

LISTER MUTUAL YARNS LIMITED
(Formerly Mutual Mills Limited)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED

31 MARCH 1990

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



LISTER MUTUAL YARNS LIMITED

DIRECTORS' REPORT

The directors present their sixty-eighth annual report and the audited accounts for the year ended 31 March 1990.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The difficult pattern of trading experienced in 1989 continued into 1990 with many companies in the Midlands hosiery trade closing down and reducing our customer base. It was therefore, decided to reduce production capacity and numbers employed at Heywood by closing No 2 Mill and reorganising the more modern No 3 Mill to accommodate the most modern plant from No 2. This move is now virtually complete.

On 25 September 1989 Mutual Mills Limited changed its name to Lister Mutual Yarns Limited and consolidated the separate spinning businesses of Lister & Co plc into one selling and administrative organisation, thus reducing costs and giving a more comprehensive cover to the major knitwear market. On 31 March 1990 the plant, machinery, fixtures and fittings of Fielding and Johnson Limited, the Leicester based dyehouse, and fellow group company, were transferred to Lister Mutual Yarns Limited. After the year end the current assets and liabilities of Fielding and Johnson Limited were also transferred to the company.

TAX STATUS

The directors are of the opinion that the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

PROPOSED DIVIDEND

The directors do not recommend the payment of a dividend for the year ended 31 March 1990 (1989: £70,000).

PROPOSED TRANSFER FROM RESERVES

The directors propose to transfer £1,049,734 from reserves being the loss for the year after tax and dividends (1989: £15,809).

LISTER MUTUAL YARNS LIMITEDDIRECTORS' REPORT
(continued)LAND AND BUILDINGS

The company's freehold land and buildings were revalued at 31 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:

D Babbs
H F Openshaw
M Jones
D Oxley
M H E Dracup
J B H Dracup (appointed 1 October 1989)
J Turner (appointed 1 October 1989)
P Diggle (appointed 1 October 1989, resigned 23 March 1990)

Mr D Babbs was granted options of 19,600 ordinary shares in Lister & Co plc on 8 February 1988. Options may be exercised between February 1991 and 1998 at a price of £1.39.

Mr M H E Dracup is a director of the ultimate holding company, Lister & Co plc and is not required to notify this company of his interests in the shares of that company.

Mr J B H Dracup held 150 ordinary shares in Lister & Co plc on 31 March 1990 (1 October 1989:150).

No other director had any interest in the shares of the company or the parent company at any time during the year.

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

Mr J B H Dracup and Mr J Turner having been appointed since the last annual general meeting retire and, being eligible, offer themselves 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.

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.

LISTER MUTUAL YARNS LIMITED

DIRECTORS' REPORT
(continued)

AUDITORS

On 1 January 1990 our auditors changed the name under which they practise to KPMG Peat Marwick McLintock and accordingly have signed their report in their new name.

A resolution to re-appoint the auditors KPMG Peat Marwick McLintock, will be proposed at the forthcoming annual general meeting.

By order of the board

H. F. Openshaw

H F Openshaw

Secretary

Aspinall Street
Heywood

31 July 1990

KPMG Peat Marwick McLintock

REPORT OF THE AUDITORS TO THE MEMBERS OF
LISTER MUTUAL YARNS LIMITED

We have audited the accounts on pages 5 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the company's affairs at 31 March 1990 and of its loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Peat Marwick McLintock
KPMG PEAT MARWICK McLINTOCK

Chartered Accountants

City Square House
7 Wellington Street
Leeds
LS1 4DW

31 July 1990

LISTER MUTUAL YARNS LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 MARCH 1990

	<u>Note</u>	<u>1990</u> £	<u>1989</u> £
TURNOVER	2	10,652,440	7,649,794
Cost of sales		(10,198,684)	(6,906,554)
GROSS PROFIT		453,756	743,240
Distribution costs		(664,654)	(279,263)
Administrative expenses		(319,422)	(280,955)
Income from other fixed asset investments		-	51,458
Interest payable and similar charges	4	(520,525)	(249,735)
Profit on property disposal		<u>-</u>	<u>5,566</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(1,050,845)	(9,689)
Tax on loss on ordinary activities	7	<u>1,111</u>	<u>63,880</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(1,049,734)	54,191
Proposed dividend		<u>-</u>	<u>(70,000)</u>
RETAINED LOSS FOR THE FINANCIAL YEAR	17	<u>(1,049,734)</u>	<u>(15,809)</u>

The notes on pages 9 to 17 form part of these accounts.

