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AMC LIMITED

Report and Financial Statements

30 June 2001

**Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ**



REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R N Balme (Chairman)
A D N Balme

SECRETARY

R N Balme

REGISTERED OFFICE

Yaldhurst
Yaldhurst Lane
Lymington
Hampshire
SO41 8HE

BANKERS

Midland Bank Plc
47 Market Street
Bradford
West Yorkshire
BD1 1LW

AUDITORS

Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 June 2001.

ACTIVITIES

The principal activity of AMC Limited is dealing in wool and speciality fibres.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors consider the results for the year to be satisfactory and are anticipating an improvement during the next financial year. During the year, the company made a share for share exchange with Fine Fibres Limited, thereby gaining a 50% holding. Fine Fibres Limited subsequently declared dividends on its ordinary shares, being partly in cash and partly in specie. This resulted in the company attaining a large cash surplus at the year end. In accordance with the restructuring agreement, the shares in Fine Fibres Limited were disposed of for a nominal £1 value.

The subsidiary Balmore Limited, issued additional shares which were all acquired by the company, thereby still retaining the wholly owned subsidiary status.

RESULTS AND DIVIDENDS

The profit for the year was £421,972 (2000: profit £8,944) and the results for the year are set out in detail on page 5. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The present membership of the Board is set out on page 1.

All directors served throughout the year. The directors' interests in the share capital of the company at 1 July 2000 and 30 June 2001 were:

	Ordinary shares of £1 each	
	2001	2000
R N Balme	175,007	15,000
A D N Balme	151,327	15,000

Both R N Balme and A D N Balme have family non-beneficial interests in the remaining issued share capital of 96,800 £1 ordinary shares at 30 June 2001 (2000: 20,000 shares), as these are held in trust for their children.

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those 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; 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the 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.

Approved by the Board of Directors
and signed on behalf of the Board by



A D N BALME

Director

Date : 29 APR 2002

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AMC LIMITED

We have audited the financial statements of AMC Limited for the year ended 30 June 2001, which comprise the profit and loss account, the balance sheet and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 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 director's remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

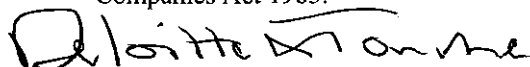
Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the 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 30 June 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and
Registered Auditors

Date: 30 April 2002

PROFIT AND LOSS ACCOUNT
Year ended 30 June 2001

	Note	£	2001 £	£	2000 £
TURNOVER: continuing operations	2		319,650		489,202
Cost of sales			(255,114)		(349,140)
Gross profit			64,536		140,062
Distribution costs		(11,546)		(21,963)	
Administrative expenses		95,492		(159,920)	
Other operating income		7,870		80,898	
			91,816		(100,985)
OPERATING PROFIT: continuing operations	4		156,352		39,077
Investment income	6	2,377,475		-	
Amounts written off investments		(200,000)		-	
Loss on disposal of subsidiary	9	(1,949,999)		-	
Interest receivable and similar income		37,820		1,961	
Interest payable and similar charges	5	(2,734)		(17,054)	
			262,562		(15,093)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			418,914		23,984
Tax on profit on ordinary activities	7		3,058		(15,040)
PROFIT FOR THE FINANCIAL YEAR	15		421,972		8,944

There are no recognised gains and losses for the current financial year and the preceding year other than as stated in the profit and loss account. Accordingly, no statement of total recognised gains and losses has been prepared.

BALANCE SHEET
30 June 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	8	12,934	16,131
Investments	9	201,094	1,300
		<u>214,028</u>	<u>17,431</u>
CURRENT ASSETS			
Stocks	10	199,842	306,587
Debtors	11	744,428	926,760
Cash at bank and in hand		1,588,249	57,052
		<u>2,532,519</u>	<u>1,290,399</u>
CREDITORS: amounts falling due within one year	12	<u>(34,428)</u>	<u>(967,683)</u>
NET CURRENT ASSETS		<u>2,498,091</u>	<u>322,716</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,712,119</u>	<u>340,147</u>
CAPITAL AND RESERVES			
Called up share capital	14	423,134	50,000
Share premium account	15	1,567,106	-
Profit and loss account	15	721,879	290,147
TOTAL EQUITY SHAREHOLDERS' FUNDS	16	<u>2,712,119</u>	<u>340,147</u>

These financial statements were approved by the Board of Directors on *27 APRIL 2002*
 and signed on behalf of the Board of Directors by


A D N BALME

Director

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

For all tangible fixed assets depreciation is calculated to write down their cost over the period of their estimated useful economic lives on a reducing balance basis at the following rates:

Office equipment	-	Between 20% and 25% per annum
Motor vehicles	-	25% per annum

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Pension costs

The group operates a money purchase pension scheme for all qualified employees and directors. The assets of the scheme are held in a separate trustee administered fund.

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of value added tax.

