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W & J KNOX FIBRES LIMITED

FINANCIAL STATEMENTS

**for the fifty-two weeks ended
27th August 2000**



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W & J KNOX FIBRES LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27TH AUGUST 2000

Contents

	Page
Directors' report	1-2
Statement of directors' responsibilities	3
Report of the auditors to the members	4
Profit and loss account	5
Balance sheet	6
Notes	7-15

The following pages do not form part of the statutory accounts:

Detailed trading and profit and loss account	Appendix 1
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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-two weeks ended 27th August 2000 ("the year").

Business review

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

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. All served on the Board for the whole of the financial year. Messrs J Traynor and J R Hairstans retire by rotation and, being eligible, offer themselves for re-election.

Directors' shareholdings

None of the directors has any beneficial interest in the share capital of the company. The interests of Messrs F W Wood and N R Carrick in the share capital of Cosalt plc, the ultimate parent company, are disclosed by that company.

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

	At 27th August 2000	At 29th August 1999
J Traynor	19,962	10,753
J R Hairstans	6,796	6,587
M D Nutter	339	272
J Templeton	5,628	4,514

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

W & J KNOX FIBRES LIMITED

DIRECTORS' REPORT

(Continued)

Directors' shareholdings (continued)

Mr J Traynor also held options to purchase Cosalt plc ordinary shares under the various Cosalt plc Executive Share Option Schemes as follows:-

At 29th Aug 1999	Granted during year	Exercised during year	Lapsed during year	At 27th Aug 2000	Exercise price (p)	Dates from which exercisable	Expiry date
6,250	-	-	6,250	-	238.00	18.12.92	17.12.99
8,000	-	8,000	-	-	111.70	22.12.96	21.12.03
10,000	-	10,000	-	-	140.00	15.12.97	14.12.04
10,000	-	-	-	10,000	219.50	17.02.00*	16.02.04
10,000	-	-	-	10,000	232.50	23.12.00*	22.12.04
15,000	-	-	-	15,000	204.50	22.12.01*	22.12.05
-	16,500	-	-	16,500	179.50	28.04.03*	27.04.10
-	500	-	-	500	179.50	28.04.03*	27.04.07
59,250	17,000	18,000	6,250	52,000			

* Performance criteria of an increase in earnings per share of 2% per annum above the Retail Price Index over a rolling three year period must be achieved before exercise is permitted.

The market price of Cosalt plc ordinary shares at 27th August 2000 was 213.5p and the range during the year was 172.5p to 226.5p.

The market price of the shares at the date of exercise by Mr Traynor was 222.5p.

Fixed assets

The movement 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.

Political and charitable donations

The company made no political or charitable donations in the year.

Auditors

The auditors, KPMG Audit Plc, have expressed their willingness to continue in office. In accordance with Section 384 of the Companies Act 1985, a resolution for their re-appointment will be proposed at the Annual General Meeting.

By order of the Board



A J Robson
Secretary

Fish Dock Road
GRIMSBY

31st January 2001

W & J KNOX FIBRES 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 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 have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

**REPORT OF THE AUDITORS, KPMG AUDIT PLC, TO THE MEMBERS OF
W & J KNOX FIBRES LIMITED**

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 as at 27th August 2000, and of its loss for the fifty-two weeks then ended, and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Leeds

W & J KNOX FIBRES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE FIFTY-TWO WEEKS ENDED 27TH AUGUST 2000

		52 weeks ended 27th August 2000	52 weeks ended 29th August 1999
	Note	£	£
Turnover	2	<u>3,127,910</u>	<u>4,210,108</u>
Operating (loss)/profit		(151,445)	101,588
Interest payable and similar charges (net)	5	<u>(181,014)</u>	<u>(199,815)</u>
Loss on ordinary activities before taxation		(332,459)	(98,227)
Taxation credit	7	<u>113,860</u>	<u>41,846</u>
Transferred from reserves	14	<u>(218,599)</u>	<u>(56,381)</u>

All operations are classed as continuing.

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

The notes on pages 7 to 15 form part of these financial statements.

W & J KNOX FIBRES LIMITED
BALANCE SHEET - 27TH AUGUST 2000

	Note	27th August 2000		29th August 1999	
		£	£	£	£
Fixed assets					
Tangible fixed assets	8		2,473,061		2,809,863
Current assets					
Stocks	9	293,858		259,345	
Debtors	10	<u>473,225</u>		<u>580,610</u>	
		767,083		839,955	
Creditors					
Amounts falling due within one year	11	<u>3,171,237</u>		<u>2,990,145</u>	
Net current liabilities			<u>(2,404,154)</u>		<u>(2,150,190)</u>
Total assets less current liabilities			68,907		659,673
Creditors					
Amounts falling due after more than one year	11		<u>660,246</u>		<u>988,079</u>
			(591,339)		(328,406)
Provisions for liabilities and charges	12	120,540		144,903	
Deferred income					
Grants not yet credited to profit		<u>112,053</u>	<u>232,593</u>	<u>132,024</u>	<u>276,927</u>
Net liabilities			<u>(823,932)</u>		<u>(605,333)</u>
Capital and reserves					
Called up share capital	13		150,000		150,000
Profit and loss account	14		<u>(973,932)</u>		<u>(755,333)</u>
Equity shareholders' funds - adverse	14		<u>(823,932)</u>		<u>(605,333)</u>

Approved by the Board on 31st January 2001



N R Carrick - Director

The notes on pages 7 to 15 form part of these financial statements.

