

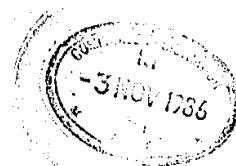
MUTUAL MILLS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

29TH MARCH, 1986

166300 / 129



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MUTUAL MILLS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

29TH MARCH, 1986

166300/129

PEAT, MARWICK, MITCHELL & CO.,
City Square House, 7 Wellington Street,
LEEDS. LS1 4DW



MUTUAL MILLS LIMITED

DIRECTORS' REPORT

The directors present their sixty-fourth annual report and the audited accounts for the year ended 29th March, 1986.

PRINCIPAL ACTIVITIES

The principal activity of the company has continued to be the spinning of natural and man-made fibres.

BUSINESS REVIEW

The continuing trend is for demand and plant activity to be high in the second half of the year. Sampling of the yarns presented for Spring Knitwear ranges has been well received and another good year in this area of our business is in prospect. The company continues its policy of investment in new plant to improve quality and efficiency and reduce costs.

TAX STATUS

The directors are of the opinion that the close company provisions of the Income and Corporation Taxes Act 1970, as amended, do not apply to the company.

FORMAT OF ACCOUNTS

In accordance with section 229 Companies Act 1985 group accounts have not been prepared as the company is a wholly owned subsidiary of another body corporate incorporated in Great Britain. In the opinion of the directors the aggregate value of the assets of the company consisting of shares in, and amounts owing from, the company's subsidiaries is not less than the aggregate of the amounts at which those assets are included in the company's balance sheet.

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MUTUAL MILLS LIMITED

DIRECTORS' REPORT

(continued)

PROPOSED DIVIDEND

The directors recommend the payment of a dividend of £225,000 for the year ended 29th March, 1986.

PROPOSED TRANSFERS TO RESERVES

The directors propose to transfer £60,479 from reserves being the loss for the year after tax and dividends (1985: £64,254 transferred to reserves).

LAND AND BUILDINGS

The company's freehold land and buildings were revalued at 31st March, 1979, on the basis of open market value for existing use which resulted in a revaluation surplus of £510,959. Subsequent additions have been included in fixed assets at cost.

The directors are of the opinion that there is no significant difference between the present market value of land and buildings and the amounts at which they are stated in the accounts.

DIRECTORS AND DIRECTORS' INTERESTS

The directors of the company during the year were:

Mr. D. Babbs
Mr. H.F. Openshaw
Mr. M. Jones

No director had any interest in the shares of either Mutual Mills Limited or the parent company at any time during the year.

Mr. D. Babbs retires by rotation and, being eligible, offers himself for re-election.

MUTUAL MILLS LIMITED

DIRECTORS' REPORT

(continued)

EMPLOYEES

Although no formal reporting procedures have been established by the Company, regular contact, between senior management and union representatives, is maintained in order to keep employees informed of the Company's ongoing situation and future prospects.

It is company policy, when recruiting, to consider each vacancy as to its suitability for a disabled person. Regular contact is maintained with local Disablement Resettlement Officers to ensure that people with the necessary skills are given every consideration for employment.

Whilst promotion and career development opportunities are open to all employees, special attention is given to the needs of the disabled, or those employees who become disabled, to facilitate their continued employment within the company.

CHARITABLE CONTRIBUTIONS

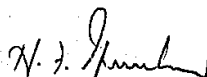
During the year the company made charitable contributions of £55.

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Peat, Marwick, Mitchell & Co. as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board,

H.F. OPENSHAW



Secretary

Aspinall Street,
Heywood,

30th June, 1986

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REPORT OF THE AUDITORS TO THE MEMBERS OF

MUTUAL MILLS LIMITED

We have audited the accounts on pages 5 to 16 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on pages 8 and 9, give a true and fair view of the state of the company's affairs at 29th March, 1986 and of its loss and source and application of funds for the year to that date and comply with the Companies Act 1985.

Peat, Marwick, Mitchell & Co.

