

**Annual report  
for the year ended 31 December 1995**

	<b>Pages</b>
<b>Directors' report</b>	1 - 3
<b>Report of the auditors</b>	4
<b>Consolidated profit and loss account</b>	5
<b>Consolidated balance sheet</b>	6
<b>Company balance sheet</b>	7
<b>Consolidated cash flow statement</b>	8 - 9
<b>Notes to the financial statements</b>	10 - 19



**Directors' report  
for the year ended 31 December 1995**

The directors present herewith the audited financial statements for the year ended 31 December 1995.

**Principal activities**

The consolidated profit and loss account for the year is set out on page 5.

The principal activity of the group is the manufacture and supply of domestic and educational furniture.

**Review of business and future developments**

Both the level of business and the year end financial position remain satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

**Dividends and transfer to reserves**

The directors do not recommend the payment of a dividend.

The profit for the year of £124,719 will be transferred to reserves.

**Directors**

The directors of the company at 31 December 1995, all of whom have been directors for the whole of the year ended on that date, are listed below:

R J J Bell  
W McColl

**Directors' interests**

The interests of the directors of the company in the shares of the company at 31 December 1995, together with their interests at 1 January 1995, through life interest in family trusts, were:

	At 31 December 1995	At 31 December 1994
<b>Ordinary shares of £1 each</b>		
R J J Bell	98	98
W McColl	11	11

## **Directors' report for the year ended 31 December 1995 (continued)**

### **Changes in fixed assets**

The movements in fixed assets during the year is set out in note 10 to the financial statements.

### **Taxation status**

As far as the directors are aware, the company is a close company as defined by the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

### **Health and safety**

Strenuous efforts continue to be made throughout the group to improve our good record in this field.

### **Disabled persons**

The group's policy in respect of the employment of disabled persons is:

- (a) to give full and fair consideration of all types of vacancies;
- (b) to retain newly disabled employees wherever possible for rehabilitation and training; and
- (c) to give equal opportunities for training, career development and promotion and, where applicable, to modify equipment and premises to use special equipment aids or to restructure jobs.

### **Employee involvement**

During the year employees have been briefed with information of matters of concern to them regarding the group's activities and progress.

**Directors' report  
for the year ended 31 December 1995 (continued)**

**Directors' responsibilities**

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1995. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and the group and to prevent and detect fraud and other irregularities.

**Auditors**

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

**By order of the board**



**W McColl  
Company Secretary  
Kirkcaldy**

3077527 1996

## **Report of the auditors to the members of McIntosh 88 Limited**

We have audited the financial statements on pages 5 to 19.

### **Respective responsibilities of directors and auditors**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of 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 affairs of the company and the group at 31 December 1995 and of its profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Chartered Accountants and Registered Auditors**  
Edinburgh

28. August. 1996

# Consolidated profit and loss account for the year ended 31 December 1995

	Notes	1995 £	1994 £
<b>Turnover</b>	2	<b>10,220,215</b>	12,611,445
Cost of sales		<b>7,573,080</b>	8,990,193
		<hr/>	<hr/>
<b>Gross profit</b>		<b>2,647,135</b>	3,621,252
Net operating expenses	3	<b>(2,545,782)</b>	(2,618,446)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>101,353</b>	1,002,806
Interest receivable and similar income		<b>28,180</b>	70,936
		<hr/>	<hr/>
		<b>129,533</b>	1,147,142
Interest payable and similar charges	6	<b>(4,640)</b>	(21,367)
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	7	<b>124,893</b>	1,052,375
Tax on profit on ordinary activities		<b>(174)</b>	-
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>		<b>124,719</b>	1,052,375
		<hr/> <hr/>	<hr/> <hr/>

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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

All of the above relates to continuing operations.

# Consolidated Balance sheet at 31 December 1995

	Notes	1995 £	1994 £
<b>Fixed assets</b>			
Tangible assets	10	<u>2,729,007</u>	<u>2,556,625</u>
<b>Current assets</b>			
Stocks	12	1,941,554	1,483,513
Debtors	13	1,323,980	2,071,934
Cash at bank and in hand		<u>345,487</u>	<u>651,844</u>
		<u>3,611,021</u>	<u>4,207,291</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>1,239,676</u>	<u>1,776,672</u>
<b>Net current assets</b>		<u>2,371,345</u>	<u>2,430,619</u>
<b>Total assets less current liabilities</b>		<u>5,100,352</u>	<u>4,987,244</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>1,541</u>	<u>13,152</u>
		<u>5,098,811</u>	<u>4,974,092</u>
<b>Capital and reserves</b>			
Called up share capital	18	111	111
Profit and loss account	19	3,498,024	3,373,305
Capital reserve	20	<u>1,600,676</u>	<u>1,600,676</u>
<b>Equity shareholders' funds</b>		<u>5,098,811</u>	<u>4,974,092</u>

