

W. & J. KNOX FIBRES LIMITED

FINANCIAL STATEMENTS

for the fifty-three weeks ended
3rd September, 1995

KIDSONS IMPEY

Chartered Accountants

HULL



W. & J. KNOX FIBRES LIMITED

Directors

F. W. Wood (Chairman)
J. Traynor (Managing)
N. R. Carrick
J. R. Hairstans
M. D. Nutter
J. Templeton

DIRECTORS' REPORT

The directors submit their annual report and the audited financial statements of the company for the fifty-three weeks ended 3rd September, 1995 ("the year").

BUSINESS REVIEW

The principal activity of the company continues to be the processing of synthetic carpet yarns and fibres.

The company has suffered from very low levels of demand for domestic carpets during the year both in the United Kingdom and elsewhere in Europe, but market share is being maintained. The market for synthetic contract carpeting has, however, been stable and the company has improved its market share in this sector.

The trading results for the year are shown in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend for the year.

The company's future development will be in its current and similar products in which there appear to be opportunities.

DIRECTORS

The membership of the Board is shown above. With the exception of Mr. M. D. Nutter who was appointed to the Board on 1st September, 1994 and Mr. N. R. Carrick who was appointed to the Board subsequent to the year-end on 11th September, 1995, all served on the Board for the whole of the financial year.

Messrs. F. W. Wood and J. Templeton retire by rotation and, being eligible, offer themselves for re-election.

Mr. N. R. Carrick retires at the Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' SHAREHOLDINGS

None of the directors has any beneficial interest in the share capital of the company. The interest of Mr. F. W. Wood in the share capital of Cosalt plc, the ultimate parent company, is disclosed by that company.

The interests of the other directors in the ordinary share capital of Cosalt plc are as follows:

	<u>At 3rd September, 1995</u>	<u>At 29th August, 1994</u> (or date of appointment, if later)
J. Traynor	4,885	4,266
J. R. Hairstans	4,719	4,100
M. D. Nutter	-	-
J. Templeton	3,551	2,932

These holdings include shares issued under the Cosalt plc Employees' Profit Sharing Scheme.

W. & J. KNOX FIBRES LIMITEDDIRECTORS' REPORT(CONTINUED)

DIRECTORS' SHAREHOLDINGS (continued)

Mr. J. Traynor held options to purchase Cosalt plc ordinary shares under the Cosalt plc Executive Share Option Scheme as follows:

<u>At 29th August, 1994</u>	<u>Number of options Granted in year</u>	<u>At 3rd September, 1995</u>	<u>Exercise price</u>	<u>Dates from which exercisable</u>	<u>Expiry date</u>
10,000	-	10,000	193p	28.11.91	27.11.98
6,250	-	6,250	238p	18.12.92	17.12.99
8,000	-	8,000	134.67p	17.12.93	16.12.00
8,000	-	8,000	140p	16.12.94	15.12.01
8,000	-	8,000	164p	17.12.95	16.12.02
8,000	-	8,000	111.70p	22.12.96	21.12.03
-	10,000	10,000	140p	15.12.97	14.12.04
<u>48,250</u>	<u>10,000</u>	<u>58,250</u>			

The market price of Cosalt plc ordinary shares at 3rd September, 1995 was 155p and the range during the year was 131p to 161p.

No options lapsed during the year.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During the financial year to 3rd September, 1995, the company has maintained insurance cover for the directors and officers of the company as permitted by Section 310 of the Companies Act 1985.

FIXED ASSETS

The movements in tangible fixed assets are set out in note 8 to the financial statements. In note 15 additional information is provided on assets used by the company which are subject to lease agreements.

The last professional revaluation of the company property took place in August, 1988.

Although property values might have fallen in the recent recessionary period, no revaluation or adjustment has been made to the valuation because any fall is not considered to be of a permanent nature and the property is occupied on a long term basis.

AUDITORS

The auditors, Messrs. Kidsons Impey, Chartered Accountants, have intimated their willingness to continue in office.