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2001	2000
	£	£
Directors' remuneration		
Emoluments (excluding pension contributions)	7,423	9,466
	<u> </u>	<u> </u>
Company contributions to money purchase and similar schemes in respect of directors' services	-	-
	<u> </u>	<u> </u>
Number of directors who are members of a money purchase scheme	1	1
	<u> </u>	<u> </u>
Average number of persons employed:	2001	2000
	No.	No.
Administration	1	1
Production and managerial	2	2
	<u> </u>	<u> </u>
	3	3
	<u> </u>	<u> </u>
Staff costs during the year (including directors):	2001	2000
	£	£
Wages and salaries	22,690	22,690
Social security costs	1,980	1,713
	<u> </u>	<u> </u>
	24,670	24,403
	<u> </u>	<u> </u>

4. OPERATING PROFIT

	2001	2000
	£	£
Operating profit is stated after charging:		
Depreciation – owned assets	3,465	5,376
Auditors' remuneration	4,065	4,888
Management charges	53,100	20,000
Loss on disposal of motor vehicle	262	-
and after crediting:		
Profit on disposal of investments	7,620	8,896
Management charges	-	70,000
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £	2000 £
Bank loans, overdrafts and other loans repayable within five years	4,717	17,341
Profit on exchange rate fluctuations	(1,983)	(287)
	<u>2,734</u>	<u>17,054</u>

6. INVESTMENT INCOME

	2001 £	2000 £
Income from shares in group undertakings	2,375,687	-
Income from fixed asset investments	1,788	-
	<u>2,377,475</u>	<u>-</u>

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £	2000 £
United Kingdom corporation tax at 20% (2000 – 20%)	-	2,063
Under provision for prior years	96	-
Group relief payable	-	13,067
	<hr/>	<hr/>
Total current tax charge	96	15,130
Deferred tax:-		
Timing differences, origination and reversal	(3,154)	(90)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(3,058)	15,040
	<hr/>	<hr/>

The standard rate of current tax for the year based on UK small company's rate of corporation tax is 20%. The current tax charge for the year exceeds 20% (2000 – exceeded 20%) for the reasons set out in the following reconciliation.

	2001 £	2000 £
Profit on ordinary activities before tax	418,914	23,984
	<hr/>	<hr/>
Standard rate of tax:	20.0%	20.0%
Factors affecting charge:		
Disallowable expenses	9.0%	42.0%
Deferred tax asset unprovided	94.0%	2.0%
Non taxable items	-	(1.0%)
Group income	(123.0%)	-
	<hr/>	<hr/>
	-	63.0%
	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

8. TANGIBLE FIXED ASSETS

	Office equipment £	Motor vehicles £	Total £
Cost			
At 1 July 2000	29,263	28,197	57,460
Additions in year	-	1,900	1,900
Disposals	-	(14,500)	(14,500)
	<hr/>	<hr/>	<hr/>
At 30 June 2001	29,263	15,597	44,860
	<hr/>	<hr/>	<hr/>
Accumulated depreciation			
At 1 July 2000	24,392	16,937	41,329
Charge for the year	974	2,491	3,465
Disposals in year	-	(12,868)	(12,868)
	<hr/>	<hr/>	<hr/>
At 30 June 2001	25,366	6,560	31,926
	<hr/>	<hr/>	<hr/>
Net book value			
At 30 June 2001	3,897	9,037	12,934
	<hr/>	<hr/>	<hr/>
At 30 June 2000	4,871	11,260	16,131
	<hr/>	<hr/>	<hr/>

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

9. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertaking £	Listed investment £	Unlisted investment £	Total £
Cost				
At 1 July 2000	97,300	1,300	-	98,600
Additions in year	2,150,000	231,554	8,122	2,389,676
Disposals in year	(1,950,000)	(39,882)	-	(1,989,882)
At 30 June 2001	297,300	192,972	8,122	498,394
Provisions for impairment				
At 1 July 2000	97,300	-	-	97,300
Provision in year	200,000	-	-	200,000
	297,300	-	-	297,300
Net book value				
At 30 June 2001	-	192,972	8,122	201,094
At 30 June 2000	-	1,300	-	1,300

The market value of listed investments at 30 June 2001 was £206,423 (2000: £790).

Additional information on subsidiary undertaking

The company holds 100% (2000: 100%) of the issued share capital of a subsidiary undertaking, Balmore Limited, a company incorporated in Scotland, which operates as a stockholding and distribution centre for knitwear garments in the same market.

During the current year AMC acquired all the additional issued share capital.

The company acquired 99,900 ordinary shares in Fine Fibres Limited for a consideration of £1,950,000 satisfied by an issue of 373,134 ordinary shares in the company. The company disposed of its holding in Fine Fibres Limited on 28 June 2001 for £1.

Subsidiary	Total of share capital and reserves		Profit/(loss) for the financial year after taxation	
	2001 £	2000 £	2001 £	2000 £
Balmore Limited	(171,565)	(388,955)	17,390	(50,341)

10. STOCKS

	2001 £	2000 £
Materials for resale	199,842	306,587

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

11. DEBTORS

	2001 £	2000 £
Trade debtors	45,307	149,857
Amounts owed by group undertakings	252,565	427,538
Other debtors	415,445	349,365
Prepayments and accrued income	31,111	-
	<u>744,428</u>	<u>926,760</u>

Amounts owed by group undertakings includes an amount due after more than one year of £nil (2000 : £75,000).