The financial statements on pages 5 to 19 were approved by the board of directors on 30th July 1996 and were signed on its behalf by:



Director

# Balance sheet at 31 December 1995

	Notes	1995 £	1994 £
<b>Fixed assets</b>			
Investments	11	1	1
Loans to group companies	11	100,000	100,000
		<u>100,001</u>	<u>100,001</u>
<b>Current assets</b>			
Debtors	13	400,000	400,000
Cash at bank and in hand		111	111
		<u>400,111</u>	<u>400,111</u>
<b>Creditors: amounts falling due within one year</b>	14	(176,056)	(144,456)
<b>Net current assets</b>		<u>224,055</u>	<u>255,655</u>
<b>Total assets less current liabilities</b>		<u>324,056</u>	<u>355,656</u>
<b>Capital and reserves</b>			
Called up share capital	18	111	111
Profit and loss account	19	103,945	135,545
Capital reserve	20	220,000	220,000
<b>Equity shareholders' funds</b>		<u>324,056</u>	<u>355,656</u>

The financial statements on pages 5 to 19 were approved by the board of directors on 3<sup>rd</sup> JAN 1996 and were signed on its behalf by:



Director



## Consolidated cash flow statement for the year ended 31 December 1995

	Note	1995 £	1994 £
Net cash inflow from continuing operating activities (reconciliation to operating profit on page 9)		<u>162,166</u>	<u>1,025,824</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		28,180	70,936
Interest paid		<u>(4,640)</u>	<u>(21,367)</u>
<b>Cash inflow from returns on investments and servicing of finance</b>		<u>23,540</u>	<u>49,569</u>
<b>Taxation</b>			
UK corporation tax paid		<u>(174)</u>	<u>-</u>
<b>Investment activities</b>			
Purchase of tangible fixed assets		(414,331)	(2,126,358)
Sale of tangible fixed assets		<u>241</u>	<u>39,424</u>
<b>Net cash outflow from investing activities</b>		<u>(414,090)</u>	<u>(2,086,934)</u>
<b>Net cash outflow before financing</b>		<u>(228,558)</u>	<u>(1,011,541)</u>
<b>Financing</b>			
Bank loan repaid		(46,875)	(187,500)
Capital lease repayments		<u>(30,924)</u>	<u>(46,180)</u>
		<u>(77,799)</u>	<u>(233,680)</u>
<b>Decrease in cash and cash equivalents</b>	24	<u><u>(306,357)</u></u>	<u><u>(1,245,221)</u></u>

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

	1995	1994
	£	£
<b>Continuing operating activities</b>		
Operating profit	101,353	1,002,806
Depreciation on tangible fixed assets	241,815	124,830
Gain on sale of tangible fixed assets	(107)	(19,087)
(Increase)/decrease in stocks	(458,041)	226,919
Decrease/(increase) in trade debtors	808,632	(212,888)
(Increase) in other debtors	(60,678)	(65,644)
(Decrease)/increase in trade creditors	(415,168)	40,161
(Decrease) in other creditors	(55,640)	(71,273)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>162,166</b>	<b>1,025,824</b>
	<hr/>	<hr/>

## Notes to the financial statements for the year ended 31 December 1995

### 1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The financial statements reflect the historical cost convention as modified to include the revaluation of certain items of fixed asset. A summary of the more important accounting policies is set out below.

#### Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertaking made up to 31 December 1995.

#### Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values on a straight line basis over the useful economic lives of the assets concerned.

The principal annual rates used for this purpose are:

	%
Building	2½
Fixtures and fittings	20
Motor vehicles	25
Plant and machinery	10-33 1/3

Land is not depreciated.

#### Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the group substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit on proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

**1 Principal accounting policies (continued)****Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated to sterling at rates of exchange ruling at the end of the financial year. Trading activities are translated to sterling at the rate of exchange ruling at the time of the transaction. Any resultant gain or loss on exchange is shown as part of the year's profit or loss from ordinary activities.

**Deferred taxation**

Provision is made for deferred taxation, using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

**Pension scheme arrangements**

The group operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the group benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The group provides no other post retirement benefits to its employees.

**2 Segmental analysis**

Segmental analysis of the group's operations has not been included as, in the opinion of the directors, such disclosures would be seriously prejudicial to the group's interests.