By Order of the Board


A. B. Clark

Secretary

Fish Dock Road,
Grimsby.

20th November, 1995.

W. & J. KNOX FIBRES LIMITEDSTATEMENT 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 at the end of the year, and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- * select suitable accounting policies and then apply them consistently;
- * make judgements and estimates that are reasonable and prudent;
- * state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company 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 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 hence for taking reasonable steps for the prevention of fraud and other irregularities.

W. & J. KNOX FIBRES LIMITEDREPORT OF THE AUDITORS TO THE MEMBERS

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

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 financial 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 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 of the state of the company's affairs at 3rd September, 1995 and of its results for the fifty-three weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Kidson Imprey

Registered Auditors
Chartered Accountants

Hull: 20th November, 1995.

W. & J. KNOX FIBRES LIMITEDPROFIT AND LOSS ACCOUNTFOR THE FIFTY-THREE WEEKS ENDED 3RD SEPTEMBER, 1995

	<u>Note</u>	53 weeks ended 3rd September, 1995 £	52 weeks ended 28th August, 1994 £
TURNOVER	2	3,428,444	5,689,976
OPERATING PROFIT	3	59,134	715,877
INTEREST PAYABLE AND SIMILAR CHARGES	4	<u>209,593</u>	<u>175,912</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(150,459)	539,965
TAXATION (CREDIT)/CHARGE	6	<u>(64,954)</u>	<u>187,277</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(85,505)	352,688
DIVIDENDS	7	—	<u>352,000</u>
TRANSFERRED (FROM)/TO RESERVES	14	<u>(85,505)</u>	<u>688</u>

All operations are classed as continuing.

The company has no recognised gains or losses other than the (losses)/profits for the years disclosed above; accordingly, a statement of recognised gains and losses has not been included in these financial statements.

The historical cost profits and losses are not materially different from those reported above.

The notes on pages 7 to 14 form part of these financial statements.

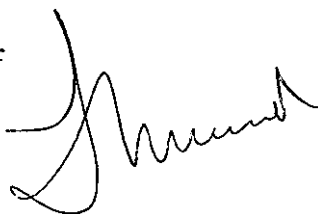
W. & J. KNOX FIBRES LIMITED

BALANCE SHEET - 3RD SEPTEMBER, 1995

	<u>Note</u>	3rd September, 1995	28th August, 1994
		£	£
FIXED ASSETS			
Tangible fixed assets	8	2,625,801	2,719,740
CURRENT ASSETS			
Stocks	9	245,709	229,015
Debtors	10	909,045	1,683,558
Cash at bank		<u>5,249</u>	<u>278,917</u>
		1,160,003	2,191,490
CREDITORS			
Amounts falling due within one year	11	<u>1,964,528</u>	<u>2,661,114</u>
NET CURRENT LIABILITIES		<u>(804,525)</u>	<u>(469,624)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,821,276	2,250,116
CREDITORS			
Amounts falling due after more than one year	11	<u>1,446,230</u>	<u>1,673,934</u>
		375,046	576,182
PROVISIONS FOR LIABILITIES AND CHARGES	12	95,310	190,481
DEFERRED INCOME			
Grants not yet credited to profit		<u>211,972</u>	<u>232,432</u>
		<u>307,282</u>	<u>422,913</u>
NET ASSETS		<u>67,764</u>	<u>153,269</u>
CAPITAL AND RESERVES			
Called up share capital	13	150,000	150,000
Profit and loss account	14	<u>(82,236)</u>	<u>3,269</u>
EQUITY SHAREHOLDERS' FUNDS	14	<u>67,764</u>	<u>153,269</u>

Approved by the Board on 20th November, 1995.

F. W. Wood - Director



The notes on pages 7 to 14 form part of these financial statements.

W. & J. KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995

1. ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention, adjusted for the revaluation of leasehold property improvements.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds it is a wholly owned subsidiary undertaking of a parent undertaking which publishes a consolidated cash flow statement.

