Mitchell Interflex Limited

County Brook Mill, Foulridge, Colne,
Lancashire, BB8 7LT

Tel: 01282-813221
Fax: 01282-813633
adrian@mitchell-interflex.co.uk
lance@mitchell-interflex.co.uk

ANNUAL REPORT & ACCOUNTS

AUGUST 2000

Registered number: 2724470

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COMPANIES HOUSE 24/10/00

STANSFIELD WESTMORE

CHARTERED ACCOUNTANTS

COLNE

MITCHELL INTERFLEX LIMITED

FINANCIAL STATEMENTS

for the year ended 31st August 2000

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MITCHELL INTERFLEX LIMITED

COMPANY INFORMATION

31st August 2000

INCORPORATED	in England on 19th June 1992
NUMBER	2724470
CHAIRMAN	R. Mitchell
OTHER DIRECTORS	A.B. Mitchell L.J. Mitchell R.J. Samuels
SECRETARY	A.B. Mitchell
REGISTERED OFFICE	County Brook Mill Foulridge COLNE Lancashire BB8 7LT
BANKERS	National Westminster Bank PLC Church Street COLNE Lancashire BB8 0ED
AUDITORS	Stansfield Westmore Chartered Accountants 68 Albert Road COLNE Lancashire BB8 OAG

MITCHELL INTERFLEX LIMITED

DIRECTORS' REPORT

31st August 2000

The directors present their report and the audited financial statements for the year ended 31st August 2000.

Principal activity

The principal activity of the group is the manufacture and merchanting of textiles and leisure goods.

Business review

Sales have decreased by 3% due to difficult market conditions. However, the gross margin has improved significantly due to cheap imported yarn.

The group's balance sheet as detailed on page 6 shows a satisfactory position, shareholders' funds amounting to £1,181,000.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

Fixed assets

The directors are of the opinion that the market value of the group's properties is substantially in excess of the net book amount but, in the absence of a recent valuation, the amount of the excess is not quantified. Details are set out in note 8.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31st August 2000 Ordinary shares	1st September 1999 Ordinary shares
Raymond Mitchell	20	20
Adrian Barry Mitchell	239,990	239,990
Lance Julian Mitchell	239,990	239,990
Russell James Samuels (appointed 11/11/99)	-	-

continued .....

MITCHELL INTERFLEX LIMITED

DIRECTORS' REPORT
(continued)

31st August 2000

Post balance sheet events

No post balance sheet events have occurred since 31st August 2000 which require reporting or disclosing in the accounts.

Future developments

The directors are confident that continued investment in new looms will enable the company to expand its future business.

Research and development

The company maintains its lead in what is an increasingly technological environment by a continual process of research and development into new products, coupled with a critical and continuous review of existing products.

Year 2000 compliance and the euro

The company has experienced no significant computer or operating problems arising from the advent of the year 2000. There may be problems yet to be identified but the directors are confident of being able to deal promptly with any that may occur. Costs of dealing with the year 2000 issue are expensed as incurred and are not deemed to be material.

The impact of the euro has also been considered generally by the company. Although the impact of the changeover to the euro is not currently anticipated to be significant, this issue is being closely monitored, particularly in the context of the company's trading relationship with France.

Auditors

Stansfield Westmore have agreed to offer themselves for re-appointment as auditors of the company.

County Brook Mill
Foulridge
COLNE
Lancashire BB8 7LT

26 October, 2000

On behalf of the board

A.B. Mitchell
Secretary

MITCHELL INTERFLEX LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to

- *select suitable accounting policies and apply them consistently;*
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

A.B. Mitchell
Director

20 October, 2000

MITCHELL INTERFLEX LIMITED

AUDITORS' REPORT

Auditors' report to the members of

Mitchell Interflex Limited

We have audited the financial statements on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

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 error or other irregularity. 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 the affairs of the company and the group as at 31st August 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Stansfield Westmore
Registered Auditors
Chartered Accountants

Colne
20th October, 2000

MITCHELL INTERFLEX LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31st August 2000

	Note	2000 £	1999 £
Turnover	2	3,559,757	3,676,046
Cost of sales		(2,870,903)	(3,069,428)
Gross profit		688,854	606,618
Net operating expenses			
Distribution costs		(247,894)	(236,825)
Administrative expenses		(318,326)	(262,496)
Operating profit	3	122,634	107,297
Investment income	5	6,944	4,266
Interest payable	6	(34,158)	(38,597)
Profit on ordinary activities before taxation		95,420	72,966
Taxation	7	(24,639)	(14,524)
Profit on ordinary activities after taxation retained for the year	19	70,781	58,442

Movements in reserves are shown in note 19.