**3 Net operating expenses**

	1995 £	1994 £
Distribution costs	753,412	754,260
Administrative expenses	1,792,370	1,864,186
	<u>2,545,782</u>	<u>2,618,446</u>

**4 Directors' emoluments**

	1995 £	1994 £
Emoluments of directors (including pension contributions and benefits in kind)	<u>268,793</u>	<u>280,380</u>
Emoluments (excluding pension contributions) include amounts paid to:		
The chairman and highest paid director	<u>129,211</u>	<u>130,802</u>

The number of directors (including the chairman) who received emoluments (excluding pension contributions) within the following ranges was:

£120,000 to £125,000	1	-
£125,001 to £130,000	1	1
£130,001 to £135,000	-	1

**5 Employee information**

The average weekly number of persons employed by the group (including executive directors) during the year was:

	1995 £	1994 £
Production	205	227
Selling and distribution	19	18
Administration	20	20
	<u>244</u>	<u>265</u>

**5 Employee information (continued)**

	£	£
<b>Staff costs (for the above persons)</b>		
Wages and salaries	3,342,292	3,573,446
Social security costs	332,416	354,512
Pension costs (see note 17)	17,000	60,000
	<u>3,691,708</u>	<u>3,987,958</u>

**6 Interest payable and similar charges**

	1995 £	1994 £
On bank loans, overdrafts and other loans:		
Repayable within 5 years, not by instalments	308	258
Repayable within 5 years, by instalments	642	14,130
On finance leases	3,690	6,979
	<u>4,640</u>	<u>21,367</u>

**7 Profit on ordinary activities before taxation**

	1995 £	1994 £
Profit on ordinary activities after taxation is stated after crediting:		
Profit on disposal of tangible fixed assets	107	19,087
And after charging:		
Auditor's remuneration (company £1,300; 1994: £1,250)	16,480	16,750
Hire of plant and machinery	1,030	1,145
Other operating lease rentals	147,001	146,548
Depreciation of tangible fixed assets		
- owned by the company	192,399	81,637
- held under finance leases	49,416	43,193

## 8 Tax on profit on ordinary activities

	1995 £	1994 £
Under provision in respect of prior years:		
Current	174	-
	<u>      </u>	<u>      </u>

The taxation charge is abnormally low due to the utilisation of tax losses carried forward.

## 9 Loss for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss for the financial year was £31,600 (1994: £73,400).

## 10 Tangible fixed assets

### Group

	Land and Buildings £	Plant, machinery, fixtures and Fittings £	Motor Vehicles Purchased £	Motor Vehicles Leased £	Computer Equipment Purchased £	Computer Equipment Leased £	Total £
<b>Cost or valuation</b>							
At 1 January							
1995	1,900,367	1,188,354	128,322	146,819	102,376	181,864	3,648,102
Additions	188,564	173,087	47,668	-	5,012	-	414,331
Disposals	-	(500)	-	-	-	-	(500)
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
At 31 December							
1995	2,088,931	1,360,941	175,990	146,819	107,388	181,864	4,061,933
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>Depreciation</b>							
At 1 January							
1995	-	772,744	11,184	60,869	85,276	161,404	1,091,477
Disposals	-	(366)	-	-	-	-	(366)
Charge for the year	35,404	107,253	38,382	36,708	11,360	12,708	241,815
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
At 31 December							
1995	35,404	879,631	49,566	97,577	96,636	174,112	1,332,926
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>Net book value</b>							
At 31 December							
1995	2,053,527	481,310	126,424	49,242	10,752	7,752	2,729,007
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>
<b>Net book value</b>							
At 31 December							
1994	1,900,367	415,610	117,138	85,950	17,100	20,460	2,556,625
	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>	<u>      </u>

Plant and machinery were valued on an open market basis with existing use on 4 July 1988, by Ryden Henry Butcher, Chartered Valuers, Glasgow. No revaluation reserve arises in the consolidated balance sheet, as this is eliminated by the capital reserve arising on consolidation.

# 11 Investments

	Shares at cost £	Loans £	Total £
Subsidiary undertakings			
At 1 January 1995 and			
31 December 1995	1	100,000	100,001
	<u>          </u>	<u>          </u>	<u>          </u>

Represented by:

Subsidiary undertaking	Nature of business	Country of registration	Description of shares held	Proportion of nominal value of issued shares held %
ESA McIntosh Limited	Manufacture and supply of domestic and educational furniture	Scotland	Ordinary £1 shares	100

The above inter-company loan is unsecured, interest free and has no fixed repayment date.

