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MUTUAL MILLS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

28TH MARCH, 1987

PEAT MARWICK McLINTOCK
City Square House, 7 Wellington Street,
LEEDS. LS1 4DW



Peat Marwick McLintock

26/11/87

MUTUAL MILLS LIMITED

DIRECTORS' REPORT

The directors present their sixty-fifth annual report and the audited accounts for the year ended 28th March, 1987.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The demand for yarn was again very high in the second half of the year and the response from the work force and staff to meet this demand was significant. The sales responsibility for a large part of our acrylic open-end spun yarn business was transferred to the Worsted Division of Lister & Co plc in February, 1987. Capital expenditure on new plant has continued to improve productivity and reduce costs, while advantage was taken of grant aid from the Local Authority to improve the exterior of the buildings and site.

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.

PROPOSED DIVIDEND

The directors recommend the payment of a dividend of £180,000 for the year ended 28th March, 1987.

PROPOSED TRANSFERS TO RESERVES

The directors propose to transfer £2,604 from reserves being the loss for the year after tax and dividends (1986: £60,479).



MUTUAL MILLS LIMITED

DIRECTORS' REPORT

(continued)

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. M. Jones retires by rotation and, being eligible, offers himself for re-election.

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 £75.

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MUTUAL MILLS LIMITED

DIRECTORS' REPORT

(continued)

AUDITORS

At the company's last annual general meeting, Peat, Marwick, Mitchell & Co. were reappointed as auditors of the company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning their reappointment as auditors will be proposed at the forthcoming annual general meeting.

By order of the board,

H. F. Openshaw

H.F. OPENSHAW

Secretary

Aspinall Street,
Heywood.

29th June, 1987

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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 give a true and fair view of the state of the company's affairs at 28th March, 1987 and of its loss and source and application of funds for the year to that date and have been properly prepared in accordance with the Companies Act 1985.

Peat Marwick McLintock

Chartered Accountants

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

29th June, 1987

MUTUAL MILLS LIMITEDPROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 28TH MARCH, 1987

	<u>Note</u>	<u>1987</u>	<u>1986</u>
TURNOVER	2	£ 8,794,522	£ 7,914,773
Cost of sales		(7,639,755)	(6,995,977)
GROSS PROFIT		1,154,767	918,796
Distribution costs		(266,128)	(246,214)
Administrative expenses		(245,862)	(225,239)
Income from other fixed asset investments		1,540	1,563
Interest payable and similar charges	4	(240,408)	(279,045)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	403,909	169,861
Tax on profit on ordinary activities	7	(226,513)	(22,291)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		177,396	147,570
Extraordinary profit	8	-	16,951
PROFIT FOR THE FINANCIAL YEAR		177,396	164,521
Proposed dividend		(180,000)	(225,000)
RETAINED LOSS FOR THE FINANCIAL YEAR		£ (2,604)	£ (60,479)
		=====	=====

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MUTUAL MILLS LIMITED
BALANCE SHEET AT 28TH MARCH, 1987

	<u>Note</u>	<u>1987</u>	<u>1986</u>
FIXED ASSETS			
Tangible assets	9	£ 1,277,300	£ 1,234,464
Investments	10	<u>34,080</u>	<u>34,080</u>
		£ 1,311,380	£ 1,268,544
CURRENT ASSETS			
Stocks	11	1,210,060	1,294,445
Debtors	12	<u>1,531,312</u>	<u>1,618,713</u>
		2,741,372	2,913,158
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	13	<u>(2,782,734)</u>	<u>(2,932,660)</u>
NET CURRENT LIABILITIES		<u>(41,362)</u>	<u>(19,502)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,270,018	1,249,042
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
	14	<u>(23,580)</u>	<u>-</u>
NET ASSETS		£ 1,246,438 =====	£ 1,249,042 =====
CAPITAL AND RESERVES			
Called up share capital	16	£ 450,000	£ 450,000
Revaluation reserve	17	369,882	378,054
Profit and loss account	17	<u>426,556</u>	<u>420,988</u>
		£ 1,246,438 =====	£ 1,249,042 =====

These accounts were approved
by the board of directors on
29th June, 1987

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

D. Babbs
H. F. Openshaw

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

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MUTUAL MILLS LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 28TH MARCH, 1987