None of the group's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 2000 or 1999 other than the profit for the year.

MITCHELL INTERFLEX LIMITED

CONSOLIDATED BALANCE SHEET

at 31st August 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Tangible assets	8		687,858		722,839
Current assets					
Stocks	11	514,349		533,307	
Debtors	12	601,672		684,901	
Cash at bank and in hand		348,546		235,724	
		1,464,567		1,453,932	
Creditors: amounts falling due within one year	13	(677,130)		(678,576)	
Net current assets			787,437		775,356
Total assets less current liabilities			1,475,295		1,498,195
Creditors: amounts falling due after more than one year	14		(269,449)		(366,076)
Provision for liabilities and charges	15		(24,846)		(21,900)
			1,181,000		1,110,219
Capital and reserves					
Called up share capital	18		480,000		480,000
Profit and loss account	19		701,000		630,219
Total equity shareholders' funds	17		1,181,000		1,110,219

The financial statements on pages 5 to 20 were approved by the board of directors on 20 October, 2000 and signed on its behalf by:

A.B. Mitchell
Director

MITCHELL INTERFLEX LIMITED

BALANCE SHEET

at 31st August 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Tangible assets	8		687,858		722,839
Investments	10		962,400		962,400
			1,650,258		1,685,239
Current assets					
Stocks	11	514,349		533,307	
Debtors	12	712,672		795,901	
Cash at bank and in hand		348,546		235,724	
		1,575,567		1,564,932	
Creditors: amounts falling due within one year	13	(2,162,439)		(2,163,885)	
Net current liabilities			(586,872)		(598,953)
Total assets less current liabilities			1,063,386		1,086,286
Creditors: amounts falling due after more than one year	14		(269,449)		(366,076)
Provision for liabilities and charges	15		(24,846)		(21,900)
			769,091		698,310
Capital and reserves					
Called up share capital	18		480,000		480,000
Profit and loss account	19		289,091		218,310
Total equity shareholders' funds	17		769,091		698,310

The financial statements on pages 5 to 20 were approved by the board of directors on 20 October, 2000 and signed on its behalf by:

A.B. Mitchell
Director

MITCHELL INTERFLEX LIMITED

CASH FLOW STATEMENT

for the year ended 31st August 2000

	Note	2000 £	2000 £	1999 £	1999 £
Net cash inflow from operating activities	21		355,932		328,397
Returns on investments and servicing of finance					
Interest received		6,944		4,266	
Interest paid		(31,668)		(42,233)	
Interest element of finance lease rental payments		(2,490)		(2,864)	
			(27,214)		(40,831)
Taxation					
Corporation tax paid			(6,209)		(11,854)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(111,406)		(194,502)	
Sale of tangible fixed assets		24,052		12,750	
			(87,354)		(181,752)
			235,155		93,960
Financing					
Debt due within a year:					
Other loan repayments		(30,000)		(20,000)	
Bank loan repayments		(57,692)		(37,087)	
Debt due beyond a year:					
Bank loan (repayments)/advances		(3,842)		70,672	
Capital element of finance lease rentals		(30,799)		(14,272)	
			(122,333)		(687)
Increase in cash			112,822		93,273

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

1 Accounting policies

Basis of accounting
The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

Turnover
Turnover represents the amount derived from the provision of goods and services after deduction of trade discounts and value added tax.

Tangible fixed assets
Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold buildings	2% straight line
Plant and machinery	15% straight line
Motor vehicles	25% straight line

Leases and hire purchase contracts
Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease in such a way as to give a reasonably constant charge on the outstanding liability.

Rentals paid under operating leases are charged to income as incurred.

Stocks and work in progress
Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation
Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies
Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Pensions

Defined contribution scheme
Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

1 Accounting policies continued

Interest
Interest on short term deposits is accounted for on a received basis.

Consolidation of Group Companies
The group accounts incorporate the accounts of the holding company and all its subsidiary undertakings for the year. Goodwill arising on consolidation is written off against the profit and loss account in the year of acquisition.

The company has taken advantage of the exemption contained in the Companies Act 1985 from presenting its own profit and loss account.

2 Turnover

The turnover for the year was derived from the company's principal activity.