W & J KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

1 Accounting policies

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and under the historical cost convention.

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

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%

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.

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.

Stocks

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

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.

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 LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

(continued)

1 Accounting Policies (continued)

Research and development

Expenditure on research and development of new manufacturing processes and products is charged to profit and loss account as it is incurred.

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:

	2000 £	1999 £
United Kingdom	2,975,497	4,097,141
Overseas	<u>152,413</u>	<u>112,967</u>
	<u>3,127,910</u>	<u>4,210,108</u>

All turnover originated in the United Kingdom.

3 Operating (loss)

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

	2000 £	1999 £
Movement in stocks of finished goods and work in progress	(32,813)	(77,613)
Other operating income - rents received	(45,827)	(72,701)
Government grants	(19,971)	(19,968)
Raw materials and consumables	445,684	1,078,476
Other external charges	893,910	1,009,102
Auditors' remuneration	6,000	3,200
Operating lease charges - plant	46,905	27,166
Plant hire	19,903	21,708
Staff costs (note 6)	1,527,500	1,727,060
Depreciation on owned assets	50,988	60,581
Depreciation on assets held under finance leases	284,476	264,679
Other operating charges	102,600	104,150
Exceptional items (note 4)	<u>-</u>	<u>(17,320)</u>
	<u>3,279,355</u>	<u>4,108,520</u>

W & J KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

(continued)

4	Exceptional items	2000 £	1999 £
	Re-organisation costs	<u>-</u>	<u>(17,320)</u>
5	Interest payable and similar charges (net)	2000 £	1999 £
	On finance leases	78,414	95,793
	Capital charge by ultimate parent company	<u>102,600</u>	<u>104,150</u>
		181,014	199,943
	Interest received	<u>-</u>	<u>128</u>
		<u>181,014</u>	<u>199,815</u>
6	Directors and employees	2000 £	1999 £
	Staff costs:		
	Wages and salaries	1,370,786	1,543,487
	Social security costs	107,700	129,235
	Other pension costs	41,421	38,537
	Employees' profit sharing scheme	<u>7,593</u>	<u>15,801</u>
		<u>1,527,500</u>	<u>1,727,060</u>
	Emoluments of the directors of the company were:		
	Remuneration for management	<u>160,795</u>	<u>154,116</u>
		Number	Number
	The number of directors accruing benefits under defined benefit pension schemes in respect of qualifying service was:	6	6
	The number of directors exercising share options in respect of Cosalt plc shares during the year was:	2	-
	The number of directors granted share options in respect of Cosalt plc shares during the year was:	3	3
	The average number of employees of the company during the year was:		
	Management and administration	10	10
	Production and sales staff	<u>86</u>	<u>115</u>
		<u>96</u>	<u>125</u>

W & J KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

(continued)

7	Taxation	2000 £	1999 £
	The taxation credit based on the loss on ordinary activities is:		
	Group taxation relief recoverable at 30% (1999 - 30.59%)	(73,750)	(6,000)
	Transfer from deferred taxation	<u>(24,326)</u>	<u>(27,632)</u>
		(98,076)	(33,632)
	Prior year adjustments:		
	Corporation tax	(15,747)	(8,672)
	Deferred taxation	<u>(37)</u>	<u>458</u>
		<u>(113,860)</u>	<u>(41,846)</u>
8	Tangible fixed assets		
		Leasehold property improvements £	Plant, vehicles and equipment £
			Total £
	Cost		
	At 30th August 1999	32,407	5,818,752
	Additions	-	(288)
	Disposals	<u>-</u>	<u>(1,873)</u>
	At 27th August 2000	<u>32,407</u>	<u>5,816,591</u>
	Depreciation		
	At 30th August 1999	8,914	3,032,382
	Charged to profit and loss account	659	334,805
	Eliminated in respect of disposals	<u>-</u>	<u>(823)</u>
	At 27th August 2000	<u>9,573</u>	<u>3,366,364</u>
	Net book values		
	At 27th August 2000	<u>22,834</u>	<u>2,450,227</u>
	At 29th August 1999	<u>23,493</u>	<u>2,786,370</u>

Assets costing £616,000 (1999 - £578,000) have been fully depreciated and are still in use.

