

# **EWM (IP) Limited**

## **Annual Report and Financial Statements**

**Year ended 24 February 2007**

***Registered Number : SC285031***



# **EWM (IP) LIMITED**

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## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

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# **EWM (IP) LIMITED**

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## **DIRECTORY**

### **DIRECTORS**

P E Day  
D O Houston  
A Whitaker

### **SECRETARY**

J Carruthers

### **AUDITORS**

KPMG LLP  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG

### **BANKERS**

Barclays Bank plc  
77 Albion Street  
Leeds  
LS1 5LD

### **SOLICITORS**

Maclay Murray & Spens  
151 St Vincent Street  
Glasgow  
G2 5NJ

### **REGISTERED OFFICE**

Waverley Mills  
Langholm  
Dumfriesshire  
DG13 OEB

# **EWM (IP) LIMITED**

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## **DIRECTORS' REPORT**

The directors present their report and financial statements for the year ended 24 February 2007

### **PRINCIPAL ACTIVITY**

The principal activity of the company is to manage, maintain, protect, develop and enhance the intellectual property of group companies

### **REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS**

The directors consider that the company has had another good year and expect this success to continue in the future

### **RESULTS AND DIVIDENDS**

The profit for the period after taxation amounted to £213,000 (2005/06 £337,000) The directors do not recommend the payment of a dividend

### **DIRECTORS**

The directors holding office during the period were as follows


P E Day  
D O Houston  
A Whitaker

In accordance with the Articles of Association, no director retires by rotation

### **DISCLOSURE OF INFORMATION TO AUDITORS**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware and each director has taken all the necessary steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of such information

By order of the Board



J Carruthers  
Secretary

10 July 2007

# **EWM (IP) LIMITED**

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## **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EWM (IP) LIMITED**

We have audited the financial statements of EWM (IP) Limited for the year ended 24 February 2007 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**


We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 24 February 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

  
KPMG LLP  
Chartered Accountants  
Registered Auditors  
Edinburgh

10 July 2007

# EWM (IP) LIMITED

## PROFIT AND LOSS ACCOUNT For the Year Ended 24 February 2007

		<i>Year ended 24 February 2007</i>	<i>19 May 2005 to 25 February 2006</i>
	<i>Notes</i>	<i>£000</i>	<i>£000</i>
<b>TURNOVER</b>		5,082	2,586
Cost of sales		(2,594)	(1,226)
		<hr/>	<hr/>
<b>GROSS PROFIT</b>		2,488	1,360
Selling and administrative expenses		(22)	(85)
		<hr/>	<hr/>
<b>OPERATING PROFIT</b>		2,466	1,275
Net interest payable	5	(1,041)	(560)
		<hr/>	<hr/>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	1,425	715
Taxation	6	(1,212)	(378)
		<hr/>	<hr/>
<b>PROFIT FOR THE FINANCIAL PERIOD</b>	11	213	337
		<hr/>	<hr/>

There were no gains or losses recognised in the period other than those dealt with in the profit and loss account above

# EWM (IP) LIMITED

## BALANCE SHEET At 24 February 2007

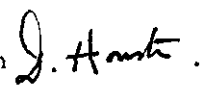
	Notes	2007 £000	2006 £000
<b>FIXED ASSETS</b>			
Intangible assets	7	22,365	24,959
<b>CURRENT ASSETS</b>			
Debtors	8	267	292
<b>CREDITORS: amounts falling due within one year</b>			
	9	(17,082)	(19,914)
<b>NET CURRENT LIABILITIES</b>			
		(16,815)	(19,622)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		5,550	5,337
<b>CAPITAL AND RESERVES</b>			
Called up share capital	10	5,000	5,000
Profit and loss account	11	550	337
<b>SHAREHOLDERS' FUNDS</b>			
	11	5,550	5,337

These financial statements were approved by the board of directors on 10 July 2007 and were signed on its behalf by

Philip Day  
Director



David Houston  
Director





# EWM (IP) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 24 February 2007

### 1 ACCOUNTING POLICIES

#### *Financial year*

These financial statements are drawn up for the year to 24 February 2007

#### *Basis of preparation of accounts*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

The company is exempt from the requirement of Financial Reporting Standard No. 1 (Revised) to prepare a cash flow statement as it is a wholly owned subsidiary of The Edinburgh Woollen Mill (Group) Limited and its cash flows are included within the consolidated cash flows of that company.

#### *Turnover*

Turnover represents goods and services supplied net of value added tax. All turnover derives from continuing activities in the UK and relates to one class of business.