LISTER MUTUAL YARNS LIMITEDBALANCE SHEET AT 31 MARCH 1990

	Note	1990	1989
		£	£
FIXED ASSETS			
Tangible assets	8	4,286,390	1,871,381
Investments	9	<u>34,080</u>	<u>34,080</u>
		4,320,470	1,905,461
CURRENT ASSETS			
Stocks	10	3,717,906	1,472,418
Debtors	11	3,733,579	1,775,123
Cash and bank		<u>20,498</u>	<u>-</u>
		7,471,983	3,247,541
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(11,602,172)</u>	<u>(3,774,474)</u>
NET CURRENT LIABILITIES		<u>(4,130,189)</u>	<u>(526,933)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		190,281	1,378,528
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(39,058)	(178,652)
DEFERRED INCOME	14	<u>(1,352)</u>	<u>(271)</u>
NET ASSETS		<u>149,871</u>	<u>1,199,605</u>
CAPITAL AND RESERVES			
Called up share capital	16	450,000	450,000
Revaluation reserve	17	345,366	353,538
Profit and loss account	17	<u>(645,495)</u>	<u>396,067</u>
		<u>149,871</u>	<u>1,199,605</u>

These accounts were approved by
the board of directors on 31 July 1990

D Babbs)
H F Openshaw) Directors

D. Babbs
H. F. Openshaw

The notes on pages 9 to 17 form part of these accounts.

LISTER MUTUAL YARNS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1990

	1990	1989
	£	£
SOURCE OF FUNDS		
Loss on ordinary activities before taxation	(1,050,845)	(9,689)
Adjustments for items not involving the movement of funds:		
Depreciation and amortisation	320,396	182,215
Deficit/(surplus) on sale of tangible fixed assets	<u>2,155</u>	<u>(5,786)</u>
	<u>322,551</u>	<u>176,429</u>
	(728,294)	166,740
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	2,274	11,266
Increase in creditors: amounts falling due after more than one year	-	175,694
Deferred income	1,081	-
Group relief received	<u>1,111</u>	<u>-</u>
	<u>4,466</u>	<u>186,960</u>
	(723,828)	353,700
APPLICATION OF FUNDS		
Purchase of fixed assets	207,756	640,845
Transfer of fixed assets	2,532,078	8,835
Dividend paid	70,000	326,000
Payments for group relief surrendered	-	100,788
Decrease in creditors: amounts falling due after more than one year	<u>139,594</u>	<u>-</u>
	<u>(2,949,428)</u>	<u>(1,076,468)</u>
DECREASE IN WORKING CAPITAL	<u>(3,673,256)</u>	<u>(722,768)</u>

LISTER MUTUAL YARNS LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31 MARCH 1990

	<u>1990</u>	<u>1989</u>
£	£	£
COMPONENTS OF DECREASE IN WORKING CAPITAL		
Stocks	2,245,488	67,971
Debtors	1,958,456	7,955
Creditors falling due within one year	(7,693,364)	(903)
Movement in net liquid funds:		
Increase in overdraft	(204,334)	(377,364)
Increase/(decrease) in cash	<u>20,498</u>	<u>(420,427)</u>
	<u>(183,836)</u>	<u>(797,791)</u>
	<u>(3,673,256)</u>	<u>(722,768)</u>

The assets and liabilities acquired as a result of consolidating the yarn division of Lister & Co plc with the company were as follows:

Fixed assets	1,270,207
Stocks	1,455,987
Debtors	2,193,643
Cash and bank	328,099
Creditors	(1,165,382)
Group indebtedness	(4,254,928)
Deferred income	<u>(1,081)</u>
	<u>(173,455)</u>

The fixed assets transferred from Fielding and Johnson Limited to the company amounted to £1,261,871.