# 12 Stocks

Group	1995 £	1994 £
Raw materials	770,061	478,310
Work in progress	920,201	802,891
Finished goods	251,292	202,312
	<u>1,941,554</u>	<u>1,483,513</u>

# 13 Debtors

	Group		Company	
	1995 £	1994 £	1995 £	1994 £
Amounts falling due within one year:				
Trade debtors	1,053,087	1,861,719	-	-
Dividend due from subsidiary	-	-	400,000	400,000
Other debtors	270,893	210,215	-	-
	<u>1,323,980</u>	<u>2,071,934</u>	<u>400,000</u>	<u>400,000</u>



**14 Creditors: amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>1995</b>	<b>1994</b>	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loan	-	46,875	-	-
Obligations under finance leases	11,608	30,921	-	-
Bills of exchange payable	149,825	174,679	-	-
Trade creditors	329,479	744,647	-	-
Other creditors	77,810	79,348	1	1
Amounts owed to group undertaking	-	-	176,055	144,455
Other taxation and social security	180,625	267,714	-	-
Accruals and deferred income	490,329	432,488	-	-
	<u>1,239,676</u>	<u>1,776,672</u>	<u>176,056</u>	<u>144,456</u>

**15 Creditors: amounts falling due after more than one year**

<b>Group</b>	<b>1995</b>	<b>1994</b>
	<b>£</b>	<b>£</b>
Obligations under finance leases (due within 5 years)	1,541	13,152

**16 Deferred taxation**

The unprovided deferred tax asset is comprised as follows:

	<b>Group</b>		<b>Company</b>	
	<b>1995</b>	<b>1994</b>	<b>1995</b>	<b>1994</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
The amount of timing differences because of:				
Excess of capital allowances over depreciation	120	98	-	-
Other timing differences	(18)	(19)	-	-
Losses	(1,670)	(1,740)	(56)	(56)
ACT Recoverable	(2)	(2)	-	-
	<u>(1,570)</u>	<u>(1,663)</u>	<u>(56)</u>	<u>(56)</u>

## 17 Pensions

The group participates in a pension scheme operated by London and Manchester (Pensions) Limited providing benefits based on a final pensionsable salary. The assets of the scheme are held separately from those of the group.

The total pension cost for the group was £17,000 (1994: £60,000). The significant decrease in the cost is due to a reassessment by the directors of the final pension payable. The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The latest actuarial valuation for the scheme was at 1 May 1995. The assumptions that have the most significant effect on the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8½% per annum, that salary increases would average 6½% per annum and that present and future pensions would increase at the rate of 4½% per annum.

At the date of the latest actuarial valuation, the market value of the assets of the scheme was £280,000. The actuarial value of the assets was sufficient to cover 64.8% of the benefits which had accrued to members after allowing for expected future increases in earnings. Since the balance sheet date the scheme has been restored to a fully funded position and the group's rate of contribution in future will be between 7 and 9% of pensionable salaries.

## 18 Called up share capital

	1995	1994
	£	£
<b>Authorised:</b>		
1,000 Ordinary shares of £1 each	1,000	1,000
	<u>          </u>	<u>          </u>
<b>Allotted, called up and fully paid:</b>		
111 Ordinary shares of £1 each	111	111
	<u>          </u>	<u>          </u>

## 19 Profit and loss account

The movement on consolidated retained profits is analysed below:-

	McIntosh 88 Limited	Subsidiary Company	Total
	£	£	£
At 1 January 1995	135,545	3,237,760	3,373,305
(Loss)/profit for the year	(31,600)	156,319	124,719
	<u>          </u>	<u>          </u>	<u>          </u>
<b>At 31 December 1995</b>	<b>103,945</b>	<b>3,394,079</b>	<b>3,498,024</b>
	<u>          </u>	<u>          </u>	<u>          </u>

**20 Capital reserve**

The consolidated capital reserve arose on the acquisition of the subsidiary company, and the subsequent repurchase of its preference shares. The capital reserve in the company resulted from the repurchase of its preference shares.

**21 Reconciliation of movements in shareholders' funds**

	1995 £	1994 £
Opening shareholders' funds	4,974,092	3,921,717
Profit for the financial year	124,719	1,052,375
Closing shareholders' funds	<u>5,098,811</u>	<u>4,974,092</u>

**22 Capital commitments**

Company and Group	1995 £	1994 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	30,255
Capital expenditure that has been authorised by the directors but has not yet been contracted for	Nil	Nil

**23 Financial commitments**

At 31 December 1995 the group had annual commitments under non-cancellable operating leases as follows:

	1995 £	1994 £
Expiring between two and five years inclusive	<u>146,965</u>	<u>129,446</u>

## 24 Cash and cash equivalents

	1995 £	1994 £
<b>Changes in the year</b>		
At 1 January	651,844	1,897,065
Net cash flow	(306,357)	(1,245,221)
At 31 December	<u>345,487</u>	<u>651,844</u>

	1995 £	1995 change in year £	1994 £	1994 change in year £	1993 £
<b>Analysis of balances at 31 December</b>					
Cash at bank and in hand	<u>345,487</u>	<u>(306,357)</u>	<u>651,844</u>	<u>(1,245,221)</u>	<u>1,897,065</u>