Chartered Accountants

City Square House,
7, Wellington Street,
Leeds.
LS1 4DW

30th June, 1986

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MUTUAL MILLS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 29TH MARCH, 1986

	<u>Note</u>	<u>1986</u>	<u>1985</u>
TURNOVER	2	£ 7,914,773	£ 7,106,631
Cost of sales		(6,995,977)	(6,293,129)
GROSS PROFIT		918,796	813,502
Distribution costs		(246,214)	(235,498)
Administrative expenses		(225,239)	(216,733)
Income from other fixed asset investments		1,563	1,563
Interest payable and similar charges	4	(279,045)	(222,140)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	169,861	140,694
Tax on profit on ordinary activities	7	(22,291)	(76,440)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		147,570	64,254
Extraordinary profit	8	16,951	-
PROFIT FOR THE FINANCIAL YEAR		164,521	64,254
Proposed dividend		(225,000)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		£ (60,479)	£ 64,254
		=====	=====

MUTUAL MILLS LIMITED
BALANCE SHEET AT 29TH MARCH, 1986

	<u>Note</u>	<u>1986</u>	<u>1985</u>
FIXED ASSETS			
Tangible assets	9	£1,234,464	£1,300,442
Investments	10	<u>34,080</u>	<u>34,080</u>
		£ 1,268,544	£ 1,334,522
CURRENT ASSETS			
Stocks	11	£1,294,445	£1,271,187
Debtors	12	<u>1,618,713</u>	<u>1,396,158</u>
		2,913,158	2,667,345
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	13	<u>(2,932,660)</u>	<u>(2,685,346)</u>
NET CURRENT LIABILITIES		<u>(19,502)</u>	<u>(18,001)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,249,042	1,316,521
PROVISIONS FOR LIABILITIES AND CHARGES	14	<u>-</u>	<u>(7,000)</u>
NET ASSETS		£ 1,249,042 =====	£ 1,309,521 =====
CAPITAL AND RESERVES			
Called up share capital	15	£ 450,000	£ 450,000
Revaluation reserve	16	378,054	441,026
Profit and loss account	16	<u>420,988</u>	<u>418,495</u>
		£ 1,249,042 =====	£ 1,309,521 =====

These accounts were approved by
the board of directors on
30th June, 1986.

D. BABBS)
) DIRECTORS
H.F. OPENSHAW)

D. Babbs
H. F. Openshaw

The notes on pages 8 to 16 form part of these accounts.

MUTUAL MILLS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 29TH MARCH, 1986

	<u>1986</u>	<u>1985</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	£ 169,861	£ 140,694
Extraordinary profit	16,951	-
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	£ 180,609	£ 171,869
(Surplus)/deficit on sale of tangible fixed assets	(89)	505
Surplus on sale of tangible fixed assets treated as an extraordinary item	(16,951)	-
	<u>163,569</u>	<u>172,374</u>
FUNDS GENERATED FROM OPERATIONS	350,381	313,068
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	<u>100,100</u>	<u>10,089</u>
	450,481	323,157
APPLICATION OF FUNDS		
Purchase of fixed assets	£ 196,934	£ 74,146
Transfer of fixed assets	757	6,250
Group relief written back	-	76,440
Decrease in yarn provision	<u>7,000</u>	<u>22,500</u>
	<u>(204,691)</u>	<u>(179,336)</u>
INCREASE IN WORKING CAPITAL	£ 245,790	£ 143,821
	=====	=====
COMPONENTS OF INCREASE IN WORKING CAPITAL		
Stocks	£ 23,258	£ 76,331
Debtors	222,555	2,752
Creditors falling due within one year	(72,734)	569,478
Movement in net liquid funds:		
Decrease in cash at bank and in hand	£ -	£ (39,841)
Decrease/(increase) in overdraft	<u>72,711</u>	<u>(464,899)</u>
	<u>72,711</u>	<u>(504,740)</u>
	£ 245,790	£ 143,821
	=====	=====

The notes on pages 8 to 16 form part of these accounts.

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS1. PRINCIPAL ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts:-

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings.

(b) Depreciation and amortisation

Depreciation is provided on the straight line basis at rates estimated to write-off the cost or value of fixed assets, other than freehold land, over their anticipated useful lives:

Plant and machinery : Varying between 5% and 20%
per annum

Freehold buildings : 2½% per annum.

(c) Stocks and work in progress

Stock and work in progress has been valued at the lower of cost and net realisable value. Cost is defined as follows:

Raw materials - invoice price

Work in progress - cost of raw materials plus direct
and finished wages and appropriate overheads
goods related to production.

(d) Deferred taxation

The policy followed in accounting for deferred taxation accords with Statement of Standard Accounting Practice No. 15 and provision is made for only those timing differences which may result in a taxation liability in the foreseeable future.

The full potential liability for deferred taxation is set out in Note 14.

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)(e) Turnover

Turnover of the company for the year is the net amount receivable by the company for goods supplied and rents, exclusive of value added tax.