LISTER MUTUAL YARNS 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 and amortisation 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 : 2% 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 goods	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 1 April 1977 the parent company, Lister & Co. plc, 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.

LISTER MUTUAL YARNS LIMITEDNOTES TO THE ACCOUNTS1. 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 31 March.

(i) Leases and 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 external turnover by geographical area is as follows:

	<u>1990</u> £	<u>1989</u> £
UK	10,515,955	7,512,064
Other European countries	<u>136,485</u>	<u>137,730</u>
	<u>10,652,440</u>	<u>7,649,794</u>

The sales to parent company and fellow subsidiaries during the year included above were £785,612 (1989: £1,638,450).

LISTER MUTUAL YARNS 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>1990</u> <u>Number</u>	<u>1989</u> <u>Number</u>
Production	515	293
Distribution	33	9
Administration	<u>30</u>	<u>30</u>
	578	332
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The aggregate payroll costs of these persons were as follows:

	<u>1990</u> <u>£</u>	<u>1989</u> <u>£</u>
Wages	3,198,299	2,225,065
Social security costs	196,916	137,024
Other pension costs	<u>49,889</u>	<u>31,361</u>
	3,445,104	2,393,450
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4. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1990</u> <u>£</u>	<u>1989</u> <u>£</u>
Bank and loan interest	21,118	-
On finance from group companies	499,407	249,735
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	520,525	249,735
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5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging the following:

	<u>1990</u> <u>£</u>	<u>1989</u> <u>£</u>
Depreciation of tangible fixed assets:		
Owned assets	312,990	179,943
Leased assets	7,406	2,323
Directors' emoluments (see note 6):		
Remuneration as executives	167,530	126,044
Hire of plant and machinery	25,586	9,408
Auditors' remuneration and expenses	14,900	8,500
Finance charges payable on finance leases and hire purchase contracts	<u>50,261</u>	<u>16,741</u>
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LISTER MUTUAL YARNS LIMITEDNOTES TO THE ACCOUNTS

(continued)

6. EMOLUMENTS OF DIRECTORS

Excluding pension contributions, the emoluments of the highest paid director were £38,850 (1989: £32,174); the emoluments of the other directors were within the following ranges:

	<u>1990</u> <u>Number</u>	<u>1989</u> <u>Number</u>
£ 0 - £ 5,000	2	1
£ 5,001 - £ 10,000	1	-
£ 10,001 - £ 15,000	1	3
£ 20,001 - £ 25,000	3	-

7. TAXATION

	<u>1990</u> <u>£</u>	<u>1989</u> <u>£</u>
Adjustment to previous year's group relief at 35%	1,111	63,880

At 31 March 1990 the company had losses of approximately £1,400,000 available for offset against future taxable profits.

8. TANGIBLE FIXED ASSETS

	<u>Freehold</u> <u>land and</u> <u>buildings</u>	<u>Plant and</u> <u>machinery</u>	<u>Fixtures,</u> <u>fittings</u> <u>and</u> <u>equipment</u>	<u>Total</u>
COST				
At 25 March 1989	644,266	3,516,940	214,387	4,375,593
Additions	-	191,758	15,998	207,756
Disposals	-	(90,528)	-	(90,528)
Transfers in	-	5,194,350	694,125	5,888,675
At 31 March 1990	644,266	8,812,720	924,510	10,381,496
DEPRECIATION				
At 25 March 1989	107,163	2,287,159	109,890	2,504,212
Charge for the year	12,367	250,529	57,500	320,396
Disposals	-	(86,099)	-	(86,099)
Transfers in	-	2,870,714	485,883	3,356,597
At 31 March 1990	119,530	5,322,303	653,273	6,095,106
NET BOOK VALUE				
At 31 March 1990	524,736	3,490,417	271,237	4,286,390
At 25 March 1989	537,103	1,229,781	104,497	1,871,381

LISTER MUTUAL YARNS LIMITEDNOTES TO THE ACCOUNTS
(continued)8. TANGIBLE FIXED ASSETS (continued)Freehold
land and
buildings
£

COST COMPRISES:

Cost	72,966
Professional valuation at 31 March 1979	571,300
	644,266

The net book value of leased assets at 31 March 1990 was £586,642 (1989: £420,965).