The analysis of turnover by geographical area is as follows:

	2000 £	1999 £
Geographically		
United Kingdom	2,859,747	2,863,651
Other E.U. countries	644,698	767,151
North America	997	5,783
Far East	20,132	29,706
Australasia	21,714	6,747
Europe (Non-EU)	12,469	3,008
	3,559,757	3,676,046

3 Operating profit

	2000 £	1999 £
Operating profit is stated after charging:		
Staff costs (note 4)	953,938	924,599
Audit and accountancy	21,000	20,000
Operating leases:		
Hire of plant and machinery	21,345	21,717
Loss on foreign exchange	4,276	2,500
Depreciation of tangible fixed assets (note 8):		
Owned assets	118,224	109,613
Leased assets	21,431	17,090
	139,655	126,703

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

4 Directors and employees

Staff costs including directors' emoluments	2000 £	1999 £
Wages and salaries	834,823	817,479
Social security costs	81,833	75,337
Pension costs	37,282	31,783
	953,938	924,599

Average monthly number employed including executive directors:	Number	Number
Production staff	40	42
Office and management	6	6
Selling and distribution	2	2
	48	50

Directors	£	£
Emoluments	246,062	187,110
Company contributions to money purchase pension schemes	35,802	27,583
	281,864	214,693

During the year the following number of directors:	Number	Number
Accrued retirement benefits under:		
Money purchase pension schemes	3	2

Highest paid director	£	£
Emoluments and amounts receivable under long term incentive schemes	96,673	83,440
Company contributions to a money purchase pension scheme	17,598	15,238

Defined contribution pension scheme

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £37,282 (1999 £31,783) including contributions in respect of employees. Contributions totalling £25,008 (1999 £nil) were payable to the fund at 31st August 2000 and are included in creditors.

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

5 Investment income

	2000 £	1999 £
Interest receivable	6,944	4,266

6 Interest payable

	2000 £	1999 £
Bank interest	20,968	23,083
Loan interest	10,700	12,650
Hire purchase interest	2,490	2,864
	34,158	38,597

7 Taxation

	2000 £	1999 £
UK Corporation tax:		
Current tax on income for the period at 20.0% (1999 20.6%)	21,694	6,210
Adjustments in respect of prior periods	(1)	-
Deferred tax:		
Deferred tax for the period	2,946	8,314
	24,639	14,524

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

8 Tangible fixed assets

Cost	Motor Vehicles £	Plant and Machinery £	Land and Buildings £	Total £
1st September 1999	106,875	924,652	257,032	1,288,559
Additions	54,717	74,009	-	128,726
Disposals	(55,963)	-	-	(55,963)
31st August 2000	105,629	998,661	257,032	1,361,322
Depreciation				
1st September 1999	61,240	498,088	6,392	565,720
Charge for the year	20,710	113,805	5,140	139,655
Disposals	(31,911)	-	-	(31,911)
31st August 2000	50,039	611,893	11,532	673,464
Net book amount				
31st August 2000	55,590	386,768	245,500	687,858
1st September 1999	45,635	426,564	250,640	722,839

The net book amount of fixed assets includes £37,589 (1999 £38,803) in respect of assets held under finance leases and hire purchase contracts, the depreciation of which is shown in note 3.

9 Land and Buildings

	2000 £	1999 £
Freehold	245,500	250,640

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

10 Fixed asset investments

	Subsidiary companies £
Cost	
1st September 1999 and at 31st August 2000	962,400
Net book amount	
31st August 2000	962,400
1st September 1999	962,400

The subsidiary companies, which are all wholly owned and incorporated in England are

Tradedeluxe Limited
*Mitchell Interflex 1996 Limited
*County Brook Mill Company, Limited
*Mitchell Interflex Leisure Limited

* Equity held by subsidiary company.

On the 18th September 1992 the company acquired the whole of the share capital of Tradedeluxe Limited along with its wholly owned subsidiaries.

The issued share capital of the subsidiary companies comprise Ordinary Shares and, in the case of Mitchell Interflex Leisure Limited, 5% Cumulative Participating Preference Shares.

11 Stocks

	2000 £	1999 £
Work in progress	415,719	468,147
Raw materials	98,630	65,160
	514,349	533,307

12 Debtors

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Amounts falling due within one year				
Trade debtors	565,686	654,973	565,686	654,973
Amounts owed by group undertakings	-	-	111,000	111,000
Prepayments and accrued income	35,986	29,928	35,986	29,928
	601,672	684,901	712,672	795,901

13 Creditors: amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans	63,517	57,692	63,517	57,692
Trade creditors	326,920	357,448	326,920	357,448
Other loans	30,000	30,000	30,000	30,000
Amounts owed to group undertakings	-	-	1,485,309	1,485,309
Corporation tax	21,694	6,210	21,694	6,210
Other taxation and social security	88,791	89,436	88,791	89,436
Other creditors	8	8	8	8
Accruals and deferred income	132,761	110,132	132,761	110,132
Obligations under finance leases and hire purchase contracts - note 14	13,439	27,650	13,439	27,650
	677,130	678,576	2,162,439	2,163,885