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Trade creditors	5,203	2,406
Corporation tax	-	1,743
Other taxes and social security	3,326	19,647
Directors' loan accounts	4,595	3,479
Other creditors	4,413	932,357
Accruals and deferred income	16,891	8,051
	<u>34,428</u>	<u>967,683</u>

The directors' loan accounts are unsecured with no fixed date for repayment. Interest may be charged on the directors' loan accounts at the prevailing market rates but has been waived by the directors for this year.

The bank overdraft facility is secured by a fixed and floating charge over all assets of the group and by personal guarantees from the directors.

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

13. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 1 July 2000 £	Credited to profit and loss account £	Applied £	Balance at 30 June 2001 £
Deferred taxation	-	(3,154)	-	(3,154)

The amounts of deferred taxation provided in the accounts and the amounts not provided are as follows:

	Provided 2001 £	Provided 2000 £	Not Provided 2001 £	Not Provided 2000 £
Capital losses	-	-	(392,210)	-
Revenue losses	(3,610)	-	-	-
Accelerated capital allowances	456	-	-	(563)
	(3,154)	-	(392,210)	(563)

A deferred tax asset of £3,154 has been recognised at 30 June 2001. This asset relates to trading losses incurred in the year, the recoverability of which is dependent upon future taxable profits in excess of those arising from the reversal of deferred tax liabilities, which the directors are of the opinion will be utilised in the next financial year.

14. CALLED UP SHARE CAPITAL

	2001 £	2000 £
Authorised:		
500,000 (2000: 100,000) ordinary shares of £1 each	500,000	100,000
Called up, allotted and fully paid:		
423,134 (2000: 50,000) ordinary shares of £1 each	423,134	50,000

The authorised share capital was increased to £500,000 by the creation of 400,000 ordinary shares of £1 each to rank pari passu with the existing shares on 27 June 2001.

On 27 June 2001 373,134 ordinary shares of £1 each were issued at a premium of £5.23 per share to Fine Fibres Limited as part of a share for share exchange (note 8).

NOTES TO THE ACCOUNTS
Year ended 30 June 2001

15. RESERVES

	Share premium amount £	Profit and loss account £
At 1 July 2000	-	290,147
Shares issued in year	1,576,866	-
Issue costs	(9,760)	9,760
Retained profit for year	-	421,972
	<u>1,567,106</u>	<u>721,879</u>
At 30 June 2001		

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Profit for the financial year	421,972	8,944
Capital subscribed (see note 8)	1,950,000	-
	<u>2,371,972</u>	<u>8,944</u>
Net addition to shareholders' funds	2,371,972	8,944
Opening shareholders' funds	340,147	331,203
	<u>2,712,119</u>	<u>340,147</u>
Closing shareholders' funds		

17. CONTINGENT LIABILITIES

The group's bankers hold a cross guarantee arrangement with the company and its subsidiary under which each company guarantees the obligations of the other to HSBC Bank Plc without limit. At 30 June 2001 the maximum obligation amounted to £nil (2000: £nil).

18. PENSION SCHEMES

AMC Limited operates a money purchase pension scheme for all qualified employees. The assets of the scheme are administered by an insurance company which is entirely separate from the company. The pension contributions paid to the scheme amounted to £nil (2000 : £nil).

NOTES TO THE ACCOUNTS

Year ended 30 June 2001

19. TRANSACTIONS WITH RELATED PARTIES

During the year the company had transactions with the following companies:

- AMC Limited traded with Balmore Limited, of which it owns 100% of the ordinary share capital. Sales to Balmore Limited amounted to £nil (2000: £106,850) and Balmore Limited owed £187,422 net of provision (2000: £427,538) to AMC Limited at 30 June 2001.
- Carter Capital Limited, a company of which A D N Balme is a director. Management services provided by Carter Capital Limited amounted to £53,100 (2000: £20,000) and interest paid to Carter Capital Limited of £nil (2000: £1,298). Amounts owed by Carter Capital Limited at the year end amounted to £112,573 (2000 : amounts owed to Carter Capital of £110,642) and accrued income includes loan interest of £6,430 (2000: £nil).
- Prior to the restructuring arrangement on 27 June 2001 Fine Fibres Limited and its wholly owned subsidiary, D H C Bradford Limited, companies of which R N Balme and A D N Balme were directors and minority shareholders. Management services to D H C Bradford Limited amounted to £nil (2000 : £70,000) and interest receivable of £nil (2000 : £1,604). Amounts owed by D H C Bradford at the year end amounted to £449 (2000: £215,370) and to D H C Bradford of £nil (2000: £855,000).

All transactions were on a normal commercial basis.

Amounts due to the directors at the year end were :

- R N Balme £4,595 (2000: £3,479)
- A D N Balme £nil (2000 : £nil)

The company is jointly controlled by the directors.

20. GROUP ACCOUNTS

The company has taken advantage of the exemption granted under Section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about the group.