(b) Depreciation

Tangible fixed assets are depreciated on a straight line basis at annual rates which vary depending on the type of asset but which are generally:

Leasehold property improvements	2%
Plant and machinery	5-20%
Motor vehicles	20-25%

(c) Government grants

Capital grants received for plant are taken to deferred income and released to profit and loss account in instalments relating to the relevant asset lives.

Other grants are recognised in the profit and loss account in the same period as the related expenditure.

(d) Leased assets

Assets which are financed by leasing agreements transferring substantially all the risks and rewards of ownership (finance leases) are capitalised and depreciated over their useful lives. The liability to the leasing company is included in creditors. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to profit and loss account. All other payments under lease agreements are charged in full to profit and loss account.

(e) Stocks

Stocks are stated at the lower of cost, including an appropriate proportion of production overheads, and net realisable value.

(f) Deferred taxation

Provision is made on the liability method for deferred taxation, arising from the different treatment of certain items for taxation and accounting purposes, unless there is reasonable probability that such deferred taxation will not be payable in the foreseeable future.

(g) Pension costs

Contributions to the group's pension schemes are charged to profit and loss account so as to spread the cost of pensions over employees' service lives.

W. & J. KNOX FIBRES LIMITEDNOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995(CONTINUED)

1. ACCOUNTING POLICIES (continued)

(h) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at approximate rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. All exchange differences arising are included in the profit and loss account for the year.

2. TURNOVER

Turnover represents the goods and services, excluding value added tax, invoiced to customers. The principal activity of the company is the processing of synthetic carpet yarns and fibres and the geographical analysis of turnover is as follows:

	<u>1995</u> £	<u>1994</u> £
United Kingdom	2,139,348	2,259,470
Overseas	<u>1,289,096</u>	<u>3,430,506</u>
	<u>3,428,444</u>	<u>5,689,976</u>

All turnover originated in the United Kingdom.

3. OPERATING PROFIT

Operating profit has been arrived at after charging/(crediting):

	<u>1995</u> £	<u>1994</u> £
Movement in stocks of finished goods and work in progress	(25,611)	(102,123)
Government grants	(20,460)	(98,874)
Raw materials and consumables	380,889	1,870,730
Other external charges	978,446	1,065,421
Auditors' remuneration	2,600	2,750
Operating lease charges - plant	35,121	26,248
Plant hire	15,763	19,413
Staff costs (note 5)	1,661,738	1,931,485
Depreciation on owned assets	83,997	63,363
Depreciation on assets held under finance leases	197,427	136,586
Other operating charges	<u>59,400</u>	<u>59,100</u>
	<u>3,369,310</u>	<u>4,974,099</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1995</u> £	<u>1994</u> £
On bank borrowings	19,798	19,363
On finance leases	130,395	97,549
Capital charge by ultimate parent company	<u>59,400</u>	<u>59,000</u>
	<u>209,593</u>	<u>175,912</u>

W. & J. KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995

(CONTINUED)

5. DIRECTORS AND EMPLOYEES	<u>1995</u>	<u>1994</u>
	£	£
Staff costs:		
Wages and salaries	1,499,452	1,757,883
Social security costs	112,315	141,519
Other pension costs	35,742	32,083
Employees' profit sharing scheme	<u>14,229</u>	<u>-</u>
	<u>1,661,738</u>	<u>1,931,485</u>
Emoluments of the directors of the company were:		
Remuneration for management	<u>137,077</u>	<u>94,024</u>
Emoluments of the directors (excluding pension contributions) were:		
Chairman	<u>Nil</u>	<u>Nil</u>
Highest paid director	<u>43,027</u>	<u>39,191</u>
Other directors	<u>Number</u>	<u>Number</u>
£20,001 - £25,000	-	1
£25,001 - £30,000	1	1
£30,001 - £35,000	2	-
The average number of employees of the company during the year was:		
Management and administration	8	8
Production and sales staff	<u>136</u>	<u>177</u>
	144	185
	<u> </u>	<u> </u>
6. TAXATION	<u>1995</u>	<u>1994</u>
	£	£
The taxation (credit)/charge based on the (loss)/profit on ordinary activities is:		
U.K. corporation tax payable @ 33% (1994 - 33%)	31,000	124,000
Transfer (from)/to deferred taxation	<u>(74,715)</u>	<u>63,277</u>
	(43,715)	187,277
Prior year adjustments:		
Corporation tax	(783)	29,882
Deferred taxation	<u>(20,456)</u>	<u>(29,882)</u>
	(64,954)	187,277
	<u> </u>	<u> </u>