14 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Other liabilities		
Bank loans	184,432	251,791
Other loans	80,000	110,000
Obligations under finance leases and hire purchase contracts	5,017	4,285
	269,449	366,076
Maturity of debt		
In one year or less, or on demand - see note 13	93,517	87,692
In more than one year but not more than two years	88,627	93,152
In more than two years but not more than five years	130,418	202,568
In more than five years	45,387	66,071
	357,949	449,483
Amounts falling due after more than five years:		
Bank loans	45,387	66,071
Obligations under finance leases and hire purchase contracts		
These are repayable over varying periods by monthly instalments as follows:		
In the next year - see note 13	13,439	27,650
In the second to fifth years	5,017	4,285
	18,456	31,935

Bank indebtedness is secured by a fixed charge over the group's land and buildings and a floating charge over the whole of the assets and undertakings of the group.

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

15 Provision for liabilities and charges

	Deferred tax £
1st September 1999	21,900
Profit and loss account	2,946
31st August 2000	24,846

16 Deferred taxation

	2000		1999	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by				
Accelerated capital allowances	24,846	24,846	21,900	21,900
	24,846	24,846	21,900	21,900

The potential liability and provision are based on a corporation tax rate of 20.0% (1999 20.0%).

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	2000 £	1999 £	2000 £	1999 £
Profit for the financial year representing a **Net addition to shareholders' funds**	70,781	58,442	70,781	58,442
Opening shareholders' funds	1,110,219	1,051,777	698,310	639,868
Closing shareholders' funds	1,181,000	1,110,219	769,091	698,310

MITCHELL INTERFLEX LIMITED

NOTES ON FINANCIAL STATEMENTS

31st August 2000

18 Called up share capital

	2000		1999	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	1,000,000	1,000,000	1,000,000	1,000,000
Allotted, called up and fully paid				
Ordinary shares of £1 each	480,000	480,000	480,000	480,000

19 Profit and loss account

	Group 2000 £	Company 2000 £
1st September 1999	630,219	218,310
Retained profit for the year	70,781	70,781
31st August 2000	701,000	289,091

20 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st August 2001:

	2000 Plant & Other £	1999 Plant & Other £
Expiring		
Within two to five years	1,032	1,835
After five years	20,000	20,000
	21,032	21,835

Capital Commitments

At 31st August 2000, the company had commitments for capital expenditure contracted for but not provided for in the accounts of £nil (1999 £8,500).

Pension Commitments

The annual commitment under the company's pension scheme is for contributions of £37,282 (1999 £31,783).

Guarantees

The group has given an indemnity to National Westminster Bank PLC in respect of guarantees by them amounting to £20,000 (1999 £20,000) to H.M. Customs & Excise for potential VAT liabilities of the group.

21 Notes to the cash flow statement

Reconciliation of operating profit to operating cash flows

	2000 £	1999 £
Operating profit	122,634	107,297
Depreciation charges	139,655	126,703
Decrease in stocks	18,958	125,367
Decrease/(increase) in debtors	83,229	(27,010)
Decrease in creditors	(8,544)	(3,960)
Net cash inflow from operating activities	355,932	328,397

22 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	Other changes £	At end of year £
Cash at bank and in hand	235,724	112,822	-	348,546
		112,822		
Debt due within 1 year	(87,692)	87,692	(93,517)	(93,517)
Debt due after 1 year	(361,791)	3,842	93,517	(264,432)
Finance leases	(31,935)	30,799	(17,320)	(18,456)
		122,333		
Total	(245,694)	235,155	(17,320)	(27,859)

Reconciliation of net cash flow to movement in net debt

	2000 £	1999 £
Increase in cash in the year	112,822	93,273
Cash outflow from decrease in debt and lease financing	122,333	686
Change in net debt resulting from cash flows	235,155	93,959
New finance leases	(17,320)	(13,392)
Movement in net debt in the year	217,835	80,567
Net debt at 1st September 1999	(245,694)	(326,261)
Net debt at 31st August 2000	(27,859)	(245,694)

23 Related parties

As at 31st August 2000, an outstanding loan owed to R. Mitchell, a director of the company, amounted to £110,000 (1999 £140,000).

The loan is unsecured, and interest is now payable at the rate of 8% per annum. During the year, loan interest was paid to R. Mitchell of £10,700 (1999 £12,650).

The loan is being repaid at a rate of £2,500 per month.

The company is jointly controlled by A.B. Mitchell and L.J. Mitchell who are directors of this company.