(f) Group finance charge

As from 1st April, 1977 the parent company, Lister & Co. p.l.c., has undertaken to stand all interest charges on bank borrowings and to charge the company an amount equal to 1% above Barclays Bank plc base rate based on the total stocks together with trade debtors.

(g) Investment income

Investment income is shown including the tax credit applicable to United Kingdom shareholders.

(h) Accounting date

The accounts of the company are made up to the Saturday nearest to the 31st March.

2. TURNOVER

The analysis of turnover by geographical area is as follows:

	<u>1986</u>	<u>1985</u>
UK	£ 6,187,532	£ 5,185,747
Other European countries	399,588	418,212
Other worldwide countries	<u>77,769</u>	<u>266,928</u>
	£ 6,664,889	£ 5,870,887
	=====	=====

The sales to parent company and fellow subsidiaries during the year were £1,249,884 (1985: £1,235,744).

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

3. STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:-

	<u>1986</u> <u>Number</u>	<u>1985</u> <u>Number</u>
Production	297	289
Distribution	8	8
Administration	<u>30</u>	<u>30</u>
	335	327
	===	===

The aggregate payroll costs of these persons were as follows:-

	<u>1986</u>	<u>1985</u>
Wages and salaries	£1,766,561	£1,666,624
Social security costs	174,378	146,287
Other pension costs	<u>17,888</u>	<u>33,536</u>
	£1,958,827	£1,846,447
	=====	=====

4. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1986</u>	<u>1985</u>
On finance from group companies	£ 279,045	£ 222,140
	=====	=====

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging or crediting the following:-

	<u>1986</u>	<u>1985</u>
Depreciation of tangible fixed assets	£ 180,609	£ 171,869
Property charges	482	15,263
Directors' emoluments (see note 6):		
Remuneration as executives	83,451	75,483
Hire of plant and machinery	12,924	11,039
Auditors' remuneration and expenses	<u>4,500</u>	<u>4,500</u>
	=====	=====

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

6. EMOLUMENTS OF DIRECTORS

Excluding pension contributions, the emoluments of the chairman were £NIL (1985: £NIL); the emoluments of the highest paid director were £28,650 (1985: £25,667); the emoluments of the other directors were within the following ranges:-

	<u>1986</u> <u>Number</u>	<u>1985</u> <u>Number</u>
£ 0 - £ 5,000	-	1
£15,001 - £20,000	<u>2</u>	<u>2</u>
	2	3
	==	==

7. TAXATION

	<u>1986</u>	<u>1985</u>
Taxation on profit for the year at 40%	£ 22,291	£ -
Payment to fellow subsidiary in respect of group relief	-	15,793
Increase in group relief payments in respect of prior years	-	60,647
	<u>£ 22,291</u>	<u>£ 76,440</u>
	=====	=====

8. EXTRAORDINARY ITEM

	<u>1986</u>	<u>1985</u>
Profit on disposal of No. 1 Mill	£ 16,951	£ -
	=====	=====

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

9. TANGIBLE FIXED ASSETS

	Freehold land and Buildings	Plant and Machinery	Total
(a) COST, VALUATION OR NET BOOK VALUE			
At 31st March, 1985	£ 678,033	£2,534,346	£3,212,379
Additions	-	196,934	196,934
Disposals	(100,000)	(28,369)	(128,369)
Transfers in	-	6,440	6,440
At 29th March, 1986	£ 578,033	£2,709,351	£3,287,384
DEPRECIATION AND AMORTISATION			
At 31st March, 1985	£ 77,309	£1,834,628	£1,911,937
Charge for the year	12,437	168,172	180,609
Disposals	(16,951)	(28,358)	(45,309)
Transfers in	-	5,683	5,683
	£ 72,795	£1,980,125	£2,052,920
NET BOOK VALUE			
At 29th March, 1986	£ 505,238	£ 729,226	£1,234,464
At 31st March, 1985	£ 600,724	£ 699,718	£1,300,442
(b) COST, VALUATION OR NET BOOK VALUE COMPRISES:			
Cost	£ 6,033	£2,669,744	£2,675,777
Professional valuation at 31st March, 1979	572,000	-	572,000
Net book value	-	39,607	39,607
	£578,033	£2,709,351	£3,287,384

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

9. TANGIBLE FIXED ASSETS (continued)

- (c) The amount of land and buildings (including those revalued at 31st March, 1979) determined according to the historical cost accounting rules is as follows:

	<u>1986</u>	<u>1985</u>
Cost	£ 220,462	£ 255,991
Depreciation	<u>(93,127)</u>	<u>(96,293)</u>
Net book value	£ 127,335	£ 159,698
	=====	=====

- (d) Contracts for capital expenditure at 29th March, 1986 not provided for in the accounts totalled £15,000 (1985 - £89,000). Expenditure which had been authorised by the Board at 29th March, 1986 for which contracts had not been placed amounted to £NIL (1985 - £66,000).