W. & J. KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995

(CONTINUED)

7. DIVIDENDS	<u>1995</u> £	<u>1994</u> £
Final dividend proposed	-	352,000
	<u> </u>	<u> </u>

8. TANGIBLE FIXED ASSETS	<u>Leasehold property improvements</u> £	<u>Plant, vehicles and equipment</u> £	<u>Total</u> £
COST AND VALUATION			
At 29th August, 1994	30,655	4,404,933	4,435,588
Additions	<u> -</u>	<u>187,485</u>	<u>187,485</u>
At 3rd September, 1995	30,655	4,592,418	4,623,073
Being:			
Cost	-	4,592,418	4,592,418
Valuation - 1988	<u>30,655</u>	<u> -</u>	<u>30,655</u>
	30,655	4,592,418	4,623,073
DEPRECIATION			
At 29th August, 1994	3,886	1,711,962	1,715,848
Charged to profit and loss account	<u>661</u>	<u>280,763</u>	<u>281,424</u>
At 3rd September, 1995	4,547	1,992,725	1,997,272
NET BOOK VALUES			
At 3rd September, 1995	26,108	2,599,693	2,625,801
At 28th August, 1994	26,769	2,692,971	2,719,740

Assets costing £406,000 (1994 £377,000) have been fully depreciated and are still in use.

The following tangible fixed assets held under finance leases are included in plant, vehicles and equipment:

	<u>1995</u> £	<u>1994</u> £
Cost	3,690,473	3,522,215
Depreciation	<u>1,449,875</u>	<u>1,252,448</u>
Net book value	<u>2,240,598</u>	<u>2,269,767</u>

W. & J. KNOX FIBRES LIMITEDNOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995(CONTINUED)

8. TANGIBLE FIXED ASSETS (continued)

Property valuations were at open market value on an existing use basis.

If leasehold property improvements had not been revalued in 1988 they would have been included at the following amounts:

	<u>1995</u>	<u>1994</u>
	£	£
Cost	32,406	32,406
Accumulated depreciation	<u>6,287</u>	<u>5,639</u>
Net book value	26,119	26,767
	<u> </u>	<u> </u>

	<u>1995</u>	<u>1994</u>
	£	£
The depreciable amount of leasehold property improvements is:	30,655	30,655
	<u> </u>	<u> </u>

9. STOCKS

	<u>1995</u>	<u>1994</u>
	£	£
Raw materials	20,224	29,141
Work in progress	54,368	14,631
Finished goods	<u>171,117</u>	<u>185,243</u>
	245,709	229,015
	<u> </u>	<u> </u>

10. DEBTORS

	<u>1995</u>	<u>1994</u>
	£	£
Amounts falling due within one year:		
Trade debtors	354,925	553,169
Amount due from ultimate parent company	449,900	757,325
Other debtors	-	260,000
Prepayments and accrued income	<u>104,220</u>	<u>113,064</u>
	909,045	1,683,558
	<u> </u>	<u> </u>