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

	<u>1990</u> £	<u>1989</u> £
Cost	286,695	286,695
Depreciation	(107,267)	(103,125)
Net book value	179,428	183,570

Freehold industrial land included above at cost or valuation, not being subject to depreciation, amounts to £121,000.

Contracts for capital expenditure at 31 March 1990 not provided for in the accounts totalled £223,000 (1989: £110,000). Expenditure which has been authorised by the Board at 31 March 1990 for which contracts had not been placed amounted to £200,000 (1989 : £5,000).

9. INVESTMENTS

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

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

Under the provisions of the Companies Act 1985, Section 229(2) the directors have not produced group accounts incorporating the results of the subsidiaries.

LISTER MUTUAL YARNS LIMITEDNOTES TO THE ACCOUNTS

(continued)

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>1990</u>	<u>1989</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>
	<u>34,080</u>	<u>34,080</u>

10. STOCKS

	<u>1990</u>	<u>1989</u>
	£	£
Raw materials and consumables	738,356	511,412
Work in progress	622,901	175,212
Finished goods and goods for resale	<u>2,356,649</u>	<u>785,794</u>
	<u>3,717,906</u>	<u>1,472,418</u>

11. DEBTORS

	<u>1990</u>	<u>1989</u>
	£	£
Trade debtors	2,914,849	1,284,994
Amounts owed by group companies	518,798	483,015
Amounts owed by related companies	-	1,093
Other debtors and prepayments	<u>299,932</u>	<u>6,021</u>
	<u>3,733,579</u>	<u>1,775,123</u>

LISTER MUTUAL YARNS LIMITEDNOTES TO THE ACCOUNTS
(continued)12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1990</u>	<u>1989</u>
	£	£
Bank loans and overdrafts	581,698	377,364
Trade creditors	1,684,322	598,888
Amounts owed to group companies	8,379,536	2,368,326
Obligations under finance leases	439,679	175,725
Social security	24,540	-
Other taxation	83,347	-
Other creditors	223,755	51,457
Accruals and deferred income	185,295	132,714
Proposed dividend	-	70,000
	<u>11,602,172</u>	<u>3,774,474</u>

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

	<u>1990</u>	<u>1989</u>
	£	£
Obligations under finance leases payable within 5 years	<u>39,058</u>	<u>178,652</u>

14. DEFERRED INCOME

	<u>1990</u>
	£
Regional Development Grants brought forward at 25 March 1989	271
Transferred from Lister Yarn division	<u>1,081</u>
At 31 March 1990	<u>1,352</u>

LISTER MUTUAL YARNS LIMITEDNOTES TO THE ACCOUNTS
(continued)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% (1989: 35%), is as follows:

	<u>1990</u> £	<u>1989</u> £
Difference between accumulated depreciation and capital allowances	<u>441,122</u>	<u>164,695</u>

16. SHARE CAPITAL

	<u>1990</u> £	<u>1989</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>

17. RESERVES

	<u>Revaluation reserve</u> £	<u>Profit and loss account</u> £
At 25 March 1989	353,538	396,067
Transfer to profit and loss account	(8,172)	8,172
Retained loss for the financial year	-	(1,049,734)
At 31 March 1990	<u>345,366</u>	<u>(645,495)</u>

18. OPERATING LEASE COMMITMENTS

Annual commitment for leases which terminate:

	<u>1990</u> £	<u>1989</u> £
		<u>Plant and machinery</u>
Within one year	11,003	505
2nd to 5th years	<u>50,806</u>	<u>21,215</u>

LISTER MUTUAL YARNS LIMITED

NOTES TO THE ACCOUNTS
(continued)

19. ULTIMATE HOLDING COMPANY

The ultimate holding company is Lister & Co plc, which is incorporated in Great Britain.