560
Additions	-	142,298	-	142,298
Disposals	-	(29,750)	-	(29,750)
At 31 December 2010	41,841	3,624,137	13,130	3,679,108
Accumulated depreciation				
At 1 January 2010	29,021	3,220,442	13,130	3,262,593
Charge for the year	256	102,814	-	103,070
Disposals	-	(3,800)	-	(3,800)
At 31 December 2010	29,277	3,319,456	13,130	3,361,863
Net book value				
At 31 December 2010	12,564	304,681	-	317,245
At 31 December 2009	12,820	291,147	-	303,967

6 Stocks

	2010 £	2009 £
Raw materials and consumable stores	36,896	30,731
Work in progress	16,594	22,421
	53,490	53,152

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

7 Debtors

	2010 £	2009 £
Trade debtors	-	-
Amounts owed by group undertakings (note 16)	74,274	94,491
Amounts owed by group undertakings for group relief	30,607	30,607
Prepayments	9,413	10,706
Other debtors	33	-
Deferred tax (note 9)	22,939	12,830
	137,266	148,634

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

8 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	27,040	29,797
Amounts due to group undertakings (note 16)	207,000	157,000
Other taxation and social security	28,181	30,911
Accruals and deferred income	181,303	137,019
	443,524	354,727

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

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

9 Deferred tax

	Deferred tax £
Asset at 1 January 2010	(12,830)
Credit to profit and loss account	(10,109)
Asset at 31 December 2010	(22,939)

Deferred tax provided for in the financial statements is set out below. The amount provided is calculated using a tax rate of 28% (2009: 28%):

	Amount provided 2010 £	2009 £
Accelerated capital allowances	(5,162)	(7,230)
Losses	-	-
Other timing differences	(17,777)	(5,600)
Deferred tax asset	(22,939)	(12,830)

The directors consider that it is more likely than not that there will be sufficient taxable profits in the future such as to realise the deferred tax asset and therefore it has been recognised in these financial statements. The company has unprovided deferred tax relating to losses amounting to £116,973 (2009: £85,057).

10 Share capital

	2010 £	2009 £
Authorised		
120,000 ordinary shares of 50p each	60,000	60,000
Allotted and fully paid		
20,067 ordinary shares of 50p each	10,033	10,033

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

11 Reserves

	Capital redemption reserve £	Profit and loss account £
At 1 January 2010	19,967	252,761
Loss for the financial year	-	(145,569)
At 31 December 2010	19,967	107,192

12 Reconciliation of movements in equity shareholders' funds

	2010 £	2009 £
Loss for the financial year	(145,569)	(174,045)
Opening equity shareholders' funds at 1 January	282,761	456,806
Closing equity shareholders' funds at 31 December	137,192	282,761

13 Reconciliation of operating loss to net cash inflow from operating activities

	2010 £	2009 £
Operating loss	(155,753)	(175,541)
Depreciation	103,070	101,350
Profit on disposal of fixed assets	(21,580)	-
(Increase)/decrease in stock	(338)	3,902
Decrease in debtors	21,477	99,463
Increase in creditors	88,797	152,169
Net cash inflow from operating activities	35,673	181,343

14 Analysis of net funds

	At 1 January 2010 £	Cash flow £	At 31 December 2010 £
Cash at bank and in hand	131,735	(59,020)	72,715

Pollock and Cochrane Limited

Notes to the financial statements for the year ended 31 December 2010 (continued)

15 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 2010 was £20,000 (2009: £20,000). At the end of the year, there was an accrual outstanding of £60,000 (2009: £40,000) in relation to such schemes.

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 2010 was £54,288 (2009: £31,823). At the end of the year, there was an accrual outstanding of £5,841 (2009: £6,531) in relation to such schemes.

16 Related party transactions

During the year the company's turnover included £1,397,949 (2009: £1,381,888) of sales to Lappet Manufacturing Company Limited, a fellow subsidiary undertaking incorporated in the United Kingdom.

At 31 December 2010 the company was owed £95,812 (2009: £94,491) from Lappet Manufacturing Company Limited in respect of sales and was owed £21,538. This is shown net within amounts owed by group undertakings. At 31 December 2010 Lappet Manufacturing Company Limited owe Pollock and Cochrane £30,607 (2009: £30,607) in respect of tax group relief and trading.

During the year, the company received £50,000 (2009: £157,000) from United Manufacturing and Trading Company Limited for capital investment, owing £207,000 (2009: £157,000) as at 31 December 2010.

17 Ultimate controlling related party

The company's immediate and ultimate parent company is United Manufacturing and Trading Company Limited, registered in the Isle of Man, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Consolidated accounts are not publicly available.