W & J KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

(continued)

8 Tangible fixed assets (continued)

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

	2000 £	1999 £
Cost	4,914,818	4,914,818
Depreciation	<u>2,671,404</u>	<u>2,386,928</u>
Net book value	<u>2,243,414</u>	<u>2,527,890</u>

9 Stocks

	2000 £	1999 £
Raw materials	43,129	41,429
Work in progress	19,180	15,624
Finished goods	<u>231,549</u>	<u>202,292</u>
	<u>293,858</u>	<u>259,345</u>

10 Debtors

	2000 £	1999 £
Amounts falling due within one year:		
Trade debtors	303,488	469,018
Group taxation relief recoverable	73,750	6,000
Other debtors	10,768	-
Prepayments and accrued income	<u>85,219</u>	<u>105,592</u>
	<u>473,225</u>	<u>580,610</u>

W & J KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

(continued)

11 Creditors	2000 £	1999 £
Amounts falling due within one year:		
Bank overdraft	1,531,543	913,013
Trade creditors	215,582	423,329
Amount owed to ultimate parent company	780,364	800,919
Amounts owed to fellow subsidiary undertakings	117,763	101,541
Corporation tax	-	871
Other taxation	45,666	143,411
Social security	6,110	10,077
Other creditors	3,971	5,436
Accruals and deferred income	142,404	170,490
Obligations under finance leases (note 15)	<u>327,834</u>	<u>421,058</u>
	<u>3,171,237</u>	<u>2,990,145</u>
Amounts falling due after more than one year:		
Obligations under finance leases (note 15)	<u>660,246</u>	<u>988,079</u>

12 Provisions for liabilities and charges

	Warranty provision £	Deferred taxation £	Total £
At 30 August 1999	50,000	94,903	144,903
Deferred taxation	-	(24,363)	(24,363)
Utilised	(31,073)	-	(31,073)
Charged to profit and loss account	<u>31,073</u>	<u>-</u>	<u>31,073</u>
At 27th August 2000	<u>50,000</u>	<u>70,540</u>	<u>120,540</u>

	2000 £	1999 £
Analysis of deferred taxation		
Accelerated tax allowances	32,732	37,458
Other timing differences	<u>37,808</u>	<u>57,445</u>
	<u>70,540</u>	<u>94,903</u>

W & J KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

(continued)

13 Called up share capital	2000 £	1999 £
Authorised: 250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Issued and fully paid: 150,000 ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>
 14 Reserves	 2000 £	 1999 £
(a) Reconciliation of movements in equity shareholders' funds		
Loss for the financial year and net reduction in equity shareholders' funds	(218,599)	(56,381)
Opening equity shareholders' funds - (adverse)	<u>(605,333)</u>	<u>(548,952)</u>
Closing equity shareholders' funds - (adverse)	<u>(823,932)</u>	<u>(605,333)</u>
 (b) Profit and loss account		
Balance at 30th August 1999 - (adverse)	(755,333)	
Loss for the year	<u>(218,599)</u>	
Balance at 27th August 2000 - (adverse)	<u>(973,932)</u>	

W & J KNOX FIBRES LIMITED

NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000

(continued)

15 Leasing obligations	2000	1999
	£	£
Future commitments due under finance leases are:		
Within one year	379,552	499,471
Between two and five years	699,527	1,015,923
In five years or more	<u>31,327</u>	<u>94,483</u>
	1,110,406	1,609,877
Less: future finance charges	<u>122,326</u>	<u>200,740</u>
	<u>988,080</u>	<u>1,409,137</u>
Shown in creditors (note 11) as:		
Amounts falling due within one year	327,834	421,058
Amounts falling due after more than one year	<u>660,246</u>	<u>988,079</u>
	<u>988,080</u>	<u>1,409,137</u>
16 Capital commitments	2000	1999
	£	£
Contracted for but not provided for in the financial statements	<u>-</u>	<u>3,000</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 £41,421 (1999 £38,537) are based on pension costs across the group as a whole and are assessed in accordance with the 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 1997.

W & J KNOX FIBRES LIMITED**NOTES ON FINANCIAL STATEMENTS - 27TH AUGUST 2000**

(continued)

18 Related party transactions

The company has taken advantage of the exemption from disclosing related party transactions with other group companies, as permitted by Financial Reporting Standard No. 8 as the consolidated financial statements in which the company is included are publicly available.

19 Future financial support

The financial statements have been prepared under the going concern basis, the validity of which is dependent upon the continued financial support by the ultimate parent company.

The directors, having consulted with the directors of the ultimate parent company, believe that this financial support will continue for the foreseeable future.

Should the ultimate parent company be unable to continue its financial support, certain adjustments would be necessary to these financial statements.

20 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Cosalt plc which is the ultimate parent company, incorporated in England. The consolidated accounts of this company are available to the public and may be obtained from Fish Dock Road, Grimsby, DN31 3NW.