W. & J. KNOX FIBRES LIMITEDNOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995(CONTINUED)

11. CREDITORS	<u>1995</u> £	<u>1994</u> £
Amounts falling due within one year:		
Bank overdraft	1,004,628	677,486
Bank loan	<u>61,250</u>	<u>61,250</u>
	1,065,878	738,736
Trade creditors	120,533	442,733
Amounts owed to fellow subsidiary undertakings	57,101	56,389
Corporation tax	144,099	222,882
Other taxation	75,028	55,635
Social security	13,289	17,437
Other creditors	5,422	275,693
Accruals and deferred income	152,884	216,216
Dividend payable	-	352,000
Obligations under finance leases (note 15)	<u>330,294</u>	<u>283,393</u>
	1,964,528	2,661,114
Amounts falling due after more than one year:		
Bank loan	122,500	183,750
Obligations under finance leases (note 15)	<u>1,323,730</u>	<u>1,490,184</u>
	1,446,230	1,673,934
Analysis of bank borrowings:		
Bank overdraft	1,004,628	677,486
Loan repayable within five years:		
Unsecured loan 1995/98 at 11%	<u>183,750</u>	<u>245,000</u>
Total bank borrowings	<u>1,188,378</u>	<u>922,486</u>
Repayment of bank borrowings:		
Between two and five years	122,500	183,750
Within one year or on demand	<u>1,065,878</u>	<u>738,736</u>
	1,188,378	922,486

W. & J. KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995

(CONTINUED)

12. PROVISIONS FOR LIABILITIES AND CHARGES	<u>1995</u>	<u>1994</u>
	£	£
The provision included in the balance sheet relates to deferred taxation and comprises:		
Accelerated tax allowances	39,570	37,979
Other timing differences	<u>55,740</u>	<u>152,502</u>
	95,310	190,481
	<u> </u>	<u> </u>
13. CALLED UP SHARE CAPITAL	<u>1995</u>	<u>1994</u>
	£	£
Authorised: 250,000 ordinary shares of £1 each	250,000	250,000
	<u> </u>	<u> </u>
Issued and fully paid:		
150,000 ordinary shares of £1 each	150,000	150,000
	<u> </u>	<u> </u>
14. RESERVES		
(a) Reconciliation of movements in equity shareholders' funds		
	<u>1995</u>	<u>1994</u>
	£	£
(Loss)/profit for the financial year	(85,505)	352,688
Dividends	<u> </u>	<u>(352,000)</u>
Net (reduction in)/addition to equity shareholders' funds	(85,505)	688
Opening equity shareholders' funds	<u>153,269</u>	<u>152,581</u>
Closing equity shareholders' funds	<u>67,764</u>	<u>153,269</u>
	<u> </u>	<u> </u>
(b) Profit and loss account		
	£	
Balance at 29th August, 1994	3,269	
Loss for the year	<u>(85,505)</u>	
Balance at 3rd September, 1995 - adverse	<u>(82,236)</u>	

W. & J. KNOX FIBRES LIMITEDNOTES ON FINANCIAL STATEMENTS - 3RD SEPTEMBER, 1995(CONTINUED)

15. LEASING OBLIGATIONS

Future commitments due under finance leases are:

	<u>1995</u>	<u>1994</u>
	£	£
Within one year	441,236	410,532
Between two and five years	1,343,877	1,382,924
In five years or more	<u>181,934</u>	<u>376,871</u>
	1,967,047	2,170,327
Less: future finance charges	<u>313,023</u>	<u>396,750</u>
	1,654,024	1,773,577
Shown in creditors (note 11) as:		
Amounts falling due within one year	330,294	283,393
Amounts falling due after more than one year	<u>1,323,730</u>	<u>1,490,184</u>
	1,654,024	1,773,577

16. CAPITAL COMMITMENTS

	<u>1995</u>	<u>1994</u>
	£	£
Contracted for but not provided in the financial statements	-	58,000
Authorised by the directors but not contracted for	<u>955,000</u>	<u>963,000</u>

17. PENSION COMMITMENTS

The company is part of the Cosalt plc group which operates several pension schemes, the major one being of the defined benefit type, and the assets of these schemes are held in separate trustee administered funds.

Contributions by the company which amounted to £35,742 (1994 £32,083) are based on pension costs across the group as a whole and are assessed in accordance with advice of a qualified actuary. Particulars of actuarial valuations of the group schemes are disclosed in the financial statements of Cosalt plc. The latest actuarial assessment of the major scheme was made at 1st January, 1994.

18. ULTIMATE PARENT COMPANY

The ultimate parent company is Cosalt plc, which is incorporated in England.