10 INVESTMENTS

The company has the following wholly owned subsidiaries incorporated in Great Britain.

Adelaide Engineering Co. Limited
The English Knitting Co. Limited (dormant company)

In addition the company holds 24.7% of the equity share capital of E. Walters (Ludlow) Limited, an unquoted company incorporated in Great Britain. E. Walters (Ludlow) Limited is not regarded as being within the definition of an associated company of this company and its results have not been treated as such in these accounts.

	<u>1986</u>	<u>1985</u>
Ordinary shares in subsidiaries at cost, less amounts written off	£ 15,988	£ 15,988
Less: loan and current accounts of dormant company	<u>(11,908)</u>	<u>(11,908)</u>
	4,080	4,080
Unquoted shares in E. Walters (Ludlow) Limited	<u>30,000</u>	<u>30,000</u>
	£ 34,080	£ 34,080
	=====	=====

At 29th March, 1986 the directors valuation of the unquoted shareholding in E. Walters (Ludlow) Limited was £187,500 (1985 - £187,500).

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

11. STOCKS AND WORK IN PROGRESS

	<u>1986</u>	<u>1985</u>
Raw materials and consumables	£ 398,556	£ 398,628
Work in progress	172,417	161,260
Finished goods and goods for resale	723,472	711,299
	<u>£1,294,445</u>	<u>£1,271,187</u>
	=====	=====

12. DEBTORS

	<u>1986</u>	<u>1985</u>
Trade debtors	£1,437,682	£1,216,917
Amounts owed by group companies:		
Holding and fellow subsidiary companies	173,077	173,077
Amounts owed by related companies	1,093	-
Other debtors	6,861	6,164
	<u>£1,618,713</u>	<u>£1,396,158</u>
	=====	=====

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1986</u>	<u>1985</u>
Bank loans and overdrafts	£ 392,188	£ 464,899
Trade creditors	612,624	559,585
Amounts owed to group companies:		
Holding and fellow subsidiary companies	£1,185,493	£1,204,324
Subsidiary companies	262,562	302,443
	<u>1,448,055</u>	<u>1,506,767</u>
Other creditors including taxation and social security	66,078	48,805
Accruals and deferred income	188,715	105,290
Proposed dividend	225,000	-
	<u>£2,932,660</u>	<u>£2,685,346</u>
	=====	=====

MUTUAL MILLS LIMITED

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NOTES TO THE ACCOUNTS

(continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES

No provision for deferred tax has been made as, in the opinion of the Directors, no liability is likely to arise in the foreseeable future. The potential liability for deferred taxation, calculated on the liability method at a corporation tax rate of 35% (1985 - 35%), is as follows:

	<u>1986</u>	<u>1985</u>
Difference between accumulated depreciation and capital allowances	£ 160,095	£ 157,813
Revaluation of freehold properties	<u>75,000</u>	<u>75,000</u>
	<u>235,095</u>	<u>232,813</u>

15. SHARE CAPITAL

	<u>1986</u>	<u>1985</u>
Authorised shares of £1 each	<u>£750,000</u>	<u>£750,000</u>
Share capital allotted, called up and fully paid	<u>£450,000</u>	<u>£450,000</u>

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

16. RESERVES

	<u>Profit and loss account</u>	<u>Revaluation reserve</u>
At 31st March, 1985	£ 418,495	£ 441,026
Transfer to profit and loss account: re depreciation	9,430	(9,430)
Disposal	53,542	(53,542)
Loss for the financial year	<u>(60,479)</u>	<u>-</u>
At 29th March, 1986	<u>£ 420,988</u>	<u>£ 378,054</u>

17. LEASE COMMITMENTS

The future minimum lease commitments undertaken as at 29th March, 1986 fall due as follows:

Due within one year	£ 13,203
Due between two and five years	15,394
	<u>£ 28,597</u>

18. ULTIMATE HOLDING COMPANY

The ultimate holding company is Lister & Co. p.l.c., which is incorporated in Great Britain.