#### *Intangible assets*

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the asset has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### *Deferred taxation*

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 future or a right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the company's taxable profits and its results as stated in the financial statements which are capable of reversal in one or more subsequent periods.

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### *Capital instruments*

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of the raising of capital instruments other than equity shares, is allocated to periods over the term of each individual instrument on a basis consistent with the level of the carrying amount.

### 2. DIRECTORS' EMOLUMENTS

There were no directors' emoluments paid in the period (2005/06 £nil). All directors during both years were members of a group defined benefit pension scheme.

# EWM (IP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 24 February 2007

### 3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging:

	Year ended 24 February 2007 £000	19 May 2005 to 25 February 2006 £000
Auditors' remuneration – audit services	2	2

### 4. STAFF COSTS

There were no employees of the company in the period

### 5. NET INTEREST PAYABLE

	Year ended 24 February 2007 £000	19 May 2005 to 25 February 2006 £000
Interest payable on bank borrowings	1,041	560

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### a. Analysis of charge for the period

	Year ended 24 February 2007 £000	19 May 2005 to 25 February 2006 £000
<b>Current tax</b>		
UK corporation tax on profits of the period	1,199	378
Adjustment in respect of prior periods	13	
	<u>1,212</u>	<u>378</u>

#### b Factors affecting the tax charge for the period

	Year ended 24 February 2007 £000	19 May 2005 to 25 February 2006 £000
Profit on ordinary activities before taxation	1,425	715
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	427	215
Disallowable expenses and non taxable income	772	163
Adjustment to tax charge in respect of prior periods	13	
	<u>1,212</u>	<u>378</u>

#### c. Factors affecting the tax charge in the future

The Chancellor's March 2007 Budget reduces the UK Corporation tax rate from 30% to 28%, effective from 1 April 2008

# EWM (IP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 24 February 2007

### 7 INTANGIBLE ASSETS

	<i>Intellectual Property £000</i>
<b>Cost.</b>	
At 26 February 2006 and 24 February 2007	26,185
<b>Amortisation:</b>	
At 26 February 2006	1,226
Provided during the period	2,594
<b>At 24 February 2007</b>	<b>3,820</b>
<b>Net book value at 24 February 2007</b>	<b>22,365</b>
<b>Net book value at 26 February 2006</b>	<b>24,959</b>

The intellectual property rights, which were acquired from other group companies in the previous period, are being amortised on a straight line basis over the directors' estimate of their useful economic life of a minimum of 8 years

### 8. DEBTORS

	<i>2007 £000</i>	<i>2006 £000</i>
Amounts owed by group undertakings	267	292

### 9. CREDITORS: amounts falling due within one year

	<i>2007 £000</i>	<i>2006 £000</i>
Bank overdraft	16,615	19,371
Amounts owed to group undertakings		255
UK corporation tax	308	108
Other creditors and accruals	159	180
	<b>17,082</b>	<b>19,914</b>

The bank overdraft facility is secured by means of standard securities, legal charges, debentures, floating charges and cross guarantees over all the assets of the company, the company's ultimate parent, The Edinburgh Woollen Mill (Group) Limited, and certain obliger group companies

# EWM (IP) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 24 February 2007

### 10. CALLED UP SHARE CAPITAL

	2007	2006
	£000	£000
Authorised		
5,000,000 Ordinary Shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
5,000,000 Ordinary Shares of £1 each	<u>5,000</u>	<u>5,000</u>

### 11. RESERVES AND RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	Share capital £000	Profit and loss account £000	2007 Total £000	2006 Total £000
At beginning of period	5,000	337	5,337	
Profit for the period		213	213	337
Shares issued				5,000
At end of period	<u>5,000</u>	<u>550</u>	<u>5,550</u>	<u>5,337</u>

### 12. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemptions allowed under FRS 8 not to disclose transactions with other Group companies

### 13. CONTINGENT LIABILITIES

In conjunction with certain other companies in the Group, the company has granted guarantees to secure the loans, overdrafts and committed revolving credit facilities of the companies in the group banking arrangements as follows

	2007
	£000
Committed Revolving Credit and Ancillary Facilities	<u>62,250</u>

Additionally the company in conjunction with other companies in the Group has granted Barclays Bank PLC a guarantee in relation to the overdraft and Bankers Automated Clearing System (BACS) facilities made available to Mackinnon of Scotland Limited, a wholly owned subsidiary of the Group. These facilities are separate to the others detailed in this note. As at 24 February 2007 the available overdraft and BACS facilities were £750,000 and £250,000 respectively

# **EWM (IP) LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

**At 24 February 2007**

### **14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's ultimate parent company and controlling party is The Edinburgh Woollen Mill (Group) Limited, a company registered in Scotland