	<u>1987</u>	<u>1986</u>
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	£ 403,909	£ 169,861
Extraordinary profit	-	16,951
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	£ 161,429	£ 180,609
(Surplus)/deficit on sale of tangible fixed assets	(1,675)	(89)
Surplus on sale of tangible fixed assets treated as an extraordinary item	-	(16,951)
	<u>159,754</u>	<u>163,569</u>
FUNDS GENERATED FROM OPERATIONS	563,663	350,381
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	3,515	100,100
Increase in creditors: amounts falling due after more than one year	<u>23,580</u>	-
	590,758	450,481
APPLICATION OF FUNDS		
Purchase of fixed assets	£ 200,542	£ 196,934
Transfer of fixed assets	5,363	757
Dividend paid	225,000	-
Payments for group relief surrendered	248,804	-
Decrease in yarn provision	-	7,000
	<u>(679,909)</u>	<u>(204,691)</u>
(DECREASE)/INCREASE IN WORKING CAPITAL	£ (89,151) =====	£ 245,790 =====
COMPONENTS OF (DECREASE)/INCREASE IN WORKING CAPITAL		
Stocks	£ (84,385)	£ 23,258
Debtors	(87,401)	222,555
Creditors falling due within one year	70,517	(72,734)
Movement in net liquid funds:		
Decrease in overdraft	<u>12,118</u>	<u>72,711</u>
	£ (89,151) =====	£ 245,790 =====

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

MUTUAL MILLS LIMITED

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NOTES TO THE ACCOUNTS

1. 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 and finished goods	-	cost of raw materials plus direct wages and appropriate overheads 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 15.

(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.

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MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

1. PRINCIPAL ACCOUNTING POLICIES (continued)(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.

(i) Leases under hire purchase agreements

Assets held under financial agreements that give rights approximating to ownership are treated as if they had been purchased outright at the present value of the total amount payable during the primary period of the agreements. The corresponding financial commitments are shown as creditors. The interest element of payments under these agreements and depreciation on the relevant assets are charged to the profit and loss account.

The rentals arising under operating lease agreements are charged to the profit and loss account over the terms of the leases.

2. TURNOVER

The analysis of turnover by geographical area is as follows:

	<u>1987</u>	<u>1986</u>
UK	£7,260,870	£ 6,187,532
Other European countries	495,194	399,588
Other worldwide countries	<u>14,087</u>	<u>77,769</u>
	£7,770,151	£ 6,664,889
	=====	=====

The sales to parent company and fellow subsidiaries during the year were £1,024,371 (1986: £1,249,884).

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>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
Production	297	297
Distribution	9	8
Administration	<u>30</u>	<u>30</u>
	336	335
	===	===

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

	<u>1987</u>	<u>1986</u>
Wages and salaries	£1,983,272	£1,766,561
Social security costs	158,376	174,378
Other pension costs	<u>24,327</u>	<u>17,888</u>
	£2,165,975	£1,958,827
	=====	=====

4. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1987</u>	<u>1986</u>
On finance from group companies	£ 240,408	£ 279,045
	=====	=====

5. PROFIT BEFORE TAXATION

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

	<u>1987</u>	<u>1986</u>
Depreciation of tangible fixed assets:		
Owned assets	£ 147,965	£ 180,609
Leased assets	13,464	-
Property charges	-	482
Directors' emoluments (see note 6):		
Remuneration as executives	99,250	83,451
Hire of plant and machinery	13,810	12,924
Auditors' remuneration and expenses	4,500	4,500
Finance charges payable on finance leases and hire purchase contracts	<u>6,109</u>	<u>-</u>
	=====	=====

MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

6. EMOLUMENTS OF DIRECTORS

Excluding pension contributions, the emoluments of the highest paid director were £37,800 (1986: £28,650); the emoluments of the other directors were within the following ranges:-

	<u>1987</u> <u>Number</u>	<u>1986</u> <u>Number</u>
£15,001 - £20,000	-	2
£20,001 - £25,000	2	-
	===	===

7. TAXATION

	<u>1987</u>	<u>1986</u>
Payment to fellow subsidiary companies for group relief:		
In relation to current year	£ 133,126	£ -
In relation to previous years	115,678	-
Over provision in previous years	(22,291)	-
Taxation on profit for the year at 35% (1986: 40%)	-	22,291
	£ 226,513	£ 22,291
	=====	=====

8. EXTRAORDINARY ITEM

	<u>1987</u>	<u>1986</u>
Profit on disposal of No. 1 Mill	£ -	£ 16,951
	=====	=====

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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 30th March, 1986	£ 578,033	£2,709,351	£3,287,384
Additions	23,665	176,877	200,542
Disposals	(700)	(41,973)	(42,673)
Transfers in	-	31,635	31,635
Transfers out	-	(7,537)	(7,537)
At 28th March, 1987	£ 600,998	£2,868,353	£3,469,351
	=====	=====	=====
DEPRECIATION AND AMORTISATION			
At 30th March, 1986	£ 72,795	£1,980,125	£2,052,920
Charge for the year	10,766	150,663	161,429
Disposals	-	(41,961)	(41,961)
Transfers in	-	26,072	26,072
Transfers out	-	(6,409)	(6,409)
At 28th March, 1987	£ 83,561	£2,108,490	£2,192,051
	=====	=====	=====
NET BOOK VALUE			
At 28th March, 1987	£ 517,437	£ 759,863	£1,277,300
	=====	=====	=====
At 30th March, 1986	£ 505,238	£ 729,226	£1,234,464
	=====	=====	=====
(b) COST, VALUATION OR NET BOOK VALUE COMPRISES:			
Cost	£ 29,698	£2,828,746	£2,858,444
Professional valuation at 31st March, 1979	571,300	-	571,300
Net book value	-	39,607	39,607
	£ 600,998	£2,868,353	£3,469,351
	=====	=====	=====

The net book value of leased assets at 28th March, 1987 was £129,518 (1986: £NIL).

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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>1987</u>	<u>1986</u>
Cost	£ 243,427	£ 220,462
Depreciation	<u>(95,721)</u>	<u>(93,127)</u>
Net book value	£ 147,706	£ 127,335
	=====	=====

- (d) Freehold industrial land included above at cost or valuation, not being subject to depreciation, amounts to £121,000.
- (e) Contracts for capital expenditure at 28th March, 1987 not provided for in the accounts totalled £17,000 (1986: £15,000) Expenditure which had been authorised by the Board at 28th March, 1987 for which contracts had not been placed amounted to £NIL (1986: £Nil).

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>1987</u>	<u>1986</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 28th March, 1987 the directors valuation of the unquoted shareholding in E. Walters (Ludlow) Limited was £590,000 (1986: £187,500).

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MUTUAL MILLS LIMITEDNOTES TO THE ACCOUNTS

(continued)

11. STOCKS AND WORK IN PROGRESS

	<u>1987</u>	<u>1986</u>
Raw materials and consumables	£ 348,019	£ 398,556
Work in progress	149,529	172,417
Finished goods and goods for resale	<u>712,512</u>	<u>723,472</u>
	£ 1,210,060	£ 1,294,445
	=====	=====

12. DEBTORS

	<u>1987</u>	<u>1986</u>
Trade debtors		
Amounts owed by group companies:	£ 1,352,731	£ 1,437,682
Holding and fellow subsidiary companies		
Amounts owed by related companies	173,077	173,077
Other debtors	1,093	1,093
	<u>4,411</u>	<u>6,861</u>
	£ 1,531,312	£ 1,618,713
	=====	=====

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1987</u>	<u>1986</u>
Bank loans and overdrafts	£ 380,070	£ 392,188
Trade creditors	732,348	612,624
Amounts owed to group companies:		
Holding and fellow subsidiary companies	£ 1,035,572	£ 1,185,493
Subsidiary companies	<u>240,410</u>	<u>262,562</u>
	1,275,982	1,448,055
Obligations under finance leases	50,753	-
Other creditors including taxation and social security	15,487	66,078
Accruals and deferred income	148,094	188,715
Proposed dividend	<u>180,000</u>	<u>225,000</u>
	£ 2,782,734	£ 2,932,660
	=====	=====

MUTUAL MILLS LIMITED

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NOTES TO THE ACCOUNTS

(continued)

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>1987</u>	<u>1986</u>
Obligations under finance leases payable within 5 years	£ 23,580 =====	£ - =====

15. 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% (1986: 35%), is as follows:

	<u>1987</u>	<u>1986</u>
Difference between accumulated depreciation and capital allowances	£ 119,152	£ 120,326
Revaluation of freehold properties	<u>75,000</u>	<u>75,000</u>
	£ 194,152 =====	£ 195,326 =====

16. SHARE CAPITAL

	<u>1987</u>	<u>1986</u>
Authorised shares of £1 each	£ 750,000 =====	£ 750,000 =====
Share capital allotted, called up and fully paid	£ 450,000 =====	£ 450,000 =====

17. RESERVES

	<u>Profit and loss account</u>	<u>Revaluation reserve</u>
At 30th March, 1986	£ 420,988	£ 378,054
Transfer to profit and loss account: re depreciation	8,172	(8,172)
Retained loss for the financial year	<u>(2,604)</u>	<u>-</u>
At 28th March, 1987	£ 426,556 =====	£ 369,882 =====

MUTUAL MILLS LIMITED

NOTES TO THE ACCOUNTS

(continued)

18. OPERATING LEASE COMMITMENTS

Annual commitment of leases which terminate:

Within one year
2nd to 5th years

Plant and
machinery

£ 3,648
17,778
=====

19. ULTIMATE HOLDING COMPANY